Tewkesbury
Borough Council

13 February 2017

Committee	Council
Date	Tuesday, 21 February 2017
Time of Meeting	6:00 pm
Venue	Council Chamber

ALL MEMBERS OF THE COUNCIL ARE REQUESTED TO ATTEND

for Sara J Freckleton
Borough Solicitor

Agenda

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Pursuant to the adoption by the Council on 26 June 2012 of the Tewkesbury Borough Council Code of Conduct, effective from 1 July 2012, as set out in Minute No. CL.34, Members are invited to declare any interest they may have in the business set out on the Agenda to which the approved Code applies.

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	Item	Page(s)

3. MINUTES 1 - 27

To approve the Minutes of the meeting held on 24 January 2017 and of the Extraordinary meeting held on 31 January 2017.

4. ANNOUNCEMENTS

1. When the continuous alarm sounds you must evacuate the building by the nearest available fire exit. Members and visitors should proceed to the visitors' car park at the front of the building and await further instructions (during office hours staff should proceed to their usual assembly point; outside of office hours proceed to the visitors' car park). Please do not re-enter the building unless instructed to do so.

   In the event of a fire any person with a disability should be assisted in leaving the building.

2. To receive any announcements from the Chair of the Meeting and/or the Chief Executive.

5. ITEMS FROM MEMBERS OF THE PUBLIC

a) To receive any questions, deputations or petitions submitted under Council Rule of Procedure.12.

   (The deadline for public participation submissions for this meeting is 15 February 2017).

b) To receive any petitions submitted under the Council's Petitions Scheme.

6. MEMBER QUESTIONS PROPERLY SUBMITTED IN ACCORDANCE WITH COUNCIL PROCEDURE RULES

To receive any questions submitted under Rule of Procedure 13. Any items received will be circulated on 21 February 2017.

(Any questions must be submitted in writing to Democratic Services by, not later than, 10.00am on the working day immediately preceding the date of the meeting).

7. RECOMMENDATIONS FROM EXECUTIVE COMMITTEE

The Council is asked to consider and determine recommendations of a policy nature arising from the Executive Committee as follows:-

(a) Budget 2017/18 28 - 60

At its meeting on 1 February 2017 the Executive Committee considered the 2017/18 budget and **RECOMMENDED TO COUNCIL** that:

1. a net budget of £9,913,693 be **APPROVED**;
2. a Band D Council Tax of £109.36, an increase of £5.00 per annum, be **APPROVED**;
3. the use of New Homes Bonus, as proposed in Paragraph 3.8 of the report, be **APPROVED**;
4. the Capital Programme, as proposed in Appendix A to the report, be **APPROVED**;
5. the Capital Prudential Indicators, as proposed in Appendix B to the report, be **APPROVED**;
6. the annual Minimum Revenue Provision (MRP) statement, as contained in Appendix B to the report, be **APPROVED**; and
7. the 2017/18 Treasury Management Strategy, as proposed in Appendix C to the report, be **APPROVED**.

(NB: Please remember that, in line with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, decisions on the budget MUST be a recorded vote).

8. COUNCIL TAX 2017/18

The Council is asked to formally set the Council Tax for 2017/18.

(A report will be circulated at the meeting)

(NB: Please remember that, in line with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, decisions on the budget MUST be a recorded vote).

9. MOTION - WASTE COLLECTION SERVICE

Councillor R A Bird will propose and Councillor Mrs K J Berry will second that:

Customer Focused Service is one of the highest priorities for Tewkesbury Borough Council, and the Council Plan sets out our objectives to achieve this commitment. 'Puts Customers First' is one of our Council Values.

Tewkesbury Borough Council's current waste collection service is the best in Gloucestershire in meeting the demands of residents, and achieves our Customer Service ethos.

Tewkesbury Borough Council is committed to maintaining the existing minimum service standard of:

1) bi-weekly residual waste (Green Bin) collections, to ensure that our customers receive an effective, hygienic rate of waste removal;
2) current large capacity residual waste bins (our existing standard), to ensure that customers are not in danger of having insufficient storage capacity, particularly where they might miss a collection; and
3) co-mingled recycling (Blue Bin) collections, the simplest recycling service currently available, and an effective encouragement to recycling.

We welcome the attempts of the Joint Waste Committee to seek efficiencies in waste management across Gloucestershire through standardisation, providing these do not reduce in any way the minimum customer service standards listed above, which would be contrary to our Customer Service ethos and our Council Plan.

10. SEPARATE BUSINESS

The Chairman will move the adoption of the following resolution:

That under Section 100(A)(4) Local Government Act 1972, the public be excluded for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.

11. SEPARATE RECOMMENDATIONS FROM EXECUTIVE COMMITTEE

The Council is asked to consider and determine separate recommendations of a policy nature arising from the Executive Committee as follows:-

(a) Revenues and Benefits Restructure 61 - 119

(Exempt –Paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972 – Information relating to any individual)

At its meeting on 1 February 2017 the Executive Committee considered a report detailing a restructure of the Council's Revenues and Benefits Service and made a recommendation to Council thereon.

Recording of Meetings

Please be aware that the proceedings of this meeting may be recorded and this may include recording of persons seated in the public gallery or speaking at the meeting. Please notify the Democratic Services Officer if you have any objections to this practice and the Mayor will take reasonable steps to ensure that any request not to be recorded is complied with.

Any recording must take place in such a way as to ensure that the view of Councillors, Officers, the public and press is not obstructed. The use of flash photography and/or additional lighting will not be allowed unless this has been discussed and agreed in advance of the meeting.

TEWKESBURY BOROUGH COUNCIL

Minutes of a Meeting of the Council held at the Council Offices, Gloucester Road, Tewkesbury on Tuesday, 24 January 2017 commencing at 6:00 pm

Present:

The Worshipful the Mayor	Councillor Mrs G F Blackwell
Deputy Mayor	Councillor H A E Turbyfield

and Councillors:

R E Allen, P W Awford, R A Bird, G J Bocking, K J Cromwell, D M M Davies, M Dean, R D East, A J Evans, D T Foyle, R Furolo, R E Garnham, Mrs P A Godwin, Mrs M A Gore, Mrs J Greening, Mrs R M Hatton, B C J Hesketh, Mrs S E Hillier-Richardson, Mrs A Hollaway, Mrs E J MacTiernan, J R Mason, Mrs H C McLain, T A Spencer, Mrs P E Stokes, P D Surman, M G Sztymiak, R J E Vines, D J Waters, M J Williams and P N Workman

CL.74 APOLOGIES FOR ABSENCE

74.1 Apologies for absence were received from Councillors Mrs K J Berry, A S Reece and V D Smith.

CL.75 DECLARATIONS OF INTEREST

75.1 The Committee's attention was drawn to the Tewkesbury Borough Council Code of Conduct which was adopted by the Council on 26 June 2012 and took effect from 1 July 2012.

75.2 The following declaration was made:

Councillor	Application No./Item	Nature of Interest (where disclosed)	Declared Action in respect of Disclosure
J R Mason	Item 11 – Neighbourhood Plans – Winchcombe and Sudeley (Combined) and Highnam.	Is Chair of Winchcombe Town Council.	Would speak and vote.

75.3 There were no further declarations made on this occasion.

CL.76 MINUTES

76.1 The Minutes of the meeting held on 6 December 2016, copies of which had been circulated, were approved as a correct record and signed by the Mayor, subject to an amendment to show that Councillor R E Garnham had been present at the meeting.

CL.77 ANNOUNCEMENTS

77.1 The evacuation procedure, as set out on the Agenda, was advised to those present.

77.2 The Mayor welcomed Mrs Christine Laird to the meeting and advised that she would be presenting the petition at Item 7 on the Agenda. She also introduced Richard Blamey (Chair of the Council's Independent Remuneration Panel) and the other Panel Members, Hugh Laird, Sue Lambert and Andrew Turner, who were all in attendance for Item 8 on the Agenda, Member Allowances Scheme 2017/18.

CL.78 ITEMS FROM MEMBERS OF THE PUBLIC

78.1 There were no items from members of the public on this occasion.

CL.79 MEMBER QUESTIONS PROPERLY SUBMITTED IN ACCORDANCE WITH COUNCIL PROCEDURE RULES

79.1 There were no Member questions on this occasion.

CL.80 PETITION - SALE OF GASTONS TO TEWKESBURY BATTLEFIELD SOCIETY

80.1 Members were advised that a petition had been received by the Council which asked that it communicate to the Governors of Tewkesbury School its disagreement with the decision not to sell the Gastons fields to the Tewkesbury Battlefield Society; to make clear any aspiration to sell the Gastons fields for development purposes was wholly inappropriate, given its historical significance, and would be vigorously opposed if attempted by the Trustees; and to consider formally designating the Gastons fields, in the Local Plan, as the intended site for the future creation of a Heritage Park for Tewkesbury and to work with the Society and residents to deliver that objective. The petition had received 2,741 signatures which was in excess of the 100 signatures required to trigger a Council debate and was the reason the current report was before Members. In addition, the Battlefield Society had undertaken its own online petition which contained 386 signatures. The report of the Head of Development Services, circulated at Pages No. 13-25, asked that Officers consider the issues raised within the petition through the Borough Plan process and explore with Tewkesbury Battlefield Society, the Tewkesbury School Trust and landowners the potential for improving the Battlefield as a cultural and heritage asset.

80.2 The Mayor invited Christine Laird, speaking as the petition organiser, to make her presentation to the Council. Mrs Laird explained that she had been asked to speak on behalf of the 3,000 people that had signed the two petitions which had been submitted to the Council. She explained that the Gastons fields were located at the heart of the site of the Battle of Tewkesbury and had been designated a national asset in 1983. The landscape was particularly rare because it remained much as it was in the fifteenth century. The fields were owned by the Tewkesbury School Trust, a charity owned and controlled by the governors of Tewkesbury School, and the endowment deed required the charity to comply with specific conditions to maintain and keep in good repair the barn, fields, boundaries and paths that made up the area. It was considered by those that had signed the petition that this requirement has not been complied with for more than 10 years as could be seen by the fencing that had fallen down and the hedgerows and pasture that were in very poor condition. In addition, the public footpaths that crossed the site had been impossible to use last year and a small barn located near the Gloucester Road was at real risk of falling down. Mrs Laird explained that the Gastons fields formed an important part of the Town's Battlefield trail but, sadly, it was not unusual to hear tourists comment adversely on the appearance of the fields when following the trail.

For residents it was a source of shame that tourists thought Tewkesbury did not care about its heritage. The Battlefield Society had regularly requested that action was taken to address its concerns but nothing was done and Members were advised that, in 2014, the governors had actively marketed the Gastons fields as a site suitable for speculative housing development. In response to that marketing campaign, an offer to purchase the fields had been received from New Dawn Homes of Cheltenham which was a company specialising in building executive homes. Action to prevent the sale was taken by registering the site as a community asset and the Battlefield Society had then led a successful effort to raise the money necessary to buy the fields. However, at the eleventh hour the governors had refused to sell with the reasons for doing so never being properly explained. The Battlefield Society was aware, from the Charity Commission, that no legal obstacles would have prevented sale of the land to the Battlefield Society and, recently, the suspicion that the sale was abandoned because the owners still wanted to sell the fields for housing was confirmed. It was the Battlefield Society's belief that the fields should be owned by people that appreciated their historical significance and potential to boost tourism and the local economy. The United Kingdom currently had no national park dedicated to the exploration of medieval history and it was felt that Tewkesbury would be the best place to create this as it was a medieval town which was home to the largest medieval festival in Europe. It was believed that the Heritage Lottery Fund and others would help fund its delivery. Mrs Laird advised that many residents had been angered that the issue was not about the actions of a faceless, profit driven company but the people in charge of the local school. One petitioner had commented that their children attended Tewkesbury School and they did not want them thinking it was acceptable to act like that. The petitioner believed the fields needed to be protected by the Council and asked that it formally designate the Gastons fields in the new Local Plan as the site of a future Medieval Heritage Park for Tewkesbury. In addition, the Battlefield Society supported the recent suggestion that a whole Battlefield approach to this issue may be merited. In the meantime it was hoped that, if there was anything the Council could do to press the governors to honour their repair and maintenance obligations, it would do so. For residents living by the fields it was now affecting their enjoyment of where they lived which was a source of sadness. Mrs Laird advised that the school seemed to have no democratic process to enable the Battlefield Society to engage directly with the board of governors and, although it had tried to secure change, it had no voice or influence over the board.

80.3 The Mayor thanked Mrs Laird for the information provided and invited the Economic and Community Development Manager to introduce the report. The Economic and Community Development Manager indicated that it was important to recognise the value and significance of the relationship between the Council and the Battlefield Society as well as the importance of the land in question. The Council would not usually wish to be involved in the relationship between two parties but the Gastons fields was covered by the Council's Policy HEN24: Historic Battlefields of the Adopted Tewkesbury Borough Local Plan which required that any proposals for development have regard to the conservation of the historic landscape; the supporting justification to that Policy stated that 'proposals should be able to demonstrate that they respect the character of the registered site and generally retained its openness'. Any proposal for development within the Battlefield would be judged against that Policy, as well as other saved Local Plan Policies and the National Planning Policy Framework. In addition, he advised that the Council currently promoted the Battlefield and there was scope to enhance it as a whole, not just the Gastons fields site, with an opportunity to explore, with the Battlefield Society and the landowners, the potential for the battlefield as a cultural, tourism and heritage asset. In 2014, the land had been nominated and listed as an asset of community value and this enabled the community to raise funds to bid for the land once it was put up for sale; that listing remained in place for five years.

80.4 During the discussion which ensued, a Member questioned whether anything could be done to try and help ensure the school met its obligations in respect of repair and maintenance of the area. In response, the Chief Executive indicated that this was a difficult issue as, clearly, the two parties involved were both local organisations and it was not appropriate for the Council to 'take sides'; that being said, there was an issue that the Gastons fields were part of the battlefield which was a major historic site with huge potential for both the Town of Tewkesbury and the Borough as a whole in terms of cultural, economic and historical impact. He felt that there was great potential for the Council, the Battlefield Society and Tewkesbury School to work together to do more for the area in this regard. Having been registered, the Gastons fields had some protection in planning policy terms but it was suggested within the report that this could be reviewed through the Borough Plan process to see if there was more that could be done. Officers were committed to finding a way forward to suit all parties if possible. Another Member fully understood the historic site needed to be kept as such and she questioned whether the Council could do something to make that intent clearer. She was concerned that the current designation within the Local Plan would not, in reality, offer the level of protection required. In response, the Head of Development Services indicated that the Policy relating to the historic battlefield was not a planning protection but it was a material consideration to be taken into account in planning terms. She was conscious that the Borough Plan would take some time to come on-stream and suggested that there may be other effective ways forward such as the development of a Supplementary Planning Document or addressing this during the preparation of the Tewkesbury Neighbourhood Plan.

