



SWINDON BOROUGH COUNCIL
Municipal Year 2018/19

Thursday, 21 February 2019

**COUNCIL CHAMBER
CIVIC OFFICES
SWINDON**

19 February 2019

Dear Councillor,

Summons to attend Council Meeting

A MEETING of the **Council**, which you are requested to attend, is to be held at the CIVIC OFFICES, SWINDON, on **Thursday, 21 February 2019 at 7.00 p.m.**

The business to be transacted will be as follows:-

AGENDA

- 1. Apologies for Absence**
- 2. Communications**
To receive any communications or letters which the Mayor or Chief Executive may have to bring before the Council.
- 3. Minutes** (Pages 5 - 18)
To receive the minutes of the previous meeting.
- 4. Declarations of Interest**
Members are reminded that at the start of the meeting they should declare any known interests in any matter to be considered, and also during the meeting if it becomes apparent that they have an interest in the matters being discussed.

5. Public Question Time

See explanatory note below.

6. Council Budget 2019/20 (Pages 19 - 166)

To approve, following a recorded vote, the Council's Budget for the Financial Year, 2019/20.

The Cabinet met on 6th February 2019 to consider the following reports relating to the Council Budget 2019/20.

- (i) Budget 2019/20 and Beyond.
- (ii) Capital Programme 2019/20.
- (iii) Treasury Strategy Statement 2019/20.

Cabinet Minutes 56, 57 and 58 relating to these reports are attached (Pages 19 to 22)

7. Council Tax Setting 2019/20 (Pages 167 - 182)

To enable Members, following a recorded vote, to formally resolve the Borough Council's Council Tax for 2019/20.

8. Housing Revenue Account - Rents and Charges 2019/20 (Pages 183 - 206)

To approve the Council's Housing Revenue Account Budget for the Municipal Year 2019/20.

The Cabinet met on 6th February 2019 to consider the attached report on the Housing Revenue Account - Rents and Charges 2019/20.

Cabinet Minute 59 relating to this report is attached (Pages 183 to 184).

9. Swindon Pay Policy Statement 2019/20 (Pages 207 - 230)

To approve the Council's Pay Policy Statement 2019/20/.

The attached report on the Council's Pay Policy Statement 2019/20 was considered by the Cabinet at its meeting on 6th February 2019.

Cabinet Minute 60 relating to this report is attached. (Page 207)

10. Motion - County Lines

Councillor Barbara Parry will move:

That this Council:

Recognises:

- 1. That County lines drug dealing is one of greatest threats of our time
- 2. The Children's Commissioner estimates that there are at least 46,000 children in England who are involved in this type of gang activity.

Notes:

- 1. That this Council Is committed to building on the multi-agency relationships and increasing the partnership working that is so vital to not only the protection of but literally also the survival of some of the most vulnerable people in our

- Borough.
2. The excellent work that is already taking place by an extremely dedicated multi-agency teams around the signs of criminal exploitation and County Lines.

Requests that:

1. The Cabinet Member for Housing and Public Safety writes to the Home Secretary, the Secretary of State for Housing, Communities and Local Government and the Secretary of State for Education, requesting that the government develops a national strategy to address the issue of County Lines, which would:
 - Provide clear and effective national support for work being put together at a local level
 - Facilitate working across local authority boundaries, for example the need to track perpetrators and children across boundaries;
 - Address the need for ongoing support for young people and families that are affected
 - Provide guidance on timeliness of interviewing young people who have been found after having been notified as missing; and
 - Identify appropriate skills and resources for local authorities and local police forces and other relevant agencies to support a national strategy and deal with the impact of County Lines.
2. The Cabinet Member for Children and School Attainment, writes to EVERY school in Swindon encouraging them to:
 - a) Increase the work they are doing to raise awareness of County Lines and the wider criminal activity related to it;
 - b) Include County Lines training for ALL staff as part of the compulsory annual Safeguarding training. This would not only raise awareness but would provide all staff with the tools to identify children and young people who are either already victims of or who are at risk of exploitation;
 - c) Provide County Lines education to ALL students (adapted to suit both Primary and Secondary), via PSHE to raise awareness amongst children and help them to identify risk factors themselves; and
 - d) Provide appropriate support to give our children the confidence to ask for help and/or to report any suspicious activity.
3. ALL Members make a firm commitment, via this motion, to raise awareness within individual Wards, working with the Police, local schools and community groups.

11. Councillors Question Time

Questions (if any) of which notice has been given by Councillors in accordance with Standing Order 15.

Yours faithfully

Stephen Gerrard

Interim Head of Law

Questions by Members of the Public in accordance with Standing Order 11

Swindon Borough Council remains committed to increasing its accountability to the public and to promoting active citizenship. 15 minutes will be allowed at the start of all Council meetings for questions to the Chair from the public about the work of the Committee (except for confidential matters, and matters relating to planning and licensing applications). We will give priority to those who submit questions in writing at least two days before the meeting. Questions must be relevant, clear, and concise. You may not use Public Question Time as an opportunity to make speeches or statements.

Questions in writing should be sent to the Committee Officer Shaun Banks (07980752047 sbanks@swindon.gov.uk) or to the Interim Director of Law, we will publish it, along with the answer, alongside the Minutes. The process associated with asking a public question is set out in the "Public Question Time at Council Meetings Protocol and Guidance" available on the Council's Website (<http://www5.swindon.gov.uk/moderngov/ecCatDisplay.aspx?sch=doc&cat=13338&path=0>) or from the Committee Officer named above.

Access Arrangements - The venue is wheelchair accessible and an infrared receiver hearing system is provided. If you have any special requirements to enable you to attend the meeting or would like to receive any of the pages contained in this agenda in a larger print size, please contact the Committee Officer as soon as possible prior to the date of the meeting.

COUNCIL

THURSDAY, 24 JANUARY 2019

PRESENT:- The Worshipful The Mayor in the Chair; Councillors Steve Allsopp, Abdul Amin, John Ballman, Ray Ballman, Alan Bishop, Emma Bushell, Claire Crilly, Malcolm Davies, Mark Dempsey, Paul Dixon, Oliver Donachie, Toby Elliott, Claire Ellis, Steph Exell, Emma Faramarzi, Fionuala Foley, Brian Ford, Mary Friend, Jim Grant, John Haines, Dale Heenan, Russell Holland, Fay Howard, Mary Martin, Nick Martin, Cathy Martyn, Brian Mattock, Jane Milner-Barry, Des Moffatt, Stan Pajak, Barbara Parry, Kevin Parry, Maureen Penny, Garry Perkins, David Renard, James Robbins, Imtiyaz Shaikh, Carol Shelley, Kevin Small, Roger Smith, Gary Sumner, Timothy Swinyard, Caryl Sydney-Smith, Rahul Tarar, Vera Tomlinson, Chris Watts, Nadine Watts, Peter Watts, Steve Weisinger, Keith Williams, Robert Wright and Julie Wright.

63. Minutes Silence

The Council held a Minutes Silence in memory of Mr Maurice Fanning, a Member of Thamesdown Borough Council and this Council between 1987 and 2010 and Mayor of the Borough during the Municipal Year 1997/98.

64. Apologies for Absence

Apologies for absence were received from Councillors Matthew Courtliff, Janine Howarth, Teresa Page and Andy Spry.

65. Communications

The Chief Executive reported that no communications had been received.

66. Minutes

Resolved –That the minutes of the meeting held on 8th November 2018, be confirmed and signed.

67. Declarations of Interest

The Worshipful The Mayor reminded Members of the need to declare any known interests in any matters to be considered at the meeting.

Councillor Jim Robbins made a prejudicial declaration of interest in respect of Agenda Item No. 7(a) as he was employed by a Member of the European Parliament.

Councillors Kevin Parry and Chris Watts made personal and non- prejudicial declarations of interest in respect of Agenda Item No. 7(c) and (d) in their capacity as Chairs of Parish Councils within the Borough.

Mr John Ranford submitted written questions regarding climate change. The Council was advised that the Leader of the Council had provided a written response to Mr Ranford's questions and this had been circulated at the meeting.

Mr Ranford asked a supplementary questions regarding the effects of climate change. The Leader of the Council responded at the meeting.

Mr Andy Bentley submitted written questions regarding changes required to combat the effects of climate change in Swindon. The Council was advised that the Leader of the Council had provided a written response to Mr Bentley's questions and this had been circulated at the meeting.

Mr Bentley asked a supplementary question regarding Council targets to help combat climate change. The Leader of the Council responded at the meeting.

Mr Bill Janson asked a public question regarding the Council's work to become carbon neutral by 2030. The Cabinet Member for Economic Prosperity responded at the meeting.

Ms Helen Harris asked a public question on the Council's plans to combat environmental issues and mental health problems arising from climate change. The Cabinet Member for Adults' responded at the meeting.

Mr Tika Dilly asked a public question regarding the Council's Emergency Planning in the event of social unrest arising from climate change. The Leader of the Council responded at the meeting.

Ms Jane Francis asked a public question regarding the funding of homelessness services and youth centres. The Cabinet Member for Finance responded at the meeting.

Mr Timothy Makofu asked a public question regarding the current status of Toothill Community Centre. The Cabinet Member for Corporate and Customer Services responded at the meeting.

Ms Mavis Read asked a public question regarding the current status in the issue of a lease for Toothill Farmhouse. The Cabinet Member for Corporate and Customer Services responded at the meeting.

Ms Read asked a supplementary question regarding the urgency in agreeing a lease in respect of Toothill Farmhouse. The Cabinet Member for Corporate and Customer Services responded at the meeting.

Mr Dennis Yeoman asked a public question in respect of Council funding for works to the Health Hydro following the condition survey undertaken by the Council. The Cabinet Member for Corporate and Customer Services responded at the meeting.

Mr Gerry Hannon requested a meeting of representatives of the Health Hydro Joint Steering Group, Swindon Borough Council and GLL to discuss the works to be

carried out at this site. The Cabinet Member for Corporate and Customer Services responded at the meeting.

Mr Simon Smith asked a public question regarding the conservation of wildlife through the protection of green open spaces and wildflower grassland within the Borough. The Cabinet Member for Strategic Planning responded at the meeting.

Ms Lucy Holmes asked a public questions seeking clarification on educational opportunities available within the Borough in respect of environmental issues and environmental friendly industry. The Cabinet Member for Economic Prosperity responded at the meeting.

Ms Sam Corsham asked a public question regarding who was responsible for ensuring the protection of the Health Hydro's building's fabric during any works undertaken. The Cabinet Member for Corporate and Customer Services responded at the meeting.

69. Minutes for Confirmation

Councillor Vera Tomlinson moved and Councillor Brian Mattock seconded:

"That Minute 19 of the Licensing Committee (Gambling Act 2005 – Statement of Licensing Principles) be confirmed and adopted".

The Motion was put to the vote and declared carried.

Councillor Vera Tomlinson moved and Councillor Brian Mattock seconded:

"That Minute 25 of the Licensing Committee be confirmed (Introduction of a Local Policy in respect of Home Boarding Businesses with Additional Hosts) be confirmed and adopted".

The Motion was put to the vote and declared carried.

Councillor Vera Tomlinson moved and Councillor Brian Mattock seconded:

"That Minute 26 of the Licensing Committee (Street Trading) be confirmed and adopted".

Councillor Bob Wright moved and Councillor Emma Faramarzi seconded:

"That Minute 51 of the Scrutiny Committee (Possible effects of leaving the EU) be noted".

The Motion was put to the vote and declared carried.

70. Motion - Toothill Open Space

Councillor Steph Exell moved and Councillor Jim Robbins seconded:

"This Council:

- Notes the concerns of Toothill residents regarding the allocation of sites within Toothill that were on the Council's Strategic Housing and Land Availability Assessment (SHELAA).
- Notes that a Cabinet Member Decision Note from the Deputy Leader of the Council had been consulted on proposing to dispose of four sites along Bodiam Drive to the private sector for housing through the Swindon Housing Company.
- Notes that a petition has been started both in paper copy and online that has obtained 573 signatures calling on the Council to protect the open spaces along Bodiam Drive and across Toothill and not to sell them off for development.
- Welcomes the announcement from the relevant Cabinet Member that sites along Bodiam Drive will be removed from the updated SHELAA, but is concerned that there are still sites in Toothill that are green spaces that have not been removed.
- Is concerned that there has been no announcement from the Deputy Leader of the Council that his proposal to sell-off parcels of land for development have been scrapped.

Requests the Cabinet Member for Strategic Planning to remove all green spaces in Toothill from the SHELAA and requests the Deputy Leader of the Council to formally withdraw the Cabinet Member Decision Note proposing to dispose of four parcels of land along Bodiam Drive for development from the private sector and to give Ward Councillors all sites being considered for development through the Housing Company."

Councillor Russell Holland moved and Councillor Gary Sumner seconded that the Motion be amended to read:

"This Council:

- Notes the concerns of Toothill residents regarding the allocation of sites within Toothill that were on the Council's Strategic Housing and Land Availability Assessment (SHELAA).
- Notes that a Cabinet Member Decision Note from the Deputy Leader of the Council had been consulted on proposing to dispose of four sites along Bodiam Drive to the private sector for housing through the Swindon Housing Company.
- Notes that a petition has been started both in paper copy and online that has obtained 573 signatures calling on the Council to protect the open spaces along Bodiam Drive and across Toothill and not to sell them off for development.
- Welcomes the announcement from the relevant Cabinet Member that sites along Bodiam Drive will be removed from the updated SHELAA.

- Recognises that Swindon has a need for additional housing but respects the rights of Ward Councillors to make representations concerning any proposed development in their Ward.
- Requests that the petition is taken into account in respect of any decision making concerning the disposal of any site in Bodiam Drive together with any representations from Ward Councillors.”

The Amendment was put to the vote and declared carried becoming the Substantive Motion.

The Substantive Motion was put to the vote and declared carried.