80.5 A Member considered that the Council had an important role to play in facilitating the exciting project which the Battlefield Society had planned for the area. He understood that the school wanted to get the best value for the land but felt that this was not necessarily through housing development. He considered the best way forward was to work with the Battlefield Society to try and achieve a heritage trail/interpretation site that the Borough could be proud of. Other Members agreed with the view that the Council should fully support the recommendations contained within the report and that they should be strengthened if possible. In terms of whether the Gastons fields, as part of the battlefield site, could be registered as a Scheduled Ancient Monument, the Head of Development Services advised that, as far as she was aware, only one part of the Battle Trail qualified as a Scheduled Ancient Monument and that was Queen Margaret's Camp. In addition she advised that for a site to gain that kind of recognition took a very long time. She felt it would be better to add some wording to the resolution which gave Officers the ability to consider the options available to obtain the outcome that Members wanted.

80.6 In terms of the maintenance issues, a Member questioned whether the Council could arbitrate an agreement between the parties involved to get some maintenance done. Another Member questioned what format the suggested meetings between the parties would take i.e. informally or in a Working Group situation. In response, the Economic and Community Development Manager advised that, in the first instance, he would get all of the parties together to discuss the current position and ways forward; thereafter, if a Working Group was required it could be set up.

80.7 It was suggested that the recommendation be reworded to allow the exploration of other options such as a Supplementary Planning Document, and a Member proposed that, in addition, the recommendation require Officers to report back to the Council within a two month period. It was felt that this was a good option, although a two month period might be unrealistic given the conversations that needed to be undertaken.

80.8 Accordingly, upon being proposed and seconded, it was

RESOLVED 1. That the Council is committed to the principle of developing the whole of Tewkesbury Battlefield as a heritage, cultural and economic asset for the Borough and requests Officers to consider the issues raised within the petition through:

a. the Borough Plan and other planning processes including supplementary planning guidance and enforcement; and

b. exploring with Tewkesbury Battlefield Society, the Tewkesbury School Trust and landowners the potential for improving the Battlefield as a cultural and heritage asset.

2. That an update report be presented to the Council within three months on the progress made.

CL.81 MEMBER ALLOWANCES SCHEME 2017/18

81.1 The report of the Head of Democratic Services, circulated at Pages No. 26-34, attached the report of the Independent Remuneration Panel following its consideration of the Council's Member Allowances Scheme. The report set out a number of recommendations made by the Panel which the Council was asked to consider when agreeing its Scheme of Allowances for 2017/18.

81.2 The Mayor invited the Chair of the Panel, Mr Richard Blamey, to address the Council. Mr Blamey explained that the current Panel had been appointed in February 2015 and he had been the Chair for much of that time. He was also a member of Gloucestershire County Council's Independent Remuneration Panel so he had quite a lot of experience of local authority allowances. This had been his second opportunity to address Tewkesbury Borough Council in relation to the Member Allowances Scheme for which he was grateful. Mr Blamey explained that, since the Panel's appointment, it had met over 30 Councillors and analysed a huge amount of data. The Panel had found meeting with Councillors extremely helpful as it provided a much better understanding of the role and duties that they undertook and the Panel looked forward to meeting more Members throughout the forthcoming year. In terms of the Basic Allowance, Tewkesbury Borough was still the highest in the country; however, the Panel did not think it appropriate or fair to recommend a cut in that allowance. In terms of Special Responsibility Allowances, the Council's payments were on the low side so they were recommended for an increase; he felt it should be borne in mind that, even with that increase, they remained low in comparison to others. The Panel was recommending a new Special Responsibility Allowance for Support Members of £175.00 per year which would act as recognition for the additional work that they undertook to support their Lead Members. The cost of the recommendations equated to a 1.3% increase on the overall allowances budget.

81.3 During the discussion which ensued, a Member questioned whether the comparison data that the Panel had looked at had taken account of the fact that Tewkesbury Borough ran a Committee system rather than a Cabinet system. In response, Mr Blamey advised that the Panel had been very thorough so had looked at data across the country and then 'drilled down' to look at the like for like authorities. In relation to the Scheme proposed being for a period of one year, a Member questioned whether the Panel would start its deliberations again soon and, in response, Mr Blamey indicated that the Panel would meet as many Councillors as it could and look at the data over the year to enable it to make a recommendation in 2018.

81.4 In proposing the recommendations of the Panel, the Leader of the Council thanked the Panel for the work that it had undertaken and the very thorough way it had conducted its research. He felt that its recommendations would result in a fair and reasonable Allowances Scheme and he hoped the Panel would return again as its members were now well versed in how the Council ran its business. The Deputy Leader echoed those sentiments and seconded the proposal.

81.5 During the discussion which ensued, a Member felt that the inflationary increase was unfair when the Council's Basic Allowance was already higher than others; she therefore proposed, and it was seconded, that recommendation 4.2 of the Panel's report, which recommended that the Council consider including an inflationary increase within the Medium Term Financial Strategy for the Members' Allowances budget, be removed. The seconder of the amendment agreed that this did not feel appropriate in the circumstances in terms of the Basic Allowance and, overall, he would not support an increase in the Special Responsibility Allowances either.

81.6 In debating the amendment, a Member suggested that the recommendation at 4.2 was merely asking that an inflationary increase be included in the Medium Term Financial Strategy rather than actually agreeing an annual increase; he felt this seemed sensible as the Medium Term Financial Strategy was the document used to help the Council plan its future finances. Mr Blamey agreed that the Panel had raised this so that the Council knew it was an issue rather than suggesting that it would wish to recommend an annual increase in allowances paid.

81.7 Upon being put to the vote the amendment that recommendation 4.2 be removed from the Panel's report, was lost. Accordingly, it was proposed, seconded and

RESOLVED

1. That the recommendations of the Independent Remuneration Panel for the 2017/18 Scheme of Allowances be **AGREED** as follows:

   - That the Basic Allowance payable to all Councillors remain at £7,200.
   - That the following Special Responsibility Allowances be payable:

Leader of the Council	£8,800pa
Deputy Leader	£6,600pa
Lead Members (7)	£4,400pa
Committee Chairmen (5)	£2,200pa
Planning Committee	
Licensing Committee	
Overview and Scrutiny Committee	
Audit Committee	
Standards Committee	
Mayor	£2,200pa
Deputy Mayor	£1,350pa
Support Members (9)	£175pa

2. That all other aspects of the Scheme of Allowances remain unchanged.

3. That Officers' consider including an inflationary increase on the Member Allowances budget within the Medium Term Financial Strategy to allow greater scope for amending the Scheme in future.

CL.82 APPOINTMENT OF CIVIC HEADS FOR THE MUNICIPAL YEAR

Mayor

82.1 Upon being proposed and seconded, it was

RESOLVED That Councillor H A E Turbyfield, be appointed Mayor for the ensuing Municipal Year.

Deputy Mayor

82.2 Upon being proposed and seconded, it was

RESOLVED That Councillor T A Spencer be appointed as Deputy Mayor for the ensuing Municipal Year.

CL.83 LEAD MEMBER PRESENTATION - FINANCE AND ASSET MANAGEMENT

83.1 The Mayor invited the Lead Member for Finance and Asset Management, Councillor D J Waters, to make his presentation to the Council.

83.2 The presentation covered the following main points:

- What the Finance and Asset Management Portfolio covered; some of the achievements of the teams; and some of the challenges faced.
- Finance – the team looked after all of the Council's accounts, budgets, payroll and finances.
- Asset Management – in line with S151 Regulations, the team looked after the Council's physical assets, buildings, trees etc. The team also looked at disposing of, and acquiring, assets.
- Revenues – this was the team that brought the money into the Council as well as that which was owed to the Parishes, the County Council and the Police and Crime Commissioner's Office through Council Tax.
- Benefits – the team managed the Housing and Council Tax Benefits which residents were owed; ensuring that they received the correct payments in a timely manner.
- Finance Achievements – one of the biggest achievements was the unqualified audit opinion which had been attained; this meant there had been no faults identified with the finances or the processes behind them which was excellent news. The procurement of new insurances and cash collection contracts had saved over £30,000 per year, which was significant, and a new purchase ordering and commitment accounting module had been installed which would mean better purchasing arrangements. Improvements made in financial reporting to both Officers and Members had resulted in financial challenge panels for Service Managers being implemented and it was hoped this would, in turn, result in a better understanding of the finances in different areas. In addition to this, the finance team supported many corporate projects the most intensive this year being the waste fleet and Materials Recovery Facility (MRF) procurement.

- Asset Achievements – the team had analysed whether the Council could benefit from the building of a crematorium; a lot of work had gone into the options appraisal but, unfortunately, it had been found not to be cost effective at this time. A new tree management system had been put into place which made use of electronic mapping technology. In addition, a Watercourse Management Strategy was now in place which was very important, as was the new Investment Strategy which looked at the procurement of commercial properties to help the Council's income streams, and a new 'Property' helpdesk had been introduced which would log issues around the building so that they could be dealt with more efficiently. One of the main successes over the last year had been the completion of the Leisure Centre on time and on budget and the subsequent demolition of Cascades. In terms of Spring Gardens the plans to develop the site were first class and it was hoped that, in time, this was something that could be picked up again. The Riverside Walk had been delivered after around 60 years following the successful negotiation of the 'missing link' piece of land and solar panels had been installed on the roof of the Public Services Centre just before the end of the grants for green energy schemes. The purchase of a £15 million commercial property would bring £940,000 per year in revenue to the Council; a lot of lessons had learnt during that process and the Lead Member had been encouraged by the way the team had worked on that negotiation. Finally, it was his view that the Asset team had done a fantastic job in helping to facilitate the refurbishment at the Roses Theatre which was now a superb building.
- Revenues Achievements – due to the considerable growth in new homes being seen in the Borough, an additional £2 million was being collected in Council Tax and the previous year's collection was 98.1% above the national average. In terms of business rates, the Borough was seeing significant growth resulting in an additional £1.5 million to be collected on the previous year; to date £1.3 million had been collected above last year. Last year's collection of business rates was at 99.1% which was way above the national average.
- Benefits Achievements – the processing of new claims was at 16.6 days against the national average of 21 days and change in circumstances processing was completed in 6.8 days which was below the national average of 8 days. Welfare reforms including the bedroom subsidy, the benefit cap and the early stages of universal credit had all offered some challenges to the team and the work of the Financial Inclusion Partnership had brought together various organisations to assist those that needed help in the face of financial difficulties; take-up for the Partnership had not been great but this was not the fault of the team and Officers were working to try to improve that. Current claims to housing benefit were falling gradually as were Council Tax support claims.
- Asset Challenges – the team was looking to review opportunities for service efficiency and explore additional fee earning services such as securing tenants for the next phase of the refurbishment of the Public Services Centre; the hope was that the services that worked from the Public Services Centre could be increased as this brought in additional revenue to the Council as well as additional services for residents. The top floor of the building needed to be let so that it was bringing in revenue. The team was about to deliver a signage project for Tewkesbury Town which would help with tourism and the promotion of walks around the town. Particular attention was drawn to the 'Gazebo' building by the river and the Lead Member explained that this was a listed building for which it would be nice to find a use; if anyone had any ideas they should let him know.

- Revenues and Benefits Challenges – the main challenge would be the roll-out of universal credit. From December 2017, the Department for Work and Pensions would start the full roll-out and new claims for working age claimants would no longer be processed by the Borough Council instead they would be included in universal credit claims. The Borough Council would still be required to administer existing working age claims on its caseload but these would gradually reduce as many found work or increased their earnings and dropped out of housing benefit. The Borough Council would still be required to administer housing benefit claims for pensioners but, in time, it was expected that they would also be moved onto universal credit.
- Finance Challenges – replacement of the income management systems, optimisation of the Council's payment channels, selection of new external auditors and the introduction of a Fees and Charging Strategy were all on the team's programme of work.
- The Budget – this was a significant financial challenge. The headlines included: £2.2 million deficit over the next five years; reduction in funding including the revenue support grant and new homes bonus; increases in staff costs; pension deficit; and service growth. The budget would still be short by around £824,000 even if the government's Council Tax limit of £5 on a Band D property was used. 2017/18 could be financed with the use of reserves and new homes bonus but the challenges for the future would be great.
- Summary – the portfolio consisted of two small teams that provided both internal and external support and made a real difference to the lives of residents. The teams had a number of important achievements and, whilst there were massive challenges to come, he felt sure staff would rise to them.

83.3 The Lead Member offered his thanks to the staff for their hard work over the past year and to the Transform Working Group for its support, challenge and ideas all of which had helped the Council maintain momentum and meet the financial challenges it faced. The Mayor thanked the Lead Member for his informative presentation and invited questions from Members.

83.4 A Member queried what the numbers were regarding benefit fraud faced by the Council. In response, the Head of Finance and Asset Management explained that he did not have the figures to hand but there was a lot of work done within the Revenues and Benefits teams to tackle Housing Benefit fraud and Council Tax fraud. There was a report on the Agenda for the current meeting which sought to build on the work already undertaken by the Counter Fraud Unit which had saved the Council a significant amount of money during its pilot period. In terms of the future for business rates, the Lead Member indicated that no one knew what the new Scheme would be as there was currently no detail from the government. His personal view was that, whatever the scheme was in the end, there would have to be some equalisation across it so that the authorities that benefited from it shared with those that did not. In addition, the Head of Finance and Asset Management advised that the Council would continue to collect business rates but there would most likely be a tariff so most of the money collected went back to the government for redistribution. In addition, it was likely that the potential retained income would be outweighed by successful appeals; the current year was the third year in which the Council would be in a safety net position in terms of business rates retention. All businesses were looking at the recent revaluation and there were a large number of appeals likely. In terms of new homes bonus, the Lead Member indicated that the government had already top sliced the funding and reduced the scheme to four years; the funding could pick up again depending on the level of building being undertaken so it was hoped this would be an advantage to Tewkesbury Borough.

83.5 Accordingly, it was

RESOLVED That the presentation provided by the Lead Member for Finance and Asset Management be **NOTED**.

CL.84 NEIGHBOURHOOD PLANS - WINCHCOMBE AND SUDELEY (COMBINED) AND HIGHNAM

84.1 The report of the Planning Policy Officer, circulated at Pages No. 35-78, provided details of the next stage in the process regarding the adoption of the Neighbourhood Plans for Winchcombe and Sudeley (Combined) and Highnam. Members were asked to agree that the Neighbourhood Plans be made part of the Development Plan for Tewkesbury Borough; and that authority be delegated to the Head of Development Services, in agreement with the relevant qualifying body, to correct any minor errors, such as spelling, grammar, typographical or formatting errors, that did not affect the substantive content of the Plans.

84.2 The Head of Development Services explained that the report before Members was significant as the Neighbourhood Plans for Winchcombe and Sudeley (Combined) and Highnam were the first to go through the whole process, including referendums, which was a huge achievement. Across the Borough there were 13 Neighbourhood Plans covering 18 Parishes; the procedure was a huge commitment by Parishes both in terms of time and effort. The Neighbourhood Plan process itself was very new and the Council had a duty to support Parishes through it which was a huge learning curve both for the Borough and the Parishes. Attention was drawn to Page No. 35 of the Council papers which set out the question that was asked at the referendum and the results which were recorded. At the referendum stage, Neighbourhood Development Plans were required to gain a simple majority of those voting in favour in order for them to be adopted by the local planning authority and the authority then had a legal duty to bring the plans into force.