(Councillors Kevin Parry and Chris Watts made personal and non-prejudicial declarations of interest in respect of this item in their capacity as Chairs of Parish Councils within the Borough.)

71. Motion - Land for Development

Councillor Chris Watts moved and Councillor Jane Milner-Barry seconded:

“This Council:

- Reaffirms its commitment to protecting allocated “Open Space” and “Strategic Green Corridor” parcels of land as defined and universally agreed upon within the Local Plan 2015.
- Reasserts, builds upon and prioritises the importance of adequate and strategic green and open space as a vital component part to delivering a framework to contribute to health and wellbeing when considering the next revision of the Local Plan.
- Notes Central Swindon South Parish Council’s, known as South Swindon Parish Council, request for the Council to transfer to the Parish Council the parcels of land set out below on 99 year leases to protect them from potential development.

Site description: Lakeside - shelaa id: S0388

site description: Land north of Coate roundabout - shelaa id: S0256
(Oldlands Walk)

site description: Land east of 261 Marlborough Road - shelaa id: S0288

Requests the Cabinet Members for Strategic Planning and Finance bring a report to Cabinet outlining how the Council could meet this request from Central Swindon South Parish Council.”

At the request of the mover and seconder and with the agreement of the Council the Motion was amended to read:

“This Council:

- Reaffirms its commitment to protecting allocated “Open Space” and “Strategic Green Corridor” parcels of land as defined and universally agreed upon within the Local Plan 2015.
- Reasserts, builds upon and prioritises the importance of adequate and strategic green and open space as a vital component part to delivering a framework to contribute to health and wellbeing when considering the next revision of the Local Plan.
- Notes Central Swindon South Parish Council’s, known as South Swindon Parish Council, request for the Council to transfer to the Parish Council the parcels of land set out below on 99 year leases to protect them from potential development.

Site description: Lakeside - shela id: S0388

Site description: Land north of Coate roundabout - shela id: S0256
(Oldlands Walk)

Site description: Land east of 261 Marlborough Road - shela id: S0288

- Request that the Leader of the Council brings forward a report to Cabinet outlining how this request, and similar Parish Council lease requests can be agreed through a transparent mechanism to protect open space.”

The Motion was put to the vote and declared carried.

(Councillors Kevin Parry and Chris Watts made personal and non-prejudicial declarations of interest in respect of this item in their capacity as Chairs of Parish Councils within the Borough.)

72. Motion - Climate Change

Councillor Cathy Martyn moved and Councillor Oliver Donachie seconded:

This Council recognises that:

1. Climate change is a reality and a world-wide effort is essential to cut greenhouse gas emissions in order to avoid a catastrophic temperature rise of more than 2 degrees.
2. The UK has a world-first Climate Change Act with a legally-binding target of an 80 per cent emissions cut by 2050, and shorter-term national carbon budgets ensuring year-on-year emissions cuts.
3. Local authorities have a big say in how we heat and power our homes and how we get around, and are vital to building low carbon communities and meeting our national climate commitments.
4. It makes good economic sense to continue to take action now to drastically cut greenhouse gas emissions. If we delay acting on emissions, it will only mean

more radical intervention in the future at greater cost, and larger impacts on society.

Notes that:

1. The Government has made a commitment to be the first generation to leave the environment in a better state than we inherited it and we welcome the Environment (Principles and Governance) Bill, the first in over twenty years, which will be an essential step towards this goal. The Government has pledged to support increased biodiversity and thriving plants and wildlife and to continue to clean up our air and our water, creating a healthier environment.
2. This Administration will continue to commit to cutting down unnecessary resource use and waste, reducing our impact on the world and shaping a more efficient, sustainable and competitive economy. Nothing is more important than demonstrating our responsibilities to the next generation. Tackling climate change is an essential to those responsibilities. We must rise to the challenge
3. Taking action now can also help to achieve long-term, sustainable economic growth from a low-carbon economy. Benefits of the development of green industries in the town include the potential for create well-paid, high-skilled employment locally, regionally and nationally

Requests that the Leader of the Council:

1. Calls on the Government to provide additional powers and resources to ensure Swindon Borough Council can help deliver on national targets limiting Global Warming to 1.5°C as per the Paris agreement.
2. Reinforces the Council's commitment to Pledge 2.
3. Request the Cabinet to consider adopting a policy where all future Key Decisions are considered for their alignment to the Intergovernmental Panel on Climate Change (IPCC) guidance.

Councillor Jane Milner-Barry moved and Councillor Stan Pajak seconded that the Motion be amended to read:

That this Council recognises:

1. Climate change is a reality and a worldwide effort is essential to cut greenhouse gas emissions in order to avoid a catastrophic temperature rise of more than 1.5°. Humans have already caused irreversible climate change, the impacts of which are being felt around the world. Global temperatures have already increased by 1° from pre-industrial levels. Atmospheric CO₂ levels are above 400 parts per million. This far exceeds the 350ppm deemed to be a safe level for humanity.
2. Local authorities have a big say in how we construct, heat and power our buildings, and how we get around, and are vital to building zero carbon

communities and meeting our climate commitments. Local governments around the world are taking action on climate change without waiting for direction from higher tiers of authority;

3. Delaying action on greenhouse gas emissions is not an option. But it also makes good economic sense to take action now to drastically cut emissions. Taking action now can help to achieve long-term, sustainable economic growth from a low-carbon economy. The benefits of the development of green industries in the town include the potential to create well-paid, high-skilled employment;
4. Swindon benefits from renewable energy on a large scale and is a hydrogen hub. Swindon is home to many high-tech companies involved in renewable energy, energy storage and waste reduction. Swindon is therefore well placed to be in the vanguard of the transition to a zero-carbon economy.
5. This Administration will continue to commit to cutting down unnecessary resource use and waste, reducing our impact on the world and shaping a more efficient, sustainable and competitive economy. Nothing is more important than demonstrating our responsibilities to the next generation. Tackling climate change is essential to those responsibilities. We must rise to the challenge.
6. Successive national governments, and the media, have not adequately informed people of the facts about climate change, the nature of the dangers it presents to their families, and the behaviour changes needed to mitigate it.

That this Council resolves:

1. To declare a Climate Emergency.
2. To request the Leader commission a report on how best to commit the council to achieving a carbon neutral Swindon by 2030, taking into account both production and consumption emissions.
3. To call on the Government to provide additional powers and resources to ensure that local authorities such as Swindon Borough Council can help limit global temperature rise to no more than 1.5°.
4. To require that all future policy proposals are to be accompanied by a Climate Change Impact Assessment setting out their impact on Swindon's CO2-equivalent emissions.
5. To set up a Working Party including representatives of Swindon Borough Council, Swindon and Wiltshire Local Enterprise Partnership and Swindon Climate Action Network to develop an outline plan to reduce Swindon's CO2-equivalent emissions to zero by 2030 and to submit the plan to Full Council by 31 July 2019; and thereafter to monitor progress and produce annual reports.
6. To work with other authorities from parish to international level to determine and implement best practice methods to limit global warming to less than 1.5°.