84.3 In proposing the recommendation on the paper, a Member indicated that he had been involved in the development of the Winchcombe and Sudeley (Combined) Neighbourhood Plan and had found it to be an extremely difficult process. He thanked Borough Council Officers for their help in getting to this point and understood that, whilst the Plan did not please everyone in the community, it was an opportunity for the community to have some say in its own future. The proposal was seconded and, upon being put to the vote, it was

RESOLVED

1. That the 'Winchcombe and Sudeley Combined Neighbourhood Plan' and the 'Highnam Neighbourhood Plan' be made part of the Development Plan for Tewkesbury Borough.
2. That authority be delegated to the Head of Development Services, in agreement with the relevant qualifying body, to correct any minor errors, such as spelling, grammar, typographical or formatting errors, that do not affect the substantive content of the Plans.

CL.85 HOUSING STRATEGY 2017-2021

85.1 The report of the Housing Strategy Review Working Group, circulated at Pages No. 79-250, attached the Housing Strategy 2017-2021 which Members were asked to adopt.

85.2 In proposing the adoption of the Strategy, the Lead Member for Built Environment, and Chair of the Housing Strategy Review Working Group, explained that the five year overarching document took into account the national and local issues that were likely to affect the Borough in the foreseeable future. It also played a key part in delivering the Council Plan and included the statutory requirement for both a Homelessness Strategy and a Tenancy Strategy. The Housing Strategy had been developed by Officers and Members through an Overview and Scrutiny Working Group; the Housing Strategy Review Working Group. During the process, Members had agreed priorities and objectives that had been presented in an evidence base document for public and stakeholder consultation. A number of areas of concern had been raised within the consultation which had been addressed within the document before the Council and the evidence base had found there to be an extensive number of challenges for the Council which were set out within four key priorities: increasing housing supply; homelessness and homelessness prevention; meeting the needs of specific groups; and improving the health and wellbeing of local people. The detail of those challenges could be found at Page No. 107 of the Council papers where all of the housing challenges, and explanation of how the Council intended to address those issues through the four key priorities, could be found. Under each priority there were objectives which would be focused on over the next five years and those were set out at Page No. 109. The targets and outcomes for delivering those objectives would be included in a detailed action plan and, for year one, an action plan had already been put forward by the Working Group at Page No. 111 of the Council papers. It was proposed that the action plan would be updated annually so the Council could be proactive, as well as reactive, to the challenging needs of the community. It also meant the Council could respond when new government policies were implemented. It was suggested that the action plan would be as flexible as possible so the Council could start new actions when appropriate over the five year period and that it would be approved by the Executive Committee annually with biannual monitoring by the Overview and Scrutiny Committee.

85.3 In seconding the proposal, the Chair of the Overview and Scrutiny Committee thanked the Working Group and the Officers involved for their quick and effective review of the Housing Strategy. He felt the work undertaken had shown the value of scrutiny work. Accordingly, it was

RESOLVED That the Housing Strategy 2017-2021 be **ADOPTED**.

CL.86 APPOINTMENT OF EXTERNAL AUDITOR

86.1 At its meeting on 14 December 2016, the Audit Committee had considered a report which set out details in respect of the appointment of the Council's External Auditors from 2018/19. The Audit Committee had recommended to Council that it should opt-in to the Public Sector Audit Appointments Ltd (PSAA) as the Sector Led Body (SLB) for the appointment of the Council's external auditors from 2018/19.

86.2 The report which was considered by the Audit Committee had been circulated with the Agenda for the current meeting at Pages No. 251-256.

86.3 In proposing the recommendation from the Audit Committee, the Chair of the Committee advised that, following the cessation of the Audit Commission, transitional arrangements had been put into place to provide local authorities and NHS bodies with external audit contracts up to, and including, the audit of the 2017/18 accounts. The Council now had a responsibility to ensure that an auditor was appointed for future years. The relevant legislation allowed local authorities three routes to making the necessary appointment and, having considered the benefits and risks of each approach, the Audit Committee had recommended to Council that the option to opt-in to the Public Sector Audit Appointments Ltd as the Sector Led Body for the appointment of the Council's external auditors from 2018/18 be approved.

86.4 Accordingly, it was seconded and

RESOLVED That the Council opt-in to the Public Sector Audit Appointments Ltd (PSAA) as the Sector Led Body (SLB) for the appointment of the Council's external auditors from 2018/19.

CL.87 COUNTER FRAUD UNIT BUSINESS CASE

87.1 At its meeting on 14 December 2016, the Audit Committee had considered a report which set out a business case for the permanent establishment of a Counter Fraud Unit. The Audit Committee had recommended to Council that it approve option 3 of the business case to establish a permanent Counter Fraud Unit, subject to similar approval being made at all partner authorities and that, should all necessary approvals not be forthcoming, option 2 be the Council's default position.

87.2 The report which was considered by the Audit Committee had been circulated with the Agenda for the current meeting at Pages No. 257-298.

87.3 In proposing the recommendation from the Audit Committee, the Chair of the Committee advised that, at the meeting in December, Members had been presented with a progress report on the work undertaken by the Counter Fraud Unit and he was pleased to report that additional work had now been undertaken with business rate payers which had resulted in increased rateable values totalling £335,000 being added to the valuation list of the Council. The work undertaken was part of a pilot exercise investigating the potential of forming a Countywide Counter Fraud Unit. A business case had been prepared based on initial findings and was being presented to all of the Councils in Gloucestershire as well as West Oxfordshire District Council. To date, four Councils had agreed to become full members of the Unit and another two were to make decisions in the coming weeks. The County Council, Ubico Ltd. and a number of housing providers had also agreed to purchase services from the new Unit. The Audit Committee had considered the work of the Unit, along with the options within the business case, and considered that full membership of the Counter Fraud Unit was appropriate for the Council.

87.4 A Member questioned when the replies of the other partner authorities would be known and, in response, the Head of Finance and Asset Management advised that Stroud District and Gloucester City Councils would be making decisions shortly. All other Gloucestershire authorities and West Oxfordshire District Council had already agreed that they would be full members of the Unit. The Head of Finance and Asset Management undertook to provide an update via email on the status of the remaining partners that were considering becoming members of the Unit.

87.5 Having been seconded, it was

RESOLVED That option three of the business case, to establish a permanent Counter Fraud Unit, be **APPROVED**, subject to similar approval being made at all partner authorities; should all necessary approvals not be forthcoming, option two will be the Council's default position.

CL.88 SCHEDULE OF MEETINGS 2017/18

88.1 The report of the Head of Democratic Services, circulated at Pages No. 297-300, set out the proposed Schedule of Meetings for 2017/18. Members were asked to adopt the Schedule as set out at Appendix 1 to the report.

88.2 Accordingly, it was

RESOLVED That the Schedule of Meetings for 2017/18, as set out at Appendix 1 to the report, be **ADOPTED**.

CL.89 ROYAL GARDEN PARTY

89.1 It was

RESOLVED That Councillor Mrs K J Berry and guest accompany the Mayor and Mayoress as the Council's nominees at the Royal Garden Party in May/June 2017.

89.2 It was agreed that Councillor Mrs J Greening be nominated as a reserve to attend in the event that Councillor Berry should be unable to make the date.

CL.90 SEPARATE BUSINESS

90.1 The Chair proposed, and it was

RESOLVED: That, under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely discussion of exempt information as defined in Part 1 of Schedule 12A of the Act.

CL.91 SEPARATE MINUTES

91.1 The Separate Minutes of the meeting held on 6 December 2016, copies of which had been circulated, were approved as a correct record and signed by the Mayor, subject to an amendment to show that Councillor R E Garnham had been present at the meeting.

The meeting closed at 8:00 pm

TEWKESBURY BOROUGH COUNCIL

Minutes of an Extraordinary Meeting of the Council held at the Council Offices, Gloucester Road, Tewkesbury on Tuesday, 31 January 2017 commencing at 6:00 pm

Present:

The Worshipful the Mayor	Councillor Mrs G F Blackwell
Deputy Mayor	Councillor H A E Turbyfield

and Councillors:

R E Allen, P W Awford, Mrs K J Berry, R A Bird, G J Bocking, K J Cromwell, D M M Davies, Mrs J E Day, M Dean, R D East, A J Evans, J H Evetts, D T Foyle, R Furolo, Mrs P A Godwin, Mrs M A Gore, Mrs J Greening, Mrs R M Hatton, Mrs S E Hillier-Richardson, Mrs A Hollaway, Mrs E J MacTiernan, J R Mason, Mrs H C McLain, A S Reece, T A Spencer, Mrs P E Stokes, P D Surman, R J E Vines, D J Waters, M J Williams and P N Workman

CL.92 APOLOGIES FOR ABSENCE

92.1 Apologies for absence were received from Councillors R Bishop, R E Garnham, B C J Hesketh, V D Smith and M G Sztymiak. Members were advised that Councillors R Bishop and R E Garnham were unable to attend due to pecuniary interests in the item of business which was being considered – Joint Core Strategy - Main Modifications.

CL.93 DECLARATIONS OF INTEREST

93.1 The Committee's attention was drawn to the Tewkesbury Borough Council Code of Conduct which was adopted by the Council on 26 June 2012 and took effect from 1 July 2012.

93.2 The following declarations were made:

Councillor	Application No./Item	Nature of Interest (where disclosed)	Declared Action in respect of Disclosure
P W Awford	Item 3 – Joint Core Strategy – Main Modifications.	Is a Gloucestershire County Councillor. Tewkesbury Borough Council representative on the Lower Severn Internal Drainage Board. Member of Severn Wye Regional Flood Defence Committee.	Had received a dispensation to speak and vote on this item.

		Member of Wessex Regional Flood Defence Committee. Life Member of the National Flood Forum.	
R A Bird	Item 3 – Joint Core Strategy – Main Modifications.	Is a Gloucestershire County Councillor.	Had received a dispensation to speak and vote on this item.
P D Surman	Item 3 – Joint Core Strategy – Main Modifications.	A Member of the Councillor's family owned land which had been identified as a potential strategic housing and employment land allocation within the main modifications document.	Had received a dispensation to speak and vote on this item.
R J E Vines	Item 3 – Joint Core Strategy – Main Modifications.	Is a Gloucestershire County Councillor.	Had received a dispensation to speak and vote on this item.

93.3 There were no further declarations made on this occasion.

CL.94 ANNOUNCEMENTS

94.1 The evacuation procedure was advised to those present.

94.2 The Mayor welcomed Michael Thomas, the Council's flooding expert, and Nigel Riglar, representing the Highways Authority, to the meeting.

94.3 Attention was drawn to the additional paper, circulated prior to the meeting, which provided two amended maps and a subsequent amendment to recommendation 1 for clarity purposes.

CL.95 JOINT CORE STRATEGY - MAIN MODIFICATIONS

95.1 Attention was drawn to the report of the Head of Development Services, circulated at Pages No. 1-336, which sought to update Members regarding progress on the Joint Core Strategy (JCS) following the Council meeting in October 2016. It attached, at Appendix 1, proposed Main Modifications without the inclusion of Twigworth as part of the Innsworth/Twigworth Strategic Allocation and, at Appendix 2, a version of the proposed Main Modifications which included Twigworth. Members were asked to consider the information provided and approve, for public consultation, the proposed main modifications to the June 2014 Pre-Submission Gloucester, Cheltenham and Tewkesbury Joint Core Strategy as set out in Appendix 2 to the report (including proposed modifications to the Proposals Map and Key Diagram), subject to the Key Diagram (on Page No. 312) being replaced by the "Appendix 2 – Replacement Key Diagram" and Map A11 (on Page No. 322) being replaced by the "Replacement A11 Map", as those it endorsed and considered necessary to make the JCS sound; to delegate authority to the Chief Executive of Tewkesbury Borough Council, in consultation with the Leader of Tewkesbury Borough Council, to make minor changes to the proposed main modifications and proposed modifications to the Proposals Map and Key Diagram in terms of formatting, presentation and accuracy; and to delegate authority to the Chief Executive of Tewkesbury Borough Council, in consultation with the Leader of Tewkesbury Borough Council, to progress and sign a joint planning statement with Wychavon District Council, and thereafter any formal memorandum of agreement, in respect of the delivery of development on land at Mitton making a contribution towards Tewkesbury Borough's housing requirements.

95.2 The Mayor explained the procedure to be followed at the meeting which would involve the Chief Executive making some opening remarks and providing some context; thereafter the Planning Policy Manager would present the report and Members would be given the opportunity to ask questions. A proposer and seconder would then be sought and the item opened up for debate.

95.3 The Chief Executive advised that, at its meeting on 25 October 2016, the Council had resolved that "Officers bring to the Council for approval, proposed main modifications to the June 2014 Pre-Submission Gloucester, Cheltenham and Tewkesbury Joint Core Strategy which do not include Twigworth as part of the Innsworth/Twigworth strategic allocation but otherwise was as set out in Appendix 1 to the Council report". The report currently before the Council sought to achieve that and the relevant proposed Main Modifications, which excluded Twigworth, was attached at Appendix 1 to the current report. Work had been undertaken to support the Main Modifications, including gaining advice from a flood expert along with further assessment of flooding and transport issues, which had shown there were no planning reasons to support the exclusion of the Twigworth Strategic Allocation from the Main Modifications. Given the Inspector's stated position was that, not including Twigworth may give rise to soundness issues, the Officer recommendation was that it should be included and this option was shown at Appendix 2 to the report. In addition, subsequent to the last meeting, a letter had been received from the Defence Infrastructure Organisation (DIO) about the continued defence needs at Ashchurch Camp (MoD Ashchurch). This had left the JCS in a difficult position regarding the deliverability of the Strategic Allocation in that area and this issue would be further dealt with during the Planning Policy Manager's presentation.