7. To work with partners across the town and region to deliver this new goal through all relevant strategies and plans.
8. To develop our understanding of the likely impacts of climate change in Swindon and work to make the town more resilient to them;
9. To request the cabinet member to instruct the Planning Department to investigate the extent of SBC's planning powers and to bring forward proposals as to how to make full use of them through the revised Local Plan to bring the CO2 emissions of all new buildings both in construction and use as near zero as can be achieved;
10. To request the leader to ask the Communications Department to report on how best to disseminate, on an ongoing priority, the facts about climate change, the nature of the dangers it presents to Swindon families, and the practical behaviour changes needed to mitigate it;
11. To call on the Wiltshire Pension Fund to divest the 3% of its funds which are held in fossil fuel companies."

The amendment was put to the vote and declared lost.

At the request of the mover and seconder and with the agreement of the Council the Motion was amended to read:

This Council recognises that:

1. Climate change is a reality and a world-wide effort is essential to cut greenhouse gas emissions in order to avoid a catastrophic temperature rise of more than 2 degrees.
2. The UK has a world-first Climate Change Act with a legally-binding target of an 80 per cent emissions cut by 2050, and shorter-term national carbon budgets ensuring year-on-year emissions cuts.
3. Local authorities have a big say in how we heat and power our homes and how we get around, and are vital to building low carbon communities and meeting our national climate commitments.
4. It makes good economic sense to continue to take action now to drastically cut greenhouse gas emissions. If we delay acting on emissions, it will only mean more radical intervention in the future at greater cost, and larger impacts on society.

Notes that:

1. The Government has made a commitment to be the first generation to leave the environment in a better state than we inherited it and we welcome the Environment (Principles and Governance) Bill, the first in over twenty years, which will be an essential step towards this goal. The Government has

pledged to support increased biodiversity and thriving plants and wildlife and to continue to clean up our air and our water, creating a healthier environment.

2. This Administration will continue to commit to cutting down unnecessary resource use and waste, reducing our impact on the world and shaping a more efficient, sustainable and competitive economy. Nothing is more important than demonstrating our responsibilities to the next generation. Tackling climate change is an essential to those responsibilities. We must rise to the challenge
3. Taking action now can also help to achieve long-term, sustainable economic growth from a low-carbon economy. Benefits of the development of green industries in the town include the potential for create well-paid, high-skilled employment locally, regionally and nationally

Requests that the Leader of the Council:

1. Calls on the Government to provide additional powers and resources to ensure Swindon Borough Council can help deliver on national targets limiting Global Warming to 1.5°C as per the Paris agreement.
2. Reinforces the Council's commitment to Pledge 2.
3. Request the Cabinet to consider adopting a policy where all future Key Decisions are considered for their alignment to the Intergovernmental Panel on Climate Change (IPCC) guidance.
4. To establish a cross party Climate Change Working Group to consider what additional measures the Council can take to combat climate change.

The Motion, as amended, was put to the vote and declared carried.

(Councillor Jim Robbins made a prejudicial declaration of interest in respect of this item as he was employed by a Member of the European Parliament.)

73. Motion - Domestic Abuse

Councillor Mary Martin moved and Councillor Bob Wright seconded:

“This Council recognises that:

1. In 2017-18, there were more than 5,000 reported incidents of Domestic Abuse reported to the Police in Swindon, approximately 2,500 of which were recorded as crimes. There have been more than 300 high risk cases reported to Swindon MARAC (Multi Agency Risk Conference) which involved 680 children in those families. The cost to organisations across Swindon is approximately £19M per year.

It is understood that many incidents of Domestic Abuse go unreported and the figure for actual incidents of DA is higher than the reported figure.

2. Anyone can be a victim of Domestic Abuse, regardless of gender, age, ethnicity, socio-economic status, sexuality or background.
3. Domestic Abuse can manifest itself in many ways including; emotional, physical, sexual, psychological and financial.

Notes that:

1. The Council is already engaged in awareness and education around Domestic Abuse including the work carried out through the Community Safety Partnership Board to increase the local communities and organisations understanding and awareness of the extent and impact of Domestic Abuse.
2. The Council places a lot of emphasis on prevention and early intervention and is committed to working with partners to seek resolutions to reduce the prevalence of domestic abuse and to provide support for children and young people whose lives are affected by domestic abuse.

Requests that the Cabinet Member for Public Safety:

1. Continues to robustly adopt a zero tolerance approach to any form of domestic violence and abuse, and strongly reaffirms our steadfast commitment to tackle domestic violence and abuse through taking a public health approach with our multi-agency Domestic Abuse Strategy and Joint Health and Wellbeing Strategy, supported by awareness campaigns.
2. Encourages anybody from any background who is suffering from the impact of domestic violence and abuse to come forward and get the help and support they need from the extensive range of partners working collaboratively with Swindon Borough Council including the police, health services, schools and other key partner organisations such as the 24 hour English National Domestic Violence Helpline, Swindon Women's Aid, Citizens Advice Bureau, Victim Support and Galop.
3. Resolves to continue to promote awareness across the Borough to ensure residents, both adults and children, understand what constitutes domestic violence and abuse and who they can go to locally to access support.
4. Welcomes the Final Report and Recommendations of the Domestic Abuse Task Group to the Adult's Health, Social Care and Housing Overview and Scrutiny Committee (HHAOSC) in April 2019 and ensures that the recommendations contained in the report receive the weight of consideration due to such an important subject.
5. Ensures that the Swindon and Wiltshire Community Safety Partnership (CPS) leads in continuing to deliver a high level of service to support those who experience Domestic Abuse, with a particular focus on early intervention, vulnerability and health connections.
6. Ensures that the CSP considers how best to promote engagement & work to include wider partnership, the private sector and the Ministry Of Defence (especially the Army).

7. Be asked through the CSP to work collaboratively with Wiltshire across the wider system building on the current successful provision of the Swindon based Independent Domestic Violence Advisor (IDVA) service within both the primary care General Practitioner setting and the secondary care Great Western Hospital setting.
8. Ensure that the outcomes of the meeting between Swindon CSP, Wiltshire CSP and the Police, which will take place in the near future, be taken to the CSP to ensure that any request for relevant action is discussed and followed up.
9. Ask the Community Safety Partnership to consider asking education providers in Swindon to draw up a local education policy to address equality and respect, together with a means of measuring changes in behaviour & attitude and to consider whether the Community Safety Partnership would want anything added in to such a policy.”

The Motion was put to the vote and declared carried.

74. Motion - Great Western Hospital Brighter Futures

Councillor Jim Robbins moved and Councillor Claire Ellis seconded:

“This Council:

- Notes the successful fundraising projects held in towns and cities around the country where sculptures are decorated and then installed for visitors to see as part of a trail, and then auctioned off for charity. Such projects include the Elephant Parade in London, the SuperLambBanana in Liverpool and the Wallace and Gromit trail in Bristol.
- Notes the outstanding efforts by the Great Western Hospital (GWH) Foundation Trust Brighter Futures Appeal and the people of Swindon to fundraise £2.7m for the planned Radiotherapy centre at the hospital.
- Further notes that there are a number of excellent artists in the town, such as David Bent, Ken White and all those who contribute to Swindon Open Studios.
- Asks the Leader of the Council present a report to Cabinet considering the options of how the Council can organise Swindon’s own trail with sculptures decorated by local artists and use it to raise money for the GWH Brighter Futures appeal.”