95.4 The Planning Policy Manager explained that approval was being sought for the proposed Main Modifications which had been formulated in line with the Inspector's Interim Report. Since the October 2016 Council meeting, the main changes had been the inclusion of Appendix 1, which provided a version of the proposed Main Modifications with the exclusion of the Twigworth part of the Innsworth/Twigworth Strategic Allocation. Quite a lot of additional evidence work had been undertaken in respect of the site at Twigworth, which had included investigatory work on sustainability, landscape, transport and strategic flood risk assessments etc. Of particular note was that the additional flood risk work had concluded that there were no overriding flooding issues that would prevent a Strategic Allocation at Twigworth. Those conclusions had been used to help inform the developable area, indicative numbers of dwellings that would be appropriate at the allocation as well as informing the policy guidance and Strategic Allocation Policy. Therefore Appendix 2 presented proposed Main Modifications which included a site at Twigworth. In terms of the Ashchurch Strategic Allocation, it was now proposed that this be removed from the JCS. It had originally been allocated for 2,125 dwellings in the Plan period and, whilst there may still be a potential for some numbers on the site, there were deliverability challenges and uncertainties to overcome which meant it could no longer be allocated. Officers would be continuing to work on delivery on the site to investigate this further. Referring to land at Mitton, the Planning Policy Manager anticipated that 500 dwellings could be delivered to help meet the Council's needs but this would depend on an agreement with Wychavon as the land was within its area. It was recommended that the progression and signing of this agreement be delegated to the Chief Executive in consultation with the Leader of the Council. All of this would leave the Council with a shortfall of just over 2,800 dwellings, largely due to the removal of the MoD Ashchurch site. The Council could still identify a five year land supply and therefore it would be suggested to the Inspector that this was sufficient and that it would be appropriate to look at an immediate review of Tewkesbury's housing land supply to explore the options for finding the extra dwellings that were needed. There were also a number of other amendments which had been made to the plan following the last report to Council and those were shown at Paragraph 8.6 of the current report. The Planning Policy Manager advised that, in that Paragraph, PMM0084a, PMM0085a and PMM0086 should have referred to Policy INF3 rather than Policy SD15 and that there was also a change at PMM0106, in the Appendix 2 version of the proposed Main Modifications, in that Policy A1 was changed to reflect the reduced capacity of Twigworth and to add text in respect of flooding management. If approved, the consultation would run from February to April; those responses would then be considered by the Inspector and further hearing sessions would be held to consider all of the representations made.

95.5 The Planning Policy Manager invited Mr Michael Thomas, of Thomas Consulting, to comment on the flooding issues around Twigworth that had been raised prior to the meeting by Professor Cluckie. Mr Thomas was the consultant that had been engaged to offer independent advice to the JCS authorities on flooding matters, particularly on the Twigworth part of the Twigworth/Innsworth Strategic Allocation. Mr Thomas advised that, in summary, Professor Cluckie had indicated that any large-scale housing development would require substantial engineering with high costs and intensive ongoing maintenance; Mr Thomas indicated that this point was accepted and applicable to all developments. The Professor's comments went on to say that development would increase the flood impact off-site and Mr Thomas agreed that, without the measures and policies suggested in his report on flood risk at Twigworth, this would be the case as it would for any large-scale development anywhere. The policies in his report sought to reduce the risk and provide positive benefits for downstream properties for all allocated sites. Members were advised that the purpose of Mr Thomas's report had been to assess whether a flood risk objection to the allocation at Twigworth was sustainable. To do that he had reviewed two reports from JBA Consulting and five Capita reports plus a significant amount of other evidence from Robert Hitchins Ltd., the Environment Agency and the Parish Council; having done this he had concluded that there were no sustainable flood risk objections to the allocation of land at Twigworth. The comments from Professor Cluckie went on to state that ReFH2, which was a method of predicting flood flow from ungauged catchments, was error prone. In response, Mr Thomas indicated that the error was that it tended to over-predict when compared to actual gauged floods, as could be seen from his report, that method was predicting higher flows than any of the other methods. The method in the latest version of the Flood Estimation Handbook showed a 1 in 100 year flow at the A38 of 26.223 m^3 per second against the ReFH2 flow of 55.13m^3 per second which was normal and was, in this instance, a cautious method of predicting flood flow. Whilst increased levels of urbanisation did increase the rate of run-off, the policy and guidance recommendations in the report, including compliance with the requirements in the Local Authority Sustainable Urban Drainage Systems (SuDS) Officers Practice Guidance and the SuDS Manual, together with the increased use of rainwater harvesting to provide toilet flushing water and other non-potable uses, minimised run-off in normal events and reduced it in extreme events from that which currently occurred. There were suggestions that a catchment scale tree belt or forestry should be applied rather than the attenuation and SuDS techniques which he had discussed in his report; however, Mr Thomas felt this was not an appropriate technique to deal with run-off from an urbanised area and his report was intended to reduce rural run-off affecting downstream urban areas. Mr Thomas indicated that the Professor had made several suggestions that additional research and academic study was required; however, the Council was dealing with allocating land for development now rather than in 20 or 30 years' time, which it may take for such research to come forward and, as such, he felt the comments made were inappropriate. Severn Trent Water had ruled out any surface water from the Strategic Allocation being connected to its sewerage system in Twigworth because there was no surface water sewerage system in the area and the addition of surface water to the existing foul sewage system would be unacceptable, both to Severn Trent Water and the residents of Twigworth. Finally, in the Professor's additional notes, he had made recommendation that the hydrological modelling was rerun with 25% and 35% increases to allow for climate change. However, the policy recommendation in Mr Thomas's report, and the supporting text, advised that the modelling should be rerun with the higher flood flow figures determined from the Capita review of the 2007 flood for a 1 in 100 year event plus 70% allowance for climate change which, as he had made clear in his report, needed to include the impacts on the downstream start levels where the Hatherley Brook joined the River Severn.

95.6 The Mayor thanked the Officers and Mr Thomas for the information provided and invited questions from Members. A Member indicated that, at the meeting in October 2016, Members had asked that the Main Modifications be brought back to Council without the inclusion of the Twigworth part of the Innsworth/Twigworth Strategic Allocation. With this in mind he felt that the recommendation should be for the adoption of Appendix 1 rather than Appendix 2 and he questioned why this was not the case. In response, the Borough Solicitor advised that this had been the Council's decision but, in putting the Main Modifications back before Members, Officers were obliged to give their professional advice and, in terms of soundness, the advice was that Appendix 2 was the approach which had less risk. Referring to Mr Thomas, a Member questioned what the advice was regarding tidal influence and heavy river flooding in relation to outfalls and shut-offs. He also questioned whether his advice was that maintenance systems were required in perpetuity and that this should be funded by the developers. In response, Mr Thomas explained that the maintenance systems which were installed needed to be controlled and, in his view, there was no reason why the taxpayer should pay for this so it should be something that the developers took into account and made allowances for when building a development. The modelling he had done to date did take account of tidal influence and assumed minor tidal peaks simultaneously with a 1 in 100 year peak in the River Severn along with a 1 in 100 year peak in the Hatherley Brook. Another Member was concerned about the fact that Supplementary Planning Guidance was just guidance and developers did not always use the document when they were making an application. In addition, she understood that the Council had no power to enforce unless the maintenance of the system was a condition within the permission. Mr Thomas advised that his report suggested a period of time in which a commuted sum was necessary for the maintenance of an attenuation system. There were various ways of doing this, including the developer putting in the funding, but another option was the use of a management company that charged the residents. In his experience, most developers were reasonably happy to cover this as long as they knew about it at the outset as they could build the costs into the economics of the development. The Supplementary Planning Guidance would contain some of the answers about maintenance of the SuDS but it was up to the Council to ensure it had the correct policy in place. The Member felt that it was not practical or achievable to have the maintenance paid for in perpetuity by the developer or dealt with via a management company and the Council already had several developments which included SuDS for which it was paying to maintain; she hoped the Supplementary Planning Guidance would be in place before the Main Modifications went back to the Inspector. In response, the Borough Solicitor advised that the Council's Flood Risk Management Group was currently working on the document. It had a meeting scheduled for 27 February at which time it should have a first draft to look at; the aim was that it would be brought into effect as soon as possible. Given that Twigworth did not form part of Severn Trent Water's adoptable system, and the Lead Local Flood Authority had indicated it was not its concern, a Member questioned how much the maintenance of an attenuation system for 120 years would cost. Mr Thomas advised that he did not have that figure to hand; however, it could be worked out by looking at published information from the County Surveyor's Society at what a typical installation would generate as a commuted sum. The amount required would of course vary depending on a number of factors; it was also possible that some parts would need to be replaced earlier than others but that was accounted for within the initial calculations.

95.7 Another Member expressed concern about the North West Cheltenham site and its proximity to a landfill which was less than 200 metres away from it. The Council's Planning Committee had recently refused an application for a site in Stoke Road, which was the other side of the landfill, on the grounds that there would be significant health impacts on residents and she was concerned that there was nothing in the Main Modifications that gave her comfort the health impact on residents had been considered in this instance; she questioned what was in place to assess the impact of the site on the health of its residents. In response, the Planning Policy Manager advised that Policy SD15 provided guidance on how development proposals would be assessed to ensure there was no harm to the amenity or health of residents and that there was no exposure to unacceptable levels of pollution etc. The site would need to be carefully masterplanned to ensure the green infrastructure and development were in the correct places to avoid any issues in this regard. The other application that had been made, and subsequently refused by the Planning Committee, could not be compared directly to the Strategic Allocation.

95.8 In response to a Member's query as to how Officers could be sure they were providing the correct guidance, the Chief Executive explained that in all situations there was potential for the advice given from different parties to vary but Officers would always work to provide Members with independent and impartial advice to the best of their ability. Where they did not have the particular expertise they would seek it from professionals so that Members could make their decisions in the most informed way. In terms of flooding advice, whilst there were differences in the way Professor Cluckie and Mr Thomas had set out their findings, overall there was a lot that was agreed upon i.e. the controls needed before, during and after development and transport advice etc. Mr Thomas advised that the Professor's note said the same as his report in terms of the risks and the need for designs to deal with those risks; however, the Professor felt that more research was needed. Mr Thomas's view was that the issues were a matter of timing and, as there was not a huge amount of time to undertake extended research, his report set out a more cautious approach than that recommended by the Environment Agency. He felt the Council did not have the grounds to refuse development at the Twigworth Strategic Allocation on flooding grounds as, whilst there were technical issues, any competent designer should be able to overcome them.

95.9 In respect of the technical research, a Member questioned whether there was any recognition of the state of the current water attenuation systems in Twigworth. In response, Mr Thomas indicated that there was nothing in his report in that regard as the existing system was not part of the Strategic Allocation. Overall, he was generally not keen on filtration systems as they tended to silt-up and so were not very effective unless they were extremely well designed. A Member expressed the view that the main issue still seemed to be Twigworth and he questioned why the Council could not take the same approach as with Ashchurch and advise the Inspector that it would find those dwellings through a plan review. In response, the Planning Policy Manager indicated that there were fundamental deliverability differences between the two sites. There were real deliverability issues around the MoD Ashchurch site about which the Council had no control due to the decision by the DIO; however, the Inspector remained of the view that an allocation at

Twigworth was sustainable unless good land use planning reasons could be identified to say that it should not be brought forward. A Member questioned what would happen if the flooding events in 2007 and 2014 had happened at the same time; he was concerned that no expert would be able to predict the unpredictable. In response, Mr Thomas advised that the issue really came down to probability. In 2016, the government had advised that the additional allowance for climate change should increase from 20% to 70%. Although it had indicated that 20% was still quite a reasonable figure for most circumstances, in flood zone three areas it was felt a higher percentage should be used. The purpose of his report was to look at the flood events and magnify them; the view he had taken was to predict a 100 year flood plus 70% for climate change which was a cautious approach. In the last 100 years the area had seen a 100 to 150 year flood and a 220 to 250 year flood but all had been well contained within the envelope which was proposed as a protected flood zone. A Member questioned why Mr Thomas's report recommended raising the floor levels in dwellings by 600mm if the area was not at risk of flooding. In response, Mr Thomas advised that the Environment Agency had a national policy that, if building near a floodplain, it would insist on the floor levels being raised by 600mm. In raising the floor levels on the Twigworth site, there was a margin of error allowed. A 1 in 30 year storm could in itself cause problems in any area with water rushing down a road and, given the right conditions, nowhere in the country was safe from a flooding event. The Member was concerned that the ground levels would be raised which would then lessen the effectiveness of the raised floor levels and he questioned how this would be monitored. In response, Mr Thomas indicated that it was the case that many years ago the local planning authority did not think to control ground levels on a development but this was no longer the case and it was possible to enforce this in the same way as any other planning condition. The authority could also request a survey to prove compliance which was helpful.

95.10 In terms of highways, a Member indicated that the A38 was already congested and whilst there was mention of a new link road between the A40 and the A38, she questioned whether this was a project that was included in Highways England's current plans. In response, Mr Riglar, representing the Highways Authority, explained that Highways England was currently consulting on its 'Road Investment Strategy (RIS) Two' period and was identifying issues and pinch points on the strategic road network. The A38/A40 had been put forward as an issue to be addressed within that period but there were other funding mechanisms that could be used if necessary. He remained confident that funding could come forward as none of the suggested improvements were new in the thinking of either the County Council or Highways England with the plans for the A38/A40 having been under consideration for quite a long time. Referring to the link road, and the fact that it would go through the middle of land which was in flood zone three, a Member questioned how this would be compensated for and how long it was likely to take to build. In response, Mr Riglar advised that he was unable to speculate on the cost or length of time to build but he was sure an engineering solution would be required and there would likely be one available that would mitigate the flooding issues. The costs would depend on the final design and the market conditions at the time of tendering but that would be factored into the project at the outset.

95.11 In response to a query as to why Twigworth had gone back into the JCS as a Strategic Allocation, the Planning Policy Manager had advised that the area had been promoted as an omission site through the JCS and the Inspector had then recommended it within her Interim Report as a site that could be used to help Gloucester's housing needs. Officers had then had to consider whether there was any land use planning reason that it could not be included in the JCS. A Member indicated that, throughout the JCS process, she had heard various terms used in conjunction with it and she requested clarification as to what was meant by a Joint Planning Statement/Memorandum of Understanding. She also questioned what efforts had been made by Stroud District and Gloucester City Councils to develop a

Joint Planning Statement as well as at what point in the process the Borough Council would look to agree a Statement with Wychavon District Council for the land at Mitton. In response, the Legal Advisor explained that a Memorandum of Understanding was used to show cooperation between two Councils and the Planning Practice Guidance referred to formal agreements between Councils being something that could be taken into account at Local Plan examinations. That was what the Inspector was looking for in respect of Wychavon District Council. The Inspector had used the term Memorandum of Agreement which was often used interchangeably with Memorandum of Understanding. Wychavon District Council preferred, at this stage, to enter into a Joint Planning Statement but it proposed to include provisions where a formal Memorandum of Agreement may also be entered into in due course. In addition, the Planning Policy Manager indicated that the JCS authorities already had a Memorandum of Understanding with Stroud District and it had been built into the adopted policy commitment to help neighbouring authorities to meet their unmet needs. It was now a matter for the JCS authorities to engage in Stroud District Council's plan review process. The Member indicated that the Inspector had made it clear in her Interim Report that Gloucester City and Stroud District Councils should work together, and Officers had been asked to come back to the Council with alternative sites to replace Twigworth, but for some reason this was not being progressed. She questioned how robust Officers had been in those negotiations. In response, the Planning Policy Manager explained that Stroud District had an adopted plan and there was a process to go through in order for it to allocate sites to meet the needs of the JCS; firstly the JCS had to use all of its own deliverable and sustainable sites to meet its own needs and, in the eyes of the Inspector, this was what Twigworth was for Gloucester City.

95.12 Referring to the "Appendix 2 – Replacement Key Diagram" which had been circulated prior to the meeting, a Member indicated that Stoke Orchard appeared to have been omitted as a Service Village. In response, the Planning Policy Manager indicated that this would need to be addressed - Stoke Orchard had been added to the Service Village list within the proposed Main Modifications Schedule and should therefore also appear as such on the Replacement Key Diagram. In addition, the Member indicated that Twigworth had originally been allocated for 1,363 dwellings but in the latest iteration of the Main Modifications it was allocated for 995; he questioned where the shortfall would go. In response, the Planning Policy Manager advised that Gloucester's shortfall without Twigworth was 2,300; whatever could be delivered at Twigworth would reduce that shortfall. With a site for 995 this would leave the shortfall to just over 1,300 and that would have to be addressed through the plan review. Gloucester City would have to consider all possibilities at that stage, including looking again within its own boundaries, and speaking to Stroud District. In response to a further query regarding whether Officers believed the inclusion of Twigworth was sound due to Green Belt and flooding issues and the impact on the road network, the Planning Policy Manager explained that, in terms of Green Belt, the site had been assessed as having a lesser contribution. In terms of flood risk, whilst Officers appreciated the concerns raised, the detailed work to assess those concerns and constraints had shown that they were not so great as to prevent the allocation of the site for development. In terms of transport, the full answers were not yet available but it was known that issues with the road network in the area needed to be addressed; this was not purely a Twigworth or Strategic Allocation issue but it was anticipated that the JCS could help get the infrastructure in place which was already desperately needed. Another Member questioned whether the development of the missing link along the A417 would result in higher traffic use and more traffic coming into Gloucester from that direction. In response, Mr Riglar felt that everyone would be of the view that the improvements on the A417 were extremely important and it was hoped that construction would begin on that in 2020/21. The road was part of the strategic road network and, as such, was the responsibility of Highways England rather than the Highways Authority but he recalled that much of the modelling data showed an increase in volume of traffic which was in line with the national average. He was not of the view that it would result in a significant amount of additional traffic locally.

95.13 At the workshop which had been held with Mr Thomas earlier in January, a Member had pointed out that part of the Innsworth side of the Strategic Allocation, which was designated for housing, flooded through pluvial flooding and he questioned whether that area of development had now been removed. In response, the Planning Policy Manager advised that the Innsworth and Twigworth sites were very much interlinked and the flood risk needed to be looked at as a whole through a detailed masterplan. The capacities set out in the JCS were indicative but masterplanning would ultimately determine the capacity that could be delivered on each site. A more precautionary approach had been taken in the south west corner of the Twigworth site and that was why the capacity for the site overall had been reduced as this would leave a green infrastructure buffer from flood risk areas. Referring to Twigworth, a Member indicated that, when an application for 725 dwellings in the area had come to the Council, it had been refused for sound planning reasons and she questioned whether the fact that the Green Belt could be amended through the plan-making process was the difference between that application and the proposed Strategic Allocation. In response, the Legal Advisor explained that the application referred to had been refused on a number of grounds, including highways and Green Belt, in line with the existing policies of the Council. The plan-making process was the appropriate time to review the Green Belt, to decide what was and was not appropriate and to look at the JCS area as a whole to see where the needs could be met appropriately. A Member expressed the view that the Green Belt was extremely important. In 2011, the Council had commissioned a study by AMEC which defined certain areas as being significant Green Belt and she questioned why that study was seemingly being ignored. She also questioned what very special circumstances were being demonstrated on the Strategic Allocations within the Green Belt that would allow them to be developed. In response, the Planning Policy Manager indicated that, in developing the JCS, some Green Belt was being released on the basis that the housing need had to be met. It was a matter of fact that some sites were judged to be making a more limited contribution in Green Belt terms than others.

95.14 The Mayor thanked Members for their questions and sought a motion from the floor. It was proposed and seconded that the proposed main modifications to the June 2014 Pre-Submission Gloucester, Cheltenham and Tewkesbury Joint Core Strategy be approved for public consultation as set out in Appendix 2 to the report (including proposed modifications to the Proposals Map and Key Diagram), subject to the Key Diagram (on Page No. 312) being replaced by the "Appendix 2 – Replacement Key Diagram", including the notation on the Replacement Key Diagram of Stoke Orchard as a Service Village, and Map A11 (on Page No. 322) being replaced by the "Replacement A11 Map", as those it endorsed and considered necessary to make the JCS sound; that authority be delegated to the Chief Executive of Tewkesbury Borough Council, in consultation with the Leader of Tewkesbury Borough Council, to make minor changes to the proposed main modifications and proposed modifications to the Proposals Map and Key Diagram in terms of formatting, presentation and accuracy; and that authority be delegated to the Chief Executive of Tewkesbury Borough Council, in consultation with the Leader of Tewkesbury Borough Council, to progress and sign a joint planning statement with Wychavon District Council, and thereafter any formal memorandum of agreement, in respect of the delivery of development on land at Mitton making a contribution towards Tewkesbury Borough's housing requirements. The Member advised that the Main Modifications before the Council, as set out in Appendix 2 to the report, had come from the Inspector's Interim Report where she had explained the changes needed to make the plan sound. He felt it was fair to say they were not what Members had wished to see but if they were not accepted the Borough would not have a development plan in place. A lot of work had gone into trying to find an alternative route but it was now clear that there was no fundamental land use planning reason to exclude Twigworth from the JCS. Unfortunately it was the case that if the plan was not approved the Council would have no control over the development in the Borough which would be disastrous. He felt it should also be borne in mind that if Appendix 2 was approved it would go out for public consultation which meant the people of Twigworth would get a direct voice to the Inspector. He was of the view that this was the only practical way ahead. In seconding the proposal, a Member advised that this had been an extremely difficult process and, whilst it was not a pleasure to second the proposal, it was the best way forward that he could see for the Borough as a whole.

95.15 A Member proposed an amendment to remove recommendation 3 - that authority be delegated to the Chief Executive of Tewkesbury Borough Council, in consultation with the Leader of Tewkesbury Borough Council, to progress and sign a joint planning statement with Wychavon District Council, and thereafter any formal memorandum of agreement, in respect of the delivery of development on land at Mitton making a contribution towards Tewkesbury Borough's housing requirements. He felt that the land at Mitton was unsuitable for development; it had not been subject to consultation at all, even with the Town Council; it would be akin to giving planning permission through the back door; it had similar infrastructure issues to the Ashchurch site – with a wholly inadequate roundabout to access the site; planning permission would be given by Wychavon District Council not Tewkesbury Borough Council; the water run-off from the site would cause greater flooding issues for Tewkesbury; and the Borough would gain nothing at all from the site. In seconding the amendment, a Member indicated that she fully agreed with the proposal, in particular the fact that it had been added to the plan-making process at an extremely late stage which had not given the community the chance to have its say. The Planning Policy Manager indicated that, whilst he took the point about the consultation, if approved the Main Modifications would have to go through a consultation process, be considered by the Inspector and be the subject of further examination hearings. The site had been promoted by developers through the JCS and the South Worcestershire Development Plan process so it would be important, if it came to fruition, that the Borough had a joint planning statement in place to allow it to gain housing contributions from any development. Upon being put to the vote, the motion was lost with the majority of votes against.

95.16 Returning to the debate on the initial proposal, a Member expressed the view that it was highly likely that any attempt to develop the Twigworth Strategic Allocation would result in a call-in by the Secretary of State. She understood that the Council was in an awful situation with the threat from government that, if it did not have a plan, the Council would have one imposed upon it and the plan before Members that evening bore no real resemblance to the plan that it had wanted to make. In addition, there was now the threat that having no plan would mean the Council did not receive New Homes Bonus which would be a disaster financially and would likely mean an increase in Council Tax far above that which was acceptable.

95.17 A Member proposed, and it was seconded, that the first recommendation be changed so that Appendix 1 was approved as the Main Modifications rather than Appendix 2; that the proposed main modifications to the June 2014 Pre-Submission Gloucester, Cheltenham and Tewkesbury Joint Core Strategy be approved for public consultation as set out in Appendix 1 to the report (including proposed modifications to the Proposals Map and Key Diagram), subject to the Key Diagram (on Page No. 158), including the notation of Stoke Orchard as a Service Village, and Map A11 (on Page No. 166) being replaced by the "Replacement A11 Map", as those it endorses and considers necessary to make the JCS sound; that authority be delegated to the Chief Executive of Tewkesbury Borough Council, in consultation with the Leader of Tewkesbury Borough Council, to make minor changes to the proposed main modifications and proposed modifications to the Proposals Map and Key Diagram in terms of formatting, presentation and accuracy; and that authority be delegated to the Chief Executive of Tewkesbury Borough Council, in consultation with the Leader of Tewkesbury Borough Council, to progress and sign a joint planning statement with Wychavon District Council, and thereafter any formal memorandum of agreement, in respect of the delivery of development on land at Mitton making a contribution towards Tewkesbury Borough's housing requirements. In offering clarification the proposer advised that this proposal sought to exclude Twigworth as a Strategic Allocation in the Main Modifications.

95.18 A recorded vote was requested and, upon receiving the appropriate level of support, voting on the amendment was recorded as follows:

For	Against	Abstain	Absent
P W Awford	R E Allen	Mrs E J MacTiernan	R Bishop
Mrs K J Berry	R A Bird	Mrs H C McLain	R E Garnham
G J Bocking	Mrs G F Blackwell		B C J Hesketh
K J Cromwell	D M M Davies		V D Smith
Mrs J E Day	M Dean		M G Sztymiak
A J Evans	R D East		
Mrs P A Godwin	J H Evetts		
Mrs J Greening	D T Foyle		
Mrs P E Stokes	R Furolo		
M J Williams	Mrs M A Gore		
P N Workman	Mrs R M Hatton		
	Mrs S E Hillier-Richardson		
	Mrs A Hollaway		
	J R Mason		
	A S Reece		
	T A Spencer		
	P D Surman		
	H A E Turbyfield		
	R J E Vines		
	D J Waters		

95.19 With 11 votes in favour, 20 against and two abstentions the amendment was lost.

95.20 Returning to the debate on the initial proposal, which had been proposed and seconded, a Member indicated her disappointment with the plan before Members which was, in her view, a decimation of the Green Belt. She felt the Council should have come up with a better solution to its housing need and she hoped, if the plan was approved, it would be called-in by the Secretary of State due to the fact that it would destroy the Green Belt. Another Member agreed that there were several reasons he would struggle to support the plan as it stood; he felt the flooding and road infrastructure issues around the Twigworth allocation would be very great. He was also of the view that there were alternative sites available which did not have the same issues and he felt they should be explored. Another Member suggested that the Council was being asked to endorse the worst strategic planning document for a generation. The Twigworth Strategic Allocation had been an omission site as it had already been removed by the Council once due to concerns about flooding and infrastructure. He felt that, although it was included in the current plan for 995 dwellings, inevitably many more would be built in the end. He indicated that he did not seek to be a 'plan-wrecker', and he was pleased that it was 60% of the way to being a good plan, but the test of soundness had been used throughout and he did not understand how the plan could be promoted as 'sound' when there was no traffic modelling available to say with any certainty how the traffic issues could be mitigated. Other Members agreed with this view and felt the congestion in the Twigworth area was already unacceptable and would continue to get worse. In contrast other Members expressed the view that, whilst the plan was far from perfect, it was the best available which was likely to be accepted by the Inspector as being sound and the implications of not supporting it were enormous and extremely serious for the Borough as a whole. Many Members felt it had to be accepted that the Council was in a very difficult position in terms of unwanted development and reductions in New Homes Bonus and it could not afford to take those risks. There was sympathy with the view that the plan was being imposed on the Council due to the perceived threats from the government but it was felt that it must go along with the Inspector's view of what was a sound plan so that it could move to the next stage to undertake consultation with interested parties. It was understood that some Members were of the opinion that there were other areas that would be more suitable for development, but it should be borne in mind that the JCS was based on a strategy of urban extensions and, as such, encouraging more extensive development in Service Villages etc. was not a sound way forward. Officers had provided their professional advice on the matter and it was for Members to accept that advice or not. A Member indicated that, as he understood it, even when looking at a particular Strategic Allocation, Officers were not proposing that every inch of the allocation be built on; the key would be in the masterplanning and individual planning applications. In terms of the Ministry of Defence site at Ashchurch, this was completely out of the Council's control. In respect of the possible call-in of the Twigworth Strategic Allocation, a Member felt this could be helpful but would only happen if the plan was approved in the first place.

95.21 A recorded vote was requested and, upon receiving the appropriate level of support, voting was recorded as follows:

For	Against	Abstain	Absent
R E Allen	P W Awford		R Bishop
R A Bird	Mrs K J Berry		R E Garnham
Mrs G F Blackwell	G J Bocking		B C J Hesketh
D M M Davies	K J Cromwell		V D Smith
M Dean	Mrs J E Day		M G Sztymiak
R D East	A J Evans		
J H Evetts	Mrs P A Godwin		
D T Foyle	Mrs J Greening		
R Furolo	Mrs S E Hillier-Richardson		
Mrs M A Gore	Mrs E J MacTiernan		
Mrs R M Hatton	Mrs H C McLain		
Mrs A Hollaway	Mrs P E Stokes		
J R Mason	M J Williams		
A S Reece	P N Workman		
T A Spencer			
P D Surman			
H A E Turbyfield			
R J E Vines			
D J Waters			

95.22 With 19 votes in favour and 14 against it was

RESOLVED 1. That the proposed main modifications to the June 2014 Pre-Submission Gloucester, Cheltenham and Tewkesbury Joint Core Strategy be approved for public consultation as set out in Appendix 2 to the report (including proposed modifications to the Proposals Map and Key Diagram), subject to the Key Diagram (on Page No. 312) being replaced by the "Appendix 2 – Replacement Key Diagram", including the notation on the Replacement Key Diagram of Stoke Orchard as a Service Village, and Map A11 (on Page No. 322) being replaced by the "Replacement A11 Map", as those it endorses and considers necessary to make the JCS sound.

2. That authority be delegated to the Chief Executive of Tewkesbury Borough Council, in consultation with the Leader of Tewkesbury Borough Council, to make minor changes to the proposed main modifications and proposed modifications to the Proposals Map and Key Diagram in terms of formatting, presentation and accuracy.
3. That authority be delegated to the Chief Executive of Tewkesbury Borough Council, in consultation with the Leader of Tewkesbury Borough Council, to progress and sign a joint planning statement with Wychavon District Council, and thereafter any formal memorandum of agreement, in respect of the delivery of development on land at Mitton making a contribution towards Tewkesbury Borough's housing requirements.

The meeting closed at 8:50 pm

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	1 February 2017
Subject:	Budget 2017 – 2018
Report of:	Simon Dix, Head of Finance and Asset Management
Corporate Lead:	Robert Weaver, Deputy Chief Executive
Lead Member:	Councillor D J Waters
Number of Appendices:	Three

Executive Summary:

The proposed net budget totals £9.91m and, after deducting Government support and other financing streams, the resultant Council Tax requirement is £3.56m giving a Band D Council Tax figure of £109.36.