The Motion was put to the vote and declared carried.

75. Appointment to Other Bodies

Councillor David Renard moved and Councillor Russell Holland seconded:

“That Councillor Dale Heenan replace Councillor Garry Perkins as a Council representative serving on the Wiltshire Heritage Building Trust for the remainder of the Municipal Year 2018/19.”

The Motion was put to the vote and declared carried.

76. Minutes of Cabinet and Decisions Delegated to Cabinet Members

The Council considered (a) the minutes of the meeting of the Cabinet held on 5th December 2018, (b) questions to the Cabinet Members regarding their portfolio responsibilities and answers received, and (c) Cabinet Member Decision Notices.

77. Minutes of other Council Bodies

The Council (a) received the minutes set out in the “Minutes of Other Council Bodies” circulated with the Agenda, and (b) considered questions to Chairs relating to the work of their Committees and other bodies and answers received.

78. Councillors Question Time

The Interim Director of Law reported that Standing Order 15 Questions had been received from Councillors Steve Allsopp, Emma Bushell, Dale Heenan and Jim Robbins.

Councillor Jim Robbins asked a supplementary question in respect of progress made following the OFSTED Special Educational Needs Inspection in 2018. The Leader of the Council responded at the meeting.

Councillor Steve Allsopp asked a supplementary question regarding future communications between the Housing Department and Councillors in respect of new Council support housing developments. The Cabinet Member for Housing and Public Safety responded at the meeting.

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COUNCIL

THURSDAY, 21ST FEBRUARY 2019

MINUTES FOR CONFIRMATION

CABINET

WEDNESDAY, 6 FEBRUARY 2019

56. Budget 2019/20 and Beyond

Councillor Russell Holland, the Cabinet Member for Finance, and the Director of Finance submitted joint report

proposing a Budget for 2019/20 and setting out the financial context for 2020/21 and beyond.

It was noted that, under the Council's Constitution, the Cabinet is required to recommend a budget to Council as part of its formal Council Tax Setting responsibilities.

Councillor Holland introduced the report, advising the meeting of responses that had been received to the Council's public consultation on its budget proposals and placing the draft budget and the proposed increase in Council Tax in the context of the key financial challenges, particularly the continuing challenges facing Children's Services and the measures being take to mitigate that budget pressure, and his own confidence that that the Council's budget strategy will secure the long term viability of its service provision for Swindon residents.

Following his introduction of the report, Councillor Holland, supported by Councillors Oliver Donachie, Gary Sumner and the Leader of the Council, and the Director of Finance, responded to questions put by Councillors Jim Grant and Bob Wright on (i) the focussing of the Vision and budget proposals on social deprivation and the provision of more social housing and improved social services, (ii) the responses to issues raised by the Scrutiny Committee in respect of the approach to fees and charges and the surplus on the collection fund, (iii) provision for the delivery of the Council's cultural offer objectives, and (iv) the Council's Reserves Policy.

Resolved – (1) That it be noted that:

- a) The medium term financial context and impact on Swindon of the draft Local Government Finance settlement;
- b) The projected out-turn for 2018/19;
- c) The consultation feedback, summarised in Appendix 3, in relation to the

- Budget proposals presented to Cabinet in December 2018;
- d) That the detailed Dedicated Schools budget for 2019/20 has been set within the provisional funding envelope of £184.7m;
 - e) That, in line with the requirements of the Local Government Act 2003, the Director of Finance, in his Section 151 capacity, confirms the robustness of the estimates underlying the recommended Budget and having reviewed the financial risks being faced by the Council concludes that the proposed minimum level of general reserves is adequate in the context of the earmarked reserves held, specific contingencies and the proposed budget risk contingency of £3.5m.
- (2) That the 2018/19 virements, set out in Appendix 2 to the report, be agreed.
- (3) That the medium term financial strategy, set out in Appendix 6 to the report, be endorsed.
- (4) That the specific reserves held in support of the 2019/20 Revenue Budget, set out in Appendix 5 to the report, be agreed.
- (5) That the Director of Finance be authorised to balance any changes between the provisional local government finance settlement and the final numbers expected to be released by mid-February by adjusting the Budget Risk Contingency.
- (6) That Council be recommended that, subject to any changes resulting from the Government's announcement of the final local government finance settlement for 2019/20:**
- a) The 2019/20 Budget be set at £142.497m.**
 - b) The council tax be increased by 3.99%, comprising 2.99% for the basic amount of council tax and a specific adult social care precept of 1%.**
 - c) It be determined that the proposed increase in the basic amount of Council Tax for 2019/20 is not excessive in accordance with Schedule 5 of the Localism Act 2011 and therefore does not trigger the requirement for a referendum.**
- (7) That the respondents to the Council's budget consultation exercise be thanked for their contribution.
- The reasons for the decision and alternative options are as set out in the report to the meeting.

57. Capital Programme 2019/2020

Councillor Russell Holland, the Cabinet Member for Finance, and the Director of Finance, submitted joint report advising Cabinet of the new Capital Programme requirements for the year 2019/20 and the Capital Strategy for 2019/20 to 2023/24.

Councillor Holland responded to questions put by Councillors Dale Heenan and Bob Wright regarding (i) alternative budget proposals received in response to the formal

consultation, (ii) provision to alleviate recognised traffic management problems in Rodbourne, and (iii) the approval of the Local Transport Plan Capital Programme for 2019/20.

Resolved – (1) That the Devolved Formula Capital Grant is distributed once it has been received from Government as detailed in paragraph 3.12 of the report.

(2) That a budget of £1.018m be approved for the schemes referred to in paragraphs 3.3 to 3.12 of the report and detailed at Appendix 1 to the report.

(3) That a total budget of £5.074m be approved for the 2019/20 local priority Highways and Transport schemes, referred to in paragraphs 3.13 to 3.22 of the report and detailed at Appendix 2 to the report.

(4) That a total budget of £3.676m be approved for 2018/19 for Corporate & Property schemes, as referred to in paragraphs 3.23 to 3.32 of the report and detailed at Appendix 3 to the report.

(5) That a total budget requirement of £1.317m be approved for Children's & Older Peoples proposals, as referred to in paragraphs 3.33 to 3.36 of the report and detailed at Appendix 4 to the report.

(6) That the use of CIL receipts be approved to support the existing capital programme of works at Junction 16, as detailed in paragraph 3.37.

(7) That the Capital Strategy 2019/20 – 2023/24, attached at Appendix 5 to the report, be approved.

(8) That Council be recommended to approve the Investment Strategy, attached as Annexe 3 to Appendix 5 of the report.

The reasons for the decision and alternative options are as set out in the report to the meeting.