Recommendation:

To RECOMMEND TO COUNCIL approval of:

i. a net budget of £9,913,693;

ii. a Band D Council Tax of £109.36, an increase of £5.00 per annum;

iii. the use of New Homes Bonus as proposed in Paragraph 3.8 of the report;

iv. the Capital Programme as proposed in Appendix A to the report;

v. the capital prudential indicators as proposed in Appendix B to the report;

vi. the annual Minimum Revenue Provision (MRP) statement, as contained in Appendix B to the report; and

vii. the 2017-18 Treasury Management Strategy, as proposed in Appendix C to the report.

Reasons for Recommendation:

The Council must set a balanced budget and a level of Council Tax necessary to meet its revenue needs, but it must be set at a level affordable to the taxpayer and within the parameters set by the government.

Resource Implications:

Set out in this report.

Legal Implications: Section 32 of the Local Government Finance Act 1992 as amended places a duty on the Council, as Billing Authority, to calculate before 11 March 2017 its budget requirement for 2017/18. Under Section 25 of the Local Government Act 2003, the Section 151 Officer must report on the robustness of the estimates for the purposes of making the appropriate calculations and of the adequacy of the Council's proposed financial reserves.
Risk Management Implications: The risks are set out more fully in the report but, in summary, centre around the continuing pressure on local government funding as Revenue Support Grant is withdrawn and the New Homes Bonus scheme is amended. It is under these circumstances that holding balances at a higher level for the time being is an appropriate course of action to protect the Council from the financial uncertainty ahead.
Performance Management Follow-up: Performance reports are presented to Members on a quarterly basis and include details of the revenue and capital budgets performance and updates on the use of reserves.
Environmental Implications: None directly from this report.

1.0 INTRODUCTION/BACKGROUND

1.1 The Council considered its financial position as shown in the Medium Term Financial Strategy (MTFS) at its meeting on 6 December 2016.

1.2 The MTFS outlines the budget pressures facing this Council currently and in future years and depicts the gap between the estimated net budget of the Council and the estimated funding available in order to finance that net expenditure. The deficit over the five years of the MTFS is estimated to be in the order of £3.3million with a gap suggested in 2017/18 of approximately £2,050,000.

1.3 Since the production of the MTFS, the Chancellor has given his Autumn Statement, the Council has been accepted for a four year funding deal from the government and the details of the provisional Local Government Settlement have been received for 2017/18. In summary, the headlines from these announcements include:

- no changes to the planned level of financial support for local authorities over this Parliament.
- 'Core Spending Power' to fall by 1.14% between financial years.
- Expanded flexibility over the adult social care precept.
- Continuation of the £5 or 2%, whichever is higher, Council Tax referendum principles for District Councils.
- Confirmation of changes to the New Homes Bonus scheme resulting in £241m being redirected to support adult social care in 2017/18.

1.4 This report now brings together the general information on the financial climate with the detailed figures associated with the 2017/18 budget and the work undertaken by the Transform Working Group and makes a proposal for a balanced budget and resultant Council Tax.

1.5 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (nominated Section 151 Officer) to make a statement to the Council on the robustness of the estimates and adequacy of financial reserves. This statement is set out in Section 10 of this report. The Council is under a statutory obligation to have regard to this when making its decision on the proposed budget.

1.6 Whilst the budget is compiled using the best estimates available, the lack of clarity on certain aspects of Local Government Finance, such as business rates retention, and the late announcement with regards to the New Homes Bonus scheme redesign make the setting of the 2017/18 budget difficult and forecasts for future years require a greater degree of sensitivity, impacting on the robustness of these latter year estimates. This adds significant risk to planning the operations of the Council over the medium term.

1.7 In setting the budget for 2017/18, the Council has continued to provide the same level of service as in previous years and in many areas, provide an enhanced service. Much of the deficit which has faced the council for the new financial year has been met through increased income and financing streams, restructured management and services, increased commercial activity and of course increased council tax. Future budget setting may not find these areas as plentiful and members and officers will be faced with tough decisions on the operation of the Council, including reducing or stopping some services, and taking further risk in its commercial activities.

2.0 LOCAL GOVERNMENT FINANCE SETTLEMENT 2017/18

2.1 The Local Government Finance Settlement for 2017/18 is the fifth under the new funding arrangements introduced in the Local Government Finance Act 2012. 2013/14 saw the implementation of a new Business Rates Retention scheme, a Gloucestershire Business Rates Pool and a Localised Council Tax Support scheme whilst core government support is now in the form of Revenue Support Grant (RSG) and a Business Rate baseline.

2.2 The provisional Local Government Finance Settlement for 2017/18 was announced on 15 December 2016. Following the agreement of a four year funding deal in November 2016, the settlement is in line with the indicative figures provided along with the current year settlement. The four year funding deal also provides certainty on core government funding for 2018/19 and 2019/20. The settlement is subject to consultation which will end on 13 January 2017, with a final settlement expected at the end of January.

2.3 The Council's MTFS was based on the previously supplied indicative figures and so there is no change between the MTFS and this, the detailed budget report for 2017/18. Table 1 highlights the confirmed level of support for the next three years.

Table 1

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Cash levels				
Revenue Support grant	887	515	283	23
NNDR baseline funding	1,690	1,723	1,774	1,830
Total	**2,577**	**2,238**	**2,057**	**1,853**
Change in funding (£)				
Revenue Support grant		-372	-232	-260
NNDR baseline funding		33	51	56
Total		**-339**	**-181**	**-204**
Change in funding (%)				
Revenue Support grant		-41.94%	-45.05%	-91.87%
NNDR baseline funding		1.95%	2.96%	3.16%
Total		**-13.15%**	**-8.09%**	**-9.92%**

2.4 As can be seen from Table 1, significant reductions to core government support continue over the next three years and are currently estimated to total a reduction of £724,000 from current funding levels. For 2017/18, the reduction is £339,000 or 13.15%. This position is slightly better than the average reduction facing Shire Districts which is 15.06%.

3.0 NEW HOMES BONUS

3.1 As part of the 2016/17 Local Government Finance Settlement, the government launched a consultation on the future of the New Homes Bonus (NHB) scheme. The consultation closed on 11 March 2016 but it has taken until the announcement of the new settlement for the government to respond to the consultation and issue a direction of travel for the scheme. The implications of the changes to the scheme, which are set out below, are significant and of particular concern to District Councils.

3.2 As widely expected, the government has decided to reduce the number of years for which the bonus is paid from the current six year allocation down to four years. Again as expected, this transition will happen over two years with a five year allocation being paid in 2017/18 and four year allocation being paid in 2018/19.

3.3 Not expected was the introduction of a growth baseline, below which no NHB will be paid. Having consulted on introducing a 0.25% baseline and with 80% of respondents against this proposal, the government has introduced a baseline of 0.4% from 2017/18. All growth below this baseline, which is measured against the number of properties on the current tax base, is ignored for calculating NHB payments. For Tewkesbury, this has resulted in 151 properties being disregarded and reducing the Council's NHB payment by over £180,000 for next year. As this growth baseline starts to affect future years, it is estimated that the annual loss from its introduction could reach approximately £750,000. For many authorities, their total growth falls below 0.4% and in these circumstances they will not attract any NHB payment next year.

3.4 The government has confirmed that there will be no other changes affecting 2017/18 but further changes will remain under consideration. These include:

- Amending the growth baseline so that payments remain within the overall financial envelope for the scheme.
- Not making any NHB payments if an authority does not have an adopted local plan in place.
- Not making and NHB payments against housing that has been developed following an appeal to the original planning committee decision to refuse the planning application.

3.5 The changes for 2017/18 will result in the re-direction of £241m from NHB to support financial issues within the adult social care sector. The cumulative impact of the changes in the next few years should result in the government meeting its intention to transfer £800m from NHB to adult social care.

3.6 The impact of these changes on Tewkesbury has been softened by the increasing housing growth that has been seen within the Borough. For 2017/18, Tewkesbury's overall NHB payment will fall by 5.5% compared to the average reduction in District Councils of 14.8%. In addition, forecasts within the Joint Core Strategy of new housing numbers over the medium term suggest the overall impact of the scheme redesign on this Council is limited. This could however change if the government brings in the additional changes that remain under consideration. Table 2 details the revised projection of NHB over the medium term.

Table 2 – Revised projection of NHB

	16/17 £'000	**17/18 £'000**	**18/19 £'000**	**19/20 £'000**	**20/21 £'000**	**21/22 £'000**
Year 1	527	0	0	0	0	0
Year 2	411	411	0	0	0	0
Year 3	295	295	295	0	0	0
Year 4	638	638	638	638	0	0
Year 5	871	871	871	871	871	0
Year 6	659	659	659	659	659	659
Year 7	0	935	935	935	935	935
Year 8	0	0	919	919	919	919
Year 9	0	0	0	1,051	1,051	1,051
Year 10	0	0	0	0	1,441	1,441
Year 11	0	0	0	0	0	1,491
Sub-total	**3,401**	**3,809**	**4,317**	**5,073**	**5,876**	**6,496**
Reductions in payable years	0	-411	-933	-1,509	-1,530	-1,594
Reductions from growth baseline	0	-184	-374	-564	-752	-754
Total NHB available	**3,401**	**3,214**	**3,010**	**3,000**	**3,594**	**4,148**
Variance (£)		-187	-204	-10	594	554
Variance (%)		-5.50%	-6.35%	-0.33%	19.80%	15.41%

3.7 As can be seen from the table, the Council will receive £3.214m in 2017/18 from the NHB scheme. This is a reduction of £187,000 on the current levels but a reduction of £595,000 against the original scheme. By year three of the projection, the full effect of the introduced change is seen with total reductions against the original scheme of over £2m forecast. In cash terms, a reduction of £401,000 is forecast against the current year income. The table also illustrates how the latter years see an increase in NHB as a result of projected housing numbers.

3.8 The total allocation of NHB for 2017/18 is £3,213,838 and therefore the proposed use of NHB is as follows:

- Support to base budget - £2,410,755.
- Planning appeals reserve - £129,160.
- Vehicle Contract termination cost - £100,000.
- Asset (IT & Property) Management - £95,000.
- Community Grants - £31,623.
- Business Transformation - £47,300.
- MTFS reserve - £400,000.

3.9 The suggested use of NHB includes utilising £2,410,755 to support the base budget. This is an increase of £200,000 over the current utilisation and is in line with the phased increase in support outlined within the MTFS. In percentage terms, this increases base budget support to 75% of total NHB and leaves 25% or £803,083 to support the Council's other requirements.

3.10 Given the forecast of the Council's financial position contained within the MTFS and the need to utilise reserves to provide a balanced budget for 2017/18, it is suggested that at least £400,000 is placed into a MTFS reserve to help fund the future year requirements of one-off funding in order to achieve balanced budgets. The use of one-off sums to fund transformational projects, to cover an expected deficit in 2016/17 and to smooth the deficit for the 2017/18 budget has resulted in the near full commitment of existing reserves. It is therefore essential for future prudent management of the Council's financial affairs that a sum of at least £400,000 is set aside within this NHB allocation.

3.11 Given this recommended use, the sum available to support other requirements is limited. The proposal includes the continued support of funding a planning appeals reserve and the employment of a barrister to act on behalf of the council in these appeals. A sum of £47,300 is also included to fund one-off costs of some of our transformational activities and £100,000 is set aside to cover the likely costs associated with the end of the current vehicle contract. Monies are also set aside, as in previous years, to maintain the Council's assets, both in terms of building and information technology assets.

3.12 Given the overall reduction in NHB funding available, it is no longer possible to fund an ongoing community grants scheme. Monies have been earmarked to fund the continuing employment of a Grants Funding Officer whose role will be to focus on supporting community organisations in identifying grant funding opportunities and successfully applying for grant awards. The Council's role in grants will move from being a direct provider of grants to having a signposting and enabling role.

4.0 BUSINESS RATES RETENTION

4.1 The last two financial years have seen Tewkesbury in a safety net position as a result of the application of the 50% retention of business rates scheme. A safety net position means that no income has been retained by the Council and in fact losses have been made. The size of the loss is limited to 7.5% of the business rates base before a safety net is activated. As the Council was previously within the Gloucestershire Pool for business rates retention, the safety net payments have been met by the Gloucestershire authorities rather than central government therefore depriving the local citizen of increased funding. The losses have resulted from successful appeals being made by a variety of businesses and for a variety of reasons. The success of the appeals and the size of the reduction in rateable value have far outweighed any growth in business seen within the Borough.

4.2 As a result of this position, and the ongoing threat of further successful appeals, Tewkesbury withdrew from the pool for the start of 2016/17 and, due to that risk not being mitigated, will continue to operate independently for 2017/18. In these circumstances, a safety net position will be financed by central government. The quarter three position of our current year budget indicates that yet again Tewkesbury is likely to end up in a safety net position and trigger a payment from central government.

4.3 This will mean that for three out of four years, Tewkesbury has suffered from substantial losses from this scheme. In addition, a new valuation list, which will come into effect on 1 April 2017, has been published which gives cause for concern that there will be increased levels of appeals being submitted, not least of which could be from Virgin Media as a result of the increased value of their fibre optic network. Given the history and the potential new appeals, there appears to be no immediate prospect of the Council being able to retain income from this scheme. As a result, the budget proposal for 2017/18 has removed the assumed income target of £261,000. Should the Council benefit from the scheme next year this will reduce the use of reserves to support the base budget and start to give some confidence that an income target could be re-introduced in the future.

4.4 The government continues to consult on the design of a scheme to enable 100% retention before the end of this Parliament.

5.0 COUNCIL TAX

5.1 As with the current year, the government has set an excessive Council Tax threshold, whereby increases over the threshold would trigger a local referendum, at £5 or 2 %, whichever is higher, for District Councils. The current year was the first year for some time that a threshold in excess of 2% has been made available to District Councils and as a result many Council's opted to increase Council Tax by more than 2%.

5.2 The thresholds set for upper tier authorities include a standard Council Tax increase of 2% but also the ability to raise a social care levy of up to 3%. Whilst the government consulted on introducing thresholds for Town and Parish Councils, it has decided to refrain from introducing them for the next financial year.

5.3 During the period of 2011 to 2016, Tewkesbury had decided to freeze its share of the Council Tax to support its taxpayers during tough economic times. In setting the current budget, Council agreed that it should raise Council Tax by the full amount possible before triggering a referendum. Therefore an increase of £5 on Band D was approved leading to Council Tax charge of £104.36 per annum. Despite this increase, the Council maintained its position as the fifth lowest lower tier authority Council Tax in England with its charge being approximately £40 lower than the lower quartile threshold and some £60 short of the average District Council for 2016/17.

5.4 Given the reductions in core government funding, New Homes Bonus and retained business rates as well as the investment needed in service area due to the expanding nature of the Borough, it is once again necessary to recommend that Tewkesbury increases its Band D Council Tax by £5 per annum, bringing its total tax to £109.36 for 2017/18. In proposing this increase, the Council will retain its position within the lowest charging authorities, thereby honouring its commitment to maintain a low Council Tax, but will also generate an additional income of around £162,000 to support its core services.