58. Treasury Strategy Statement 2019/20

Councillor Russell Holland, the Cabinet Member for Finance, and the Director of Finance submitted a joint report advising Cabinet of the Treasury Management Strategy for 2019/20, including Prudential Indicators up to 2023/24, the Annual Investment Strategy, and the Minimum Revenue Provision Policy Statement.

Resolved – (1) That Council be recommended:

a) To approve the Treasury Management Strategy, Minimum Revenue Provision Policy and Prudential Indicators, as set out in Appendix 1 to the report.

b) To approve the terms of the UK Municipal Bond Agency, as set out in Appendix 2 to the report.

(2) That the loan facilities to Swindon Music Services, outlined in paragraph 3.23 of the report, be approved.

The reasons for the decision and alternative options are as set out in the report to the meeting.

Budget 2019/20 and Beyond

Cabinet

Date: 6th February 2019

Author: Cabinet Member for Finance

Director of Finance

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report proposes a Budget for 2019/20 and sets out the financial context for 2020/21 and beyond.
- 1.2 Under the Council's Constitution, the Cabinet is required to recommend a budget to Council as part of its formal Council Tax Setting responsibilities.
- 1.3 The effective management of financial resources through robust financial planning processes underpins the Council's ability to achieve its plans and priorities.

2. Recommendations

Cabinet is recommended to note:

- 2.1 The medium term financial context and impact on Swindon of the draft Local Government Finance settlement;
- 2.2 The projected out-turn for 2018/19;
- 2.3 The consultation feedback, summarised in Appendix 3, in relation to the Budget proposals presented to Cabinet in December 2018;
- 2.4 That the detailed Dedicated Schools budget for 2019/20 has been set within the provisional funding envelope of £184.7m;
- 2.5 That, in line with the requirements of the Local Government Act 2003, the Director of Finance, in his Section 151 capacity, confirms the robustness of the estimates underlying the recommended Budget and having reviewed the financial risks being faced by the Council concludes that the proposed minimum level of general reserves is adequate in the context of the earmarked reserves held, specific contingencies and the proposed budget risk contingency of £3.5m.

Cabinet is requested to:

- 2.6 Agree the 2018/19 virements, set out in Appendix 2;
- 2.7 Endorse the medium term financial strategy, set out in Appendix 6;

Further information on the subject of this report can be obtained from Mick Bowden, Direct Dial 07392 109917, mbowden@swindon.gov.uk

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- 2.8 Agree the specific reserves held in support of the 2019/20 Revenue Budget set out in Appendix 5;
- 2.9 Authorise the Director of Finance to balance any changes between the provisional local government finance settlement and the final numbers expected to be released by mid-February by adjusting the Budget Risk Contingency;
- 2.10 Recommend to Council, subject to any changes resulting from the Government's announcement of the final local government finance settlement for 2019/20 that:-
- The 2019/20 Budget be set at £142.497m;
 - The council tax be increased by 3.99%, comprising 2.99% for the basic amount of council tax and a specific adult social care precept of 1%, and;
 - It be determined that the proposed increase in the basic amount of Council Tax for 2019/20 is not excessive in accordance with Schedule 5 of the Localism Act 2011 and therefore does not trigger the requirement for a referendum.

3. Detail

The Forecast Out-turn for 2018/19

- 3.1 The starting position for the 2019/20 budget is the current year's budget for 2018/19. Table 1 below and Appendix 1 set out the forecast position to 31st March 2019, which shows that the forecast overspend is £1.3m. This position has improved by £1.1m since the last report to Cabinet.
- 3.2 The significant changes since the last report to Cabinet are:
- An increase in the overspend forecast within Children's Social Care due to an increase in external placement costs (£0.3m);
 - An increase in the forecast underspend within Adult's Social Care as a result of the early delivery of 2019-20 savings in the areas of demand, care package reviews and client contributions (£0.9m).
- 3.3 The remaining improvement of £0.5m is due to the continued management action across all services to reduce non-essential expenditure and to deliver 2019/20 savings early whilst managing existing and new cost pressures.
- 3.4 Based on the current rate of improvement in the projected overspend position and the ongoing work across all service areas to identify further savings it is expected that the final outturn for 2018/19 will be delivered within budget.
-

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- 3.5 On that basis the Council is able to carry forward £2.5m of the Children's Transition Reserve from 2018/19 to support the 2019/20 budget, in line with the original intention to deploy the reserve on a phased basis over two financial years.

Table 1 – Forecast Out-turn 2018/19

Department	Budget 2018/19 £m	Full-Year Projected Outturn £m	Projected Variance £m	Movement since last report £m
Adult Services	84.4	82.2	(2.2)	(0.9)
Children Services	34.2	41.6	7.4	0.3
Communities and Housing	26.1	25.6	(0.5)	0.0
Economy	(2.3)	(2.4)	(0.1)	0.0
Resources	20.4	19.1	(1.3)	(0.2)
Corporate	(22.6)	(24.6)	(2.0)	(0.3)
Total General Fund	140.2	141.5	1.3	(1.1)

- 3.6 A number of budget virements have been proposed since the last meeting and Members are asked to approve the budget transfers set out in Appendix 2.

The 2019/20 Provisional Finance Settlement

- 3.7 The Government published the provisional 2019/20 local government finance settlement on 13th December 2018.
- 3.8 The key issues arising from the provisional settlement are:
- Social Care Support Grant - following the announcement of additional funding across adults' and children's social care in the October Budget, the government has now indicated how this will be allocated. Based on the proposed distribution methodology the Council will receive £1.3m in 2019/20, of which it is estimated that £0.5m is required to meet additional cost pressures in Adult Social Care.
 - Business Rate Levy - a one-off grant of £180m has been announced, funded by a surplus on business rate levies paid over by councils nationally. Based on the provisional allocation method proposed by the government the Council's share would be £0.5m.

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- New Homes Bonus - during the summer the government indicated that it would change the calculation basis, which would have adversely affected the Council. The provisional settlement confirmed that no change would be made and therefore, in line with the increase in properties in the borough, the level of grant will be £4.9m.
- Council Tax – the Government confirmed the council tax referendum limit, would be in line with previous announcements. Therefore the maximum allowable increase for SBC in 2019/20 (without a referendum) is 3.99%.

3.9 The overall net impact of the announcements in the provisional settlement is to improve the funding for 2019/20 by £2.6m. The long-term implications are uncertain, given the changes to funding of local government for 2019/20 as outlined in Appendix 6.

Council Tax 2019/20

3.10 In line with Government expectations and the feedback from other Councils, it is proposed that the Council increases the basic amount of council tax by 2.99% (as planned in the draft budget) and raises an adult social care precept of 1%.

3.11 If agreed, the total 3.99% increase will be broken down on the face of the council tax bill, in line with national guidance, to explain that 1% of the increase is specifically to respond to the rising demand for adult social care.

3.12 A 3.99% increase would increase the average Council Tax bill by £4.37 per month, excluding precepts from other bodies.

Feedback from Scrutiny Committee

3.13 On 14th January 2019, the Scrutiny Committee considered a report on the 2019/20 budget setting process. The Committee raised a range of points, including the approach to fees and charges, the surplus on the collection fund, government funding announcements and resolved that the current budget position be noted.

Consultation Feedback

3.14 The Council published details of all proposed service changes included within its draft budget on its website and undertook targeted consultation on some specific proposals. The Council has also undertaken further consultation with the business community via a meeting with business representatives from Swindon, on behalf of non-domestic rate payers on 22nd January 2019.

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- 3.15 The feedback from consultation is set out in Appendix 3. Any further feedback received after the drafting of this report will be provided at the meeting.

The Proposed Budget for 2019/20

- 3.16 Table 3 summarises the changes to the current financial year in arriving at the proposed budget for 2019/20. The detailed proposals are set out in Appendix 4.

Table 3 – Summary of Budget Changes

	2019/20 £m
Base Budget	140.2
Funding Changes	(4.2)
Inflation	5.8
Cost Pressures	18.2
Identified Savings	(21.6)
Change in Budget Risk Contingency	1.3
Change in Use of Cashflowing Reserve	2.8
Proposed Budget for 2019/20	142.5
Funded By:	
Revenue Support Grant	4.3
Business Rates	35.0
Council Tax	101.8
Surplus on Council Tax Collection Fund	1.4
Total Funding	142.5

Relationship between Revenue and Capital Budgets

- 3.17 The 2019/20 revenue budget includes allowance for the estimated increase in debt charges to finance the capital programme being delivered during 2017/18 and any interest incurred on schemes starting in 2018/19. Due to ongoing savings in interest costs from the implementation of Council's treasury management strategy it is not necessary to increase the capital financing budget for 2019/20.

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- 3.18 The 2019/20 capital programme is set out elsewhere on the agenda and any significant increase in the proposed programme that is financed from borrowing will have an estimated impact on the annual revenue budget of £80k per £1m, subject to the nature of the capital investment.

Fees and Charges

- 3.19 No changes are proposed to the general approach to fees and charges agreed by Cabinet on 5th December 2018.

Approach to Funding Transitional Costs

- 3.20 In accordance with the freedom given by central government it is the Council's existing approach to use the capital receipts flexibility to meet expenditure related to the delivery of future long term savings. It is proposed that this is continued where it is in the Council's financial interest to do so, with specific reference to:

- Costs of delivering projects within the Swindon Programme,
- Reorganisation and restructuring costs that deliver financial savings
- Transitional investment that delivers long-term financial benefits by reducing future service costs.

- 3.21 The 2018/19 budget included:

- The establishment of a £7.5m reserve to deal with the short-term pressures in Children's social care and put in place the arrangements to enable the service to be financially sustainable in the longer term;
- The use of £2.8m from the cashflowing reserve to support the overall budget

- 3.22 The use of reserves in such a manner can only be a time-limited in nature to ensure the ongoing financial sustainability of the Council. Therefore it is proposed that no new commitments from reserves are made as part of the 2019/20 budget. The forecast level of reserves available to meet specific existing commitments, and support the management of the overall budget, is set out in Appendix 5.

Contingencies and Risk

- 3.23 Each of the savings proposals put forward as part of the budget setting cycle has been risk assessed. The level of contingency built into the proposed budget

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for 2019/20, alongside the level of general and earmarked reserves, reflects the overall potential risk associated with delivering the budget proposals.

3.24 The following significant risks have been identified in relation to the council's budget:

- The total value of savings contained within the budget for 2019/20 is more than double that identified for 2018/19. This, in itself, provides a source of risk to the Council's financial position for 2019/20, requiring the budget risk contingency to be increased;
- There are a number of savings proposals which are still subject to ongoing activity and therefore the precise level of saving is uncertain;
- The Council also faces risks in managing the costs associated with the major demand led services, particularly in adult and children's social care. The investment of funding and resource to manage pressures in adult social care during 2017/18, and the significant investment in children's social care proposed in this budget, provides some mitigation against these risks. However, it is recognised that these services will continue to be a potential challenge to the Council's financial position and will therefore be the subject of close scrutiny in the budget management process for 2019/20.

3.25 Based on this assessment, and risks within the existing base budget, it is proposed that the budget risk contingency is set at £3.5m.

3.26 In light of this, and the specific reserves held to support the budget (set out in Appendix 5), the Director of Finance, as part of his Section 151 responsibilities, is content that the 2019/20 budget as proposed is deliverable, taking into account the level of specific and general reserves held by the Council.

General Reserves

3.27 In general, it is considered that uncommitted reserves of around 5% of net revenue expenditure provides for a reasonable level of support to manage risks, subject to the specific circumstances of each authority. This implies a level of around £7m for Swindon. However, protection against budget risks is also provided through earmarked reserves and contingencies and the Council's experience of managing budget pressures without using general reserves. In this context, it is recommended that the level of general reserves the Council holds is maintained at a minimum of £6m.

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Schools' Budgets 2019/20

- 3.28 The provisional Dedicated Schools Grant (DSG) for 2019/20 is £184.7m, the majority of which is passported directly to schools. The provisional grant value includes the additional £0.5m allocated to DSG High Needs in December 2018. The Council prepared its budgets based on existing spend, inflation and known increases in demand and it has been possible to produce a balanced budget, within the available funding. The Schools Forum considered the proposed budget at its meeting on 16th January 2019 and agreed the allocation of the budget as set out in Table 5 below.

Table 5 - Overall DSG Funding and Expenditure 2019/20

	£m
Early Years Expenditure	14.4
Mainstream School Expenditure	138.2
High Needs Expenditure	31.1
Central Schools Services Expenditure	1.0
Total Expenditure	184.7

4. Alternative Options

- 4.1 The Cabinet could amend the package of budget proposals at the assumed council tax increase of 3.99% for 2019/20, which would require the amendments to be cost neutral.
- 4.2 The Cabinet could also choose to recommend a different council tax level to Full Council, and amend the package of proposals within the new net budget. Each 1% on council tax equates to approximately £1m.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The projected overspend in the current financial year is £1.3m and based on the current rate of improvement it is expected that the final position will be within budget. However any residual overspend will be a call on the Council's reserves.

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- 5.2 Where there are financial implications these have been reflected in the body of the report and in the appendices.

Legal and Human Rights Implications

- 5.3 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.4 The proposals included in this budget will result in approximately 160 full time equivalent posts being deleted from the Council's staffing establishment. A significant number of these are vacant posts as a result of the planned approach to savings delivery ensuring that unfilled posts are not recruited to unless essential. In line with this approach the post of Corporate Director for Resources and Growth has been deleted as part of a review of the senior management structure.

Diversity Impact Assessment

- 5.1 In line with the Public Sector Equality Duty (Equality Act 2010) Swindon Borough Council is required to pay due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between different protected groups when making decision. Where known, the equality impact of change must be disclosed.
- 5.2 All saving proposals have been subject to the Council's DIA screening process to assess their potential/likely impact, if any, on service users with protected characteristics. For some proposals where there is no change to service or staffing a DIA has not been completed. Other proposals, which are at an early stage of development, have initial DIAs – however in these cases the potential areas of impact have been identified. In some cases the service changes have been proposed to create greater equity in terms of access and customer service. Where risks have been identified, mitigations have been proposed.
- 5.3 Where it is not possible at this stage to fully assess the impact from individual proposals, these will be subject to separate decisions informed by a separate DIA prior to implementation.
- 5.4 However, officers' current assessments conclude that the impact of adopting these proposals on front-line services or vulnerable groups would be minor. This is not to imply that there would not be any adverse impact on service users, if

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the proposals are approved. As part of our dynamic assessment process, should this position change, we would review each DIA, update and publish this.