5.5 The impact of this proposal on the Borough taxpayers is illustrated in Table 3.

Table 3

	No. of properties	**Percent of total**	**Annual Council Tax 16/17**	**Annual Council Tax 17/18**	**Annual Increase**
Band A	6,327	15.92%	£69.57	£72.91	£3.34
Band B	6,405	16.12%	£81.17	£85.06	£3.89
Band C	11,021	27.74%	£92.76	£97.21	£4.45
Band D	5,851	14.73%	£104.36	£109.36	£5.00
Band E	4,970	12.51%	£127.55	£133.66	£6.11
Band F	3,132	7.88%	£150.74	£157.96	£7.22
Band G	1,838	4.63%	£173.93	£182.27	£8.34
Band H	190	0.48%	£208.72	£218.72	£10.00

5.6 The Council's recent record on council tax is shown below for information.

Table 4

	Budget £000s	**Increase %**	**Council Tax £**	**Increase Pa £**	**Increase %**
2012/13	7,050	5.0	99.36	0.00	0.0
2013/14	8,525	20.9	99.36	0.00	0.0
2014/15	8,746	2.6	99.36	0.00	0.0
2015/16	9,210	5.3	99.36	0.00	0.0
2016/17	9,663	4.9	104.36	5.00	5.0
2017/18	9,900	2.5	109.36	5.00	4.8

6.0 BUDGET PROPOSALS

6.1 The base estimates for the Council in 2017/18 have been compiled and are as follows:

Table 5

	2016/17 Budget	2017/18 Budget
Chief Executive	£187,864	£250,187
Corporate Services	£1,342,549	£1,372,149
Democratic Services	£727,750	£750,929
One Legal	£270,237	£362,170
Deputy Chief Executive	£116,979	£113,826
Development	£821,920	£647,284
Housing & Environmental Services	£3,261,546	£3,574,798
Revenues and Benefits	£593,898	£488,174
Finance and Assets	£2,340,599	£2,354,176
TOTAL	**£9,663,342**	**£9,913,693**

6.2 The estimates for 2017/18 include the following headlines:

- £65,000 increase in direct staffing costs as a result of the assumption of a 1% pay award to be agreed for the period from April 2017.
- £50,000 increase in pension deficit contributions which is the first stepped increase following the valuation of the fund in 2016. This will take the annual contribution towards the pension deficit to £1.583m with further increases planned of £192,000 per annum over the following two years.
- £130,000 increase in current employee pension costs as a result of the valuation of the fund previously highlighted.
- £390,000 increase in the costs of providing waste and recycling, street cleansing and grounds maintenance services predominately caused by the change in waste and recycling collection methodology where food waste is now collected separately.
- £345,000 increase in costs associated with the disposal of recyclate collected.
- £41,000 additional resources requested by Ubico Ltd to meet capacity requirements.
- £80,000 increase in the cost of the planning department manpower to meet increased demand.
- £20,000 increase in expenditure to meet the growing demand of homelessness.
- £14,000 increase in costs to provide additional capacity to support fraud detection and prevention work across the council. The result of this area of activity is likely to lead to increased income from Council Tax and business rates to support the Council's base budget in future years.
- £15,000 for the governments new apprentice levy.
- £120,000 increase in planning income.
- £45,000 increase in garden waste income.
- £47,000 of new procurement targets.

6.3 In addition, the base estimates include the additional income gained from the £15m purchase of commercial property within the Borough completed in December 2016. This purchase will generate an income, net of financing costs, of approximately £430,000 in the next financial year. Council also approved a Commercial Investment Strategy in December 2016 which approved the investment of a further £15m from prudential borrowing to acquire additional commercial units. An estimate of the net return from acquiring these assets has also been included in the base budget but is reduced to reflect the part year benefit likely in 2017/18.

6.4 The cashable savings forecast by the service review of Revenues and Benefits have also been included in the base estimate. The same service has also contributed increased income of around £100,000 as a result of improved performance in reclaiming housing benefit subsidy from the government.

6.5 The base estimates also include the use of NHB as outlined previously at Paragraph 3.8.

6.6 The finance available to fund the net budget requirement is as follows:

Financing	**£**
Government Settlement	-2,239,391
New Homes Bonus	-3,213,838
Collection Fund Surplus	-67,300
Retained Business Rates	-0
Total	**-5,520,529**

6.7 Tewkesbury's Council Tax base has increased by 697.37 to 32,512.32, an increase of 2.2% on the previous year. This coupled with the proposed increase in Council Tax by £5 per annum at Band D level would generate a total income of £3,555,547 from Council Tax payers. Adding this to the financing available which was outlined in the previous Paragraph gives the Council a total of £9,076,076 from which to fund services. This is a shortfall of £837,617 against the total net budget requirement outlined in Paragraph 6.1.

6.8 The shortfall will need to be met by the use of reserves in 2017/18. Whilst the use of one-off monies to fund ongoing activities should be avoided if at all possible, given the size of the reductions in finance available as well as the growth needed to maintain services, the use of reserves will be necessary. The Council has sums of £330,000 available in the current MTFS reserve and a further £300,000 of uncommitted current year NHB available. A review of the current level of earmarked reserves and provisions have been undertaken and a further £210,000 can be released to meet the shortfall in reserves available.

6.9 The use of reserves to balance the budget for 2017/18 is necessary but is not sustainable at this level. It will be necessary to ensure the delivery of all current and new savings targets identified within in the budget but also the commencement and delivery of further service reviews, shared services and commercial opportunities to ensure reliance on the use of one-off monies is reduced in future years and can be met through the monies available to the Council.

7.0 RISKS

7.1 The Council's budget is prepared using best estimates for the level and timing of expenditure, budget and efficiency savings and available resources. However, a number of uncertainties exist which could have an impact on the budget of the Council:

- Government Support – the settlement is only provisional and is subject to change. Funding levels beyond 2019/20 are as yet unknown. A prudent view of future years funding has been included in the MTFP.
- New Homes Bonus – the Council now relies heavily on this source of funding. Whilst the Council has absorbed, to a large extent, the changes introduced to the scheme, further changes cannot be ruled out which could have a severe impact on the Council's finances.
- Business Rates – until such time as the issues with backdated appeals have been resolved, accurately forecasting the level of business rate income in future years is difficult. The government have announced a review of the scheme which is expected to be financially neutral. The detail of the 100% retained rates scheme is not yet known and neither are the new burdens the council will need to take on as part of the deal.
- Interest rate forecasts – rates continue at a historically low level. The current base rate is 0.25%. Our Treasury Advisers indicate that it is unlikely that rates will increase until late 2017 at the earliest and therefore a cautious approach has been adopted within the MTFP for forecasting likely returns and cost of borrowing.
- Welfare Reform – the introduction of Universal Credit has been delayed but is now planned for a phased roll out in December 2017. However other reforms are already having an impact on tenants ability to pay their rent e.g. the under occupancy charge. The Council is continuing to give full Council Tax support in 2017/18.
- Savings plan – whilst savings are only included in budget after it has been concluded that they are deliverable, some aspects of the savings plan will still require ongoing management during the year to ensure that the agreed targets are met.
- Salary award – an assumed 1% pay award has been included in the estimates. Any agreement in excess of this will require further finance to be sourced.
- Income – assumptions about the level of likely income are at the high end of expectations in many areas. It is unlikely that additional income will be received above these estimates which can balance expenditure and any failure to meet the targeted income levels could result in a budget deficit.

7.2 Given the reduction in NHB available and the future requirements to support the base budget from this pot, it is not possible to allow a contingency sum to meet potential deficits in 2017/18. The risk is mitigated to an extent by the business rates reserve which is forecast to have balances of £150,000 by the year end. As always, careful in-year management of the budget will be necessary to ensure the budget outturn is, at worst, cost neutral.

8.0 REVENUE RESERVES

8.1 As at 31 March 2016, the Council had useable earmarked reserves totalling £2.80m. In addition there was an uncommitted General Fund working balance of £450,000.

8.2 The revenue reserves are reviewed and approved annually as part of the closure of accounts. It is has already been highlighted that a review of the reserves has been undertaken in order to target reserves that can be released to support the base budget of the Council for 2017/18. This requirement will be the primary need met when the reserves are presented to Executive Committee for approval. A Financial Outturn report will be taken to Executive Committee in July to approve the reserves of the Council for 2017/18.

9.0 CAPITAL PROGRAMME

9.1 The current capital programme is shown at Appendix A and covers estimates of expenditure in the current year and forward forecasts of the next four years.

9.2 The programme is significant in size and totals over £46.3m over the five years. The vast majority of the programme relates to investment in commercial properties with the aim of delivering an income stream to the Council over and above the cost of financing. This strand of the capital programme totals £31.8m and includes the recent purchase in Tewkesbury, the newly approved £15m within the Commercial Investment Strategy and the balance of the previously allocated property investment fund.

9.3 Other significant expenditure within the programme includes the purchase of a new vehicle fleet which will be completed before April 2017, the estimate of finance required for the regeneration of Tewkesbury town centre and an estimate of finance required to enable the second phase of the refurbishment of the Public Service Centre. Current levels of expenditure on Disabled Facilities Grants (DFG's) are projected throughout the programme.

9.4 The size of the capital programme will utilise the balance of the capital receipts reserve within the next two years and finance will be required from alternative sources. It is expected that grant funding will cover the total cost of DFG's in this and future years and the Council has already secured grant funding of £377,000 towards the Public Service Centre refurbishment. Direct revenue financing also supports the programme and utilises NHB to support the IT Investment Strategy and accumulated asset management reserves to support the Public Service Centre refurbishment. The majority of financing comes in the form of borrowing with £5m being estimated to be available from treasury balances (internal borrowing) and a total of £31.3m required to be borrowed from external sources. The cost of securing and repaying this borrowing have been factored into the revenue estimates. Any sale of existing assets in future years can offset the size of the borrowing requirement.

10.0 STATEMENT OF CHIEF FINANCE OFFICER

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

10.2 The basis on which the budget for 2017/18 and the MTFP have been prepared has been set out very clearly in this report and the previous MTFS report. I am satisfied that the budgets for the General Fund and the Capital Programme have been based on sound assumptions.

10.3 The grant settlement for 2017/18 and the changes to the NHB scheme have had a significant impact on the Council's finances and the current economic climate continues to challenge the financial affairs of the Council. However, with the planning that has taken place with the Transform Working Group, the efficiency savings that have been identified and the commercial activity being undertaken the Council is able to set a balanced budget for 2017/18.

10.4 From 2017/18 onwards, the Council is increasingly dependent on General Fund balances and the full utilisation of New Homes Bonus allocations to support its annual spending plans. Action will need to be taken to ensure that, in future years, the Council's spending plans are reduced to match the resources available.

10.5 The Council has a good record for only including in the budget income estimates that are deliverable. The Council's core expenditure requirements are well understood, budgeted for accordingly and delivered in accordance with the estimates. It is on this basis that I am satisfied the estimates are robust.

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

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

10.8 The General Fund balance is adequate to meet any unforeseen requirements.

10.9 Overall, I am satisfied that the projected levels of reserves and balances held by the Council are adequate for the forthcoming year but will continue to review the position as necessary to ensure adequacy of reserves for future years.

11.0 TREASURY STRATEGY 2017/18

11.1 The Department for Communities and Local Government (CLG) issued revised guidance on local authority investments in March 2010 that, along with the CIPFA Treasury Management in the Public Services: Code of Practice 2011 requires the Council to approve an Investment Strategy before the start of each financial year.

11.2 The Treasury Management Strategy 2017/2018, in Appendix C, sets the framework in which day-to-day and strategic treasury activities are operated. The documents are compiled from the recommendations within the CIPFA guidance and from the Council's Treasury Management advisors with consideration given to the current financial climate and factors affecting market conditions.

11.3 Both the CIPFA Code and the DCLG Guidance require the Authority to invest its funds prudently, and to "**have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield."** The strategy proposed addresses these requirements as well as the changing legislation with regards to failing banks and proposes a policy of diversification, utilising a number of investment vehicles, in order to protect the Council.

11.4 Given the Council's approved capital programme relies on prudential borrowing to fund commercial property development, asset refurbishment and town centre regeneration, added importance is given to the sections in the strategy setting out the Council's borrowing strategy and levels of intended borrowing.

12.0 MINIMUM REVENUE PROVISION

12.1 The statement at Appendix B sets out the Council policy on making a Minimum Revenue Provision (MRP) for the 2017/18 financial year in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. 2017/18 will be the first year where MRP charges will be necessary following the purchase of a commercial property in Tewkesbury funded by prudential borrowing. The MRP charge is likely to increase in future years as further capital investment funded from borrowing is made.

12.2 The Council will look to utilise capital and revenue balances where possible in order to reduce the revenue impact of investment plans. However, where either internal or external borrowing is required a MRP will be required to be made. Again to minimise the impact on the revenue account, the financially most advantageous MRP option will be chosen.

13.0 CONSULTATION

13.1 Consultation on the budget has taken place with the Transform Working Group. In addition, a public and business consultation has taken place on general budgetary principles. The Council has a duty to consult with business rate payers its budget proposals.

14.0 RELEVANT COUNCIL POLICIES/STRATEGIES

14.1 In line with Medium Term Financial Strategy approved by Council on 6 December 2016.

15.0 RELEVANT GOVERNMENT POLICIES

15.1 The Government has set down excessive Council Tax increase rules. Any increase in Band D Council Tax over a set limit will trigger a local referendum. The proposal for an increased Council Tax of £5 at Band D will mean that no referendum is required for Tewkesbury.

16.0 RESOURCE IMPLICATIONS (Human/Property)

16.1 Significant savings have been necessary to provide a balanced budget. Some of these have staffing implications although compulsory redundancy will be avoided wherever possible, but this cannot be ruled out.

17.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

17.1 None directly.

18.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

18.1 Changes may be required to the way services are provided in order to reduce costs. Service Managers are responsible for undertaking Equalities Impact Assessments for any changes they make to any services they provide and where appropriate, EIAs will have been undertaken.

19.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

19.1 Approval of Medium Term Financial Strategy – Council on 6 December 2016.

Background Papers: Medium Term Financial Strategy.

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Appendices:
A - Capital Programme.
B - Capital Prudential Indicators and MRP.
C - 2017-18 Treasury Strategy.

Forecast Capital Programme 2016 - 2021 - Appendix A

Scheme	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£	£	£	£	£	£
Council Projects						
Land & Property						
Tewkesbury - Riverside walk	4,298	0	0	0	0	**4,298**
Tewkesbury Regeneration project	0	1,000,000	4,000,000	0	0	**5,000,000**
Public Services Centre refurbishment	0	1,800,000	0	0	0	**1,800,000**
Leisure Centre Project	231,294	0	0	0	0	**231,294**
The Grange watercourse, Bishops Cleeve	180,000	0	0	0	0	**180,000**
Roses Theatre	22,110	0	0	0	0	**22,110**
	437,702	**2,800,000**	**4,000,000**	**0**	**0**	**7,237,702**
Vehicles						
Grounds Maintenance equipment	61,000	0	0	0	0	**61,000**
Vehicle replacement programme	3,250,000	0	0	0	0	**3,250,000**
	3,311,000	**0**	**0**	**0**	**0**	**3,311,000**
Equipment						
Asset Capitalisation	100,000	146,000	0	0	0	**246,000**
ICT Strategy	30,000	15,000	15,000	10,000	15,000	**85,000**
	130,000	**161,000**	**15,000**	**10,000**	**15,000**	**331,000**
Capital Investment Fund						
Commercial property investment	15,023,000	16,780,400	0	0	0	**31,803,400**
	15,023,000	**16,780,400**	**0**	**0**	**0**	**31,803,400**
Capital Grants						
Old scheme capital grants	75,824	0	0	0	0	**75,824**
Community Grants Working Group	107,229	0	0	0	0	**107,229**
	183,053	**0**	**0**	**0**	**0**	**183,053**
Housing and Business Grants						
Disabled Facilities Grants	700,000	700,000	700,000	700,000	700,000	**3,500,000**
	700,000	**700,000**	**700,000**	**700,000**	**700,000**	**3,500,000**
Capital Expenditure	**19,784,755**	**20,441,400**	**4,715,000**	**710,000**	**715,000**	**46,366,155**
Capital Resources required						
Capital Receipts	-3,774,053	-1,419,000	-760,000	0	0	**-5,953,053**
Capital Grants	-700,000	-1,077,000	-700,000	-700,000	-700,000	**-3,877,000**
Direct revenue financing	-30,000	-165,000	-15,000	-10,000	-15,000	**-235,000**
Borrowing - internal	-5,000,000	0	0	0	0	**-5,000,000**
Borrowing - external	-10,280,702	-17,780,400	-3,240,000	0	0	**-31,301,102**
Capital resources consumed	**-19,784,755**	**-20,441,400**	**-4,715,000**	**-710,000**	**-715,000**	**-46,366,155**

Appendix B

Prudential Indicators and MRP Statement 2017/18

Prudential Indicators 2017/18

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Authority's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2016/17 Revised £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
General Fund	19.784	20.441	4.715	0.710
Total Expenditure	**19.784**	**20.441**	**4.715**	**0.710**
Capital Receipts	3.774	1.419	0.760	0.0
Government Grants	0.7	1.077	0.70	0.70
Reserves	0.0	0.0	0.0	0.0
Revenue	0.03	0.165	0.015	0.010
Internal Borrowing	5.0	0.0	0.0	0.0
External Borrowing	10.280	17.780	3.240	0.0
Leasing and PFI	0.0	0.0	0.0	0.0
Total Financing	**19.784**	**20.441**	**4.715**	**0.710**

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.17 Revised £m	31.03.18 Estimate £m	31.03.19 Estimate £m	31.03.20 Estimate £m
General Fund	15.280	17.780	3.240	0.0
Minimum Revenue Provision	-0.0	-0.261	-0.507	-0.146
Total CFR	**15.280**	**32.799**	**35.532**	**35.386**

The CFR is forecast to rise by £21.04m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.17 Revised £m	31.03.18 Estimate £m	31.03.19 Estimate £m	31.03.20 Estimate £m
Borrowing	10.28	17.78	3.24	0.0
Finance leases	0.0	0.0	0.0	0.0
PFI liabilities	0.0	0.0	0.0	0.0
Transferred debt	0.0	0.0	0.0	0.0
Total Debt	**10.28**	**28.06**	**31.30**	**31.30**

Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2016/17 Revised £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Borrowing	11.0	29.0	32.0	32.0
Other long-term liabilities	0.0	0.0	0.0	0.0
Total Debt	**13.0**	**29.0**	**32.0**	**32.0**

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2016/17 Limit £m	2017/18 Limit £m	2018/19 Limit £m	2019/20 Limit £m
Borrowing	19.0	35.0	38.0	38.0
Other long-term liabilities	0.0	0.0	0.0	0.0
Total Debt	**19.0**	**35.0**	**38.0**	**38.0**

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2016/17 Revised %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %
General Fund	**-0.82**	**3.01**	**5.23**	**1.43**

In 2016/17 there is a negative ratio as investment income is higher than borrowing costs and impact of the MRP. It is not until 2017/18 that MRP impact is high enough that borrowing becomes a proportion of the revenue budget.

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed

Incremental Impact of Capital Investment Decisions	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £
General Fund - increase in annual band D Council Tax	**9.32**	**15.71**	**4.35**

Adoption of the CIPFA Treasury Management Code: The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in February 2012. It fully complies with the Codes.

Annual Minimum Revenue Provision Statement 2017/18

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act requires the Authority to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG Guidance) most recently issued in 2012.

The broad aim of them CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.

> For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments *or* as the principal repayment on an annuity with an annual interest rate, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. *(Option 3 in England and Wales)*

Capital expenditure incurred during 2017/18 will not be subject to a MRP charge until 2018/19.

Based on the Authority's latest estimate of its Capital Financing Requirement on 31st March 2017, the budget for MRP has been set as follows:

	31.03.2017 Estimated CFR £m	**2017/18 Estimated MRP £**
Unsupported capital expenditure after 31.03.2008	15.280	0.261
Total General Fund	**15.280**	**0.261**

Appendix C

Treasury Management Strategy Statement 2017/18

Introduction

In February 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

Revised strategy: In accordance with the CLG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Authority's capital programme or in the level of its investment balance.

External Context

Economic background: The major external influence on the Authority's treasury management strategy for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union. Financial markets, wrong-footed by the referendum outcome, have since been weighed down by uncertainty over whether leaving the Union also means leaving the single market. Negotiations are expected to start once the UK formally triggers exit in early 2017 and last for at least two years. Uncertainty over future economic prospects will therefore remain throughout 2017/18.

The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.

Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of a leaving the single market has dented business confidence and resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18.

Looking overseas, with the US economy and its labour market showing steady improvement, the market has priced in a high probability of the Federal Reserve increasing interest rates in December 2016. The Eurozone meanwhile has continued to struggle with very low inflation and lack of momentum in growth, and the European Central Bank has left the door open for further quantitative easing.

The impact of political risk on financial markets remains significant over the next year. With challenges such as immigration, the rise of populist, anti-establishment parties and negative interest rates resulting in savers being paid nothing for their frugal efforts or even penalised for them, the outcomes of Italy's referendum on its constitution (December 2016), the French presidential and general elections (April – June 2017) and the German federal elections (August – October 2017) have the potential for upsets.

Credit outlook: Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however continue to fall.

Interest rate forecast: The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2017/18**.** The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in the Bank Rate look less likely. Negative Bank Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50. Long-term economic fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the fallout from the build-up of public and private sector debt. The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a possibility, to keep long-term interest rates low.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at ***Appendix A***.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.70%, and that new loans will be borrowed at an average rate of 0.4%.

Local Context

On 31st December 2016, the Authority currently held £14.0m of borrowing and £19.838m of investments. This is set out in further detail at ***Appendix B***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.16 Actual £m	**31.3.17 Estimate £m**	**31.3.18 Forecast £m**	**31.3.19 Forecast £m**	**31.3.20 Forecast £m**
General Fund CFR	0.0	15.280	32.779	35.532	35.386
Total CFR	**0.0**	**15.280**	**32.779**	**35.532**	**35.386**
Less: Other debt liabilities*	0.0	0.0	0.0	0.0	0.0
Borrowing CFR	**0.0**	**15.280**	**32.779**	**35.532**	**35.386**
Less: External borrowing**	0.0	10.280	28.06	31.30	31.30

Internal borrowing	**0.0**	**5.0**	**4.719**	**4.232**	**4.086**
Less: Usable reserves	-11.401	-6.627	-3.843	-2.843	-1.843
Less: Working capital	3.489	1.768	0.068	0.068	0.068
Investments	**7.912**	**9.859**	**8.494**	**7.007**	**5.861**

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt
** shows only loans to which the Authority is committed and excludes optional refinancing

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £31.30m over the forecast period.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2017/18.

Borrowing Strategy

The Authority currently holds £14.0 million of loans, an increase of £14.0 million on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £17.78m in 2017/18. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £35.0 million.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal/short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2017/18 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2017/18, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow further short-term loans to cover unplanned cash flow shortages.

Sources: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except your local Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- UK Local Authorities
-

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Authority has previously raised all of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

Municipal Bond Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

Short-term and Variable Rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt Rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £10.0 and £23.23 million. These levels will reduce over the forecast period as internal funds will be used to fund capital investment, thus reducing the external borrowing costs. Investment rates will be carefully monitored against borrowing costs. The Authority intends to continue to make investments at a level above the cost of borrowing.

Objectives: Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative Interest Rates: If the UK enters into a recession in 2017/18, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and falling returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2017/18. This is especially the case for the estimated £2m that is available for longer-term investment. The majority of the Authorities surplus cash remains invested in short-term unsecured bank deposits, and money market funds. This diversification will represent a continuation of the new strategy adopted in 2015/16.

Approved Counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2m 5 years	£2m 20 years	£5m 50 years	£1m 20 years	£2m 20 years
AA+	£2m 5 years	£2m 10 years	£5m 25 years	£1m 10 years	£2m 10 years
AA	£2m 4 years	£2m 5 years	£5m 15 years	£1m 5 years	£2m 10 years
AA-	£2m 3 years	£2m 4 years	£5m 10 years	£1m 4 years	£2m 10 years
A+	£2m 2 years	£2m 3 years	£5m 5 years	£1m 3 years	£2m 5 years
A	£2m 13 months	£2m 2 years	£5m 5 years	£1m 2 years	£2m 5 years
A-	£2m 6 months	£2m 13 months	£5m 5 years	£1m 13 months	£2m 5 years
BBB+	£1m 100 days	£1m 6 months	£5m 2 years	£0.5m 6 months	£1m 2 years
BBB	£1m next day only	£1m 100 days	n/a	n/a	n/a
None	£1m 6 months	n/a	£5m 25 years	£50,000 5 years	£2m 5 years
Pooled funds	£2m per fund				

Credit Rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£2m
Total investments without credit ratings or rated below [A-]	£3m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below [AA+]	£2m
Total non-specified investments	£7m

Investment Limits: The Authority's revenue reserves available to cover investment losses are forecast to be £6.627 million on 31st March 2017. The council policy is a maximum limit of investing £2m to any one organisation (other than the UK Government), which represents 35% of reserves available. The Council will not normally invest up to this limit unless the risk related to this investment is considered significantly low enough to justify the return. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£2m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£2m per group
Any group of pooled funds under the same management	£2m per manager
Negotiable instruments held in a broker's nominee account	£4m per broker
Foreign countries	£2m per country
Registered Providers	£4m in total
Unsecured investments with Building Societies	£2m in total
Loans to unrated corporates	£1m in total
Money Market Funds	£6m in total

Liquidity Management: The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

<u>Treasury Management Indicators</u>

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target	Actual
Portfolio average credit rating	A	A+

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed will be:

	2017/18	2018/19	2019/20
Upper limit on fixed interest rate exposure	£35m	£35m	£35m
Upper limit on variable interest rate exposure	£0m	£0m	£0m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2017/18	2018/19	2019/20
Limit on principal invested beyond year end	£2m	£1m	£1m

Other Items

There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

Policy on Use of Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Investment Training: The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

Investment Advisers: The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. Periodic review by senior officers controls the quality of this service.

Investment of Money Borrowed in Advance of Need: The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £[X] million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

Financial Implications

The budget for investment income in 2017/18 is £56,000 based on an average investment portfolio of £8 million at an interest rate of 0.70%. The budget for debt interest paid in 2017/18 is £71,122 based on an average debt portfolio of £17.78 million at an average interest rate of 0.4%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast November 2016

Underlying assumptions:

- The medium term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.

- The global environment is also riddled with uncertainty, with repercussions for financial market volatility and long-term interest rates. Donald Trump's victory in the US general election and Brexit are symptomatic of the popular disaffection with globalisation trends. The potential rise in protectionism could dampen global growth prospects and therefore inflation. Financial market volatility will remain the norm for some time.

- However, following significant global fiscal and monetary stimulus, the short term outlook for the global economy is somewhat brighter than earlier in the year. US fiscal stimulus is also a possibility following Trump's victory.

- Recent data present a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending.

- Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.

- The currency-led rise in CPI inflation (currently 1.0% year/year) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.

- The depreciation in sterling will, however, assist the economy to rebalance away from spending. The negative contribution from net trade to GDP growth is likely to diminish, largely due to weaker domestic demand. Export volumes will increase marginally.

- Given the pressure on household spending and business investment, the rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.

- Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further monetary loosening looks less likely..

Forecast:

- Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.

- The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 25% possibility of a drop to close to zero, with a very small chance of a reduction below zero.

- Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50.

	Dec-16	**Mar-17**	**Jun-17**	**Sep-17**	**Dec-17**	**Mar-18**	**Jun-18**	**Sep-18**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Average**
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	**0.12**
Arlingclose Central Case	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**
Downside risk	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.40**
3-month LIBID rate														
Upside risk	0.05	0.05	0.10	0.10	0.10	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.18**
Arlingclose Central Case	**0.25**	**0.25**	**0.25**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.29**
Downside risk	0.20	0.25	0.25	0.25	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.34**
1-yr LIBID rate														
Upside risk	0.10	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.23**
Arlingclose Central Case	**0.60**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.60**	**0.70**	**0.85**	**0.90**	**0.90**	**0.90**	**0.65**
Downside risk	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.24**
5-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**0.50**	**0.40**	**0.35**	**0.35**	**0.35**	**0.40**	**0.40**	**0.40**	**0.45**	**0.50**	**0.55**	**0.60**	**0.65**	**0.45**
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.47**
10-yr gilt yield														
Upside risk	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.15**	**0.95**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.90**	**0.95**	**1.00**	**1.05**	**1.10**	**1.15**	**0.96**
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.47**
20-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.70**	**1.50**	**1.40**	**1.40**	**1.40**	**1.40**	**1.40**	**1.45**	**1.50**	**1.55**	**1.60**	**1.65**	**1.70**	**1.75**
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	**0.57**
50-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.60**	**1.40**	**1.30**	**1.30**	**1.30**	**1.30**	**1.30**	**1.35**	**1.40**	**1.45**	**1.50**	**1.55**	**1.60**	**1.41**
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	**0.57**

Appendix B – Existing Investment & Debt Portfolio Position

	31/12/2016 **Actual Portfolio** **£m**	31/12/2016 **Average Rate** **%**
External Borrowing:		
Public Works Loan Board	0.0	N/A
Local authorities	14.0	0.3978
LOBO loans from banks	0.0	N/A
Total External Borrowing	**14.0**	**0.3978**
Other Long Term Liabilities:		
PFI	0.0	N/A
Finance Leases	0.0	N/A
Transferred Debt	0.0	N/A
Total Gross External Debt	**14.0**	**N/A**
Investments:		
Banks & building societies (unsecured)	8.008	0.7467
Covered bonds (secured)	0.0	0.0
Government (incl. local authorities)	3.0	0.249
Corporate bonds and loans	2.0	1.35
Money Market Funds	2.830	0.267
Other Pooled Funds	4.0	0.8
Total Investments	**19.838**	**0.68**
Net Debt	**-5.838**	**N/A**

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