- 5.5 Many of the proposals will affect staff, especially where the majority of the saving proposals are made up of staffing costs. Given the scale of staffing reductions, there is potential for these proposals to have a significant impact on the workforce. There are some services that due to their nature consist of predominantly female or male members of staff, and it is important that changes are not disproportionate in terms of their impact. The Council's Managing Change, Restructuring, Redeployment & Redundancy Policy provides a framework to be followed during times of organisational change to minimise the risk of a negative impact on any equality groups. The Managing Change Policy requires that staffing changes undergo a specific DIA per proposal to ensure that the restructure process is conducted in a fair, transparent and non-discriminatory manner. We have also drafted an overarching DIA to try and address the cumulative impact or potential impact on staff. This is reviewed once a quarter.

6. Consultees

- 6.1 The Director of Finance (Section 151 Officer) and Interim Director of Law (Monitoring Officer) are consulted in respect of all Cabinet reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1: Forecast Out-turn by Directorate 2018/19
- 8.2 Appendix 2: Virements 2018/19
- 8.3 Appendix 3: Consultation Feedback
- 8.4 Appendix 4: Detailed Budget Proposals 2019/20
- 8.5 Appendix 5: Reserves Policy and Specific Reserves held to support the 2019/20 Budget
- 8.6 Appendix 6: Medium Term Financial Strategy Update

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9. Key Decision/Decision in Cabinet Work Programme and Forward Plan

- 9.1 The Council's Budget will be determined by the full Council on 21st February 2019. This is therefore not a key decision for the Cabinet at this meeting. It is included in the Cabinet Work Programme and Forward Plan for February 2019.

Further information on the subject of this report can be obtained from Mick Bowden,
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Fund	Directorate	Function	Budget 2018/19 £'000	Full-Year Projected Out-turn £'000	Projected Variance £'000	Movement since last report £'000	Commentary on Reasons for Variance
General Fund	Resources	Internal Audit and Health & Safety	891	831	(60)	0	A further improvement on the amount of Housing Benefit subsidy partially offset by minor changes to other budgets.
		Finance	5,296	4,586	(710)	(38)	
		Human Resources and Organisational Development	1,840	1,821	(19)	0	
		Corporate	(22,626)	(24,575)	(1,949)	(263)	£33k additional income from early repayment of schools equal pay contributions,£124k inflation budget for PFI not required, £62k additional grant income, £60k recovery of costs
		Digital Services and Corporate Programmes	8,287	7,989	(298)	(93)	£107k early delivery of savings from work to migrate from the private cloud to on premise, reduced Crematorium income due to a fall in volumes of £60k and increased vacancy savings across various services.
		Law & Democratic Services	2,854	2,795	(59)	(1)	
		Performance, Organisation Improvement and Communications	1,227	1,104	(123)	0	
	Economy		(2,231)	(5,449)	(3,218)	(395)	
		Property & Assets	(3,326)	(3,521)	(195)	(195)	Net savings across the service in relation to business rates and repairs and maintenance (£50k) a net increase in income generation across the service (£235k), particularly in relation to corporate property investment income, offset by increased bad debt provision (£90k).
		Strategic Growth	557	482	(75)	0	
		Town Centre	492	680	188	198	Slippage of capital recharge income due to delay in Falcon House agreement, partly offset by an additional £25k of un forecast rental income.
	Children Services		(2,277)	(2,359)	(82)	3	
		Routes to Employment & Libraries	2,307	2,215	(92)	(2)	
		Skills & Attainment	2,056	1,969	(87)	(28)	Salary savings £20k and contributions from converting schools towards academy conversion legal costs £10k
	Adult Services	Children, Families and Community Health Services	29,867	37,374	7,507	315	Further increase in pressure relating to External placements of £389k and pressures relating to other costs to support children Looked after of £47k. This has partially been offset by a reduction in staff costs of £121k.
		Adults	34,230	41,558	7,328	285	
			70,827	68,765	(2,062)	(889)	Early delivery of the 19/20 savings plan through management of demand, care package reviews and client contributions.
	Communities and Housing	Public Health	13,530	13,389	(141)	(23)	
			84,357	82,154	(2,203)	(912)	
		Streetsmart and Supported Employment	15,871	15,629	(242)	(94)	A forecast underspend of £27k due to reduced waste disposal tonnages. Improved trading forecasts and operational efficiencies following a thorough review of budgets by managers of £57k; improved forecasts due to vacant posts £70k are offset by a reduced projection of £60k for trade waste income.
		Housing Services	402	131	(271)	0	
		Highways & Transport	7,792	7,698	(94)	120	In year pressures on street lighting electricity costs of £150k, this will be mitigated by the LED replacement programme in 2019/20. In 2018/19 this pressure is being mitigated by a net improvement in car parking forecasts and other operational efficiencies across the service area following a thorough review of budgets by managers. Additional contract inflation on transport budgets of £23k has been projected
		Planning, Regulatory and Heritage Services	925	1,142	217	(57)	Improved planning forecasts of £40k and other operational efficiencies across the service area following a thorough review of budgets by managers have mitigated additional overspend projections for Lydiard House & Park and Steam Museum of £44k and the trading forecasts for the catering outlets at the civic offices and waterside of £15k.
		Facilities Management	1,155	1,018	(137)	0	
			26,145	25,618	(527)	(31)	
			140,224	141,522	1,298	(1,050)	

Fund	Directorate	Function	Budget 2018/19 £'000	Full-Year Projected Out-turn £'000	Projected Variance £'000	Movement since last report £'000	Commentary on Reasons for Variance
Health	Health Adults	Health Adults	5,858	5,441	(417)	65	Savings revised down to reflect a rise in demand for nursing Funded Nursing Care grant.
		Funding from CCG Swindon	(5,858)	(5,441)	417	(65)	CCG funding revised in line with revised outturn forecast.
	Health Childrens	Children's Health Delivery Services - CCG Funded - Expenditure	1,852	2,167	315	367	Pressure relates to the Complex care service, there has been an increase in demand and support is being provided through an external agency. The Service has now transferred to GWH therefore the pressure has reduced.
		Children's Health Delivery Services - CCG Funded - Income	(1,852)	(2,167)	(315)	(367)	
		Children's Health Commissioning - Expenditure	3,599	3,714	115	(165)	
		Children's Health Commissioning - Income	(3,599)	(3,397)	202	(50)	
		Health Total		0	317	317	
Dedicated Schools Grant	DSG Commissioning	DSG Skills and Attainment	87,205	83,865	(3,340)	(565)	New academy conversions, the budget shares will now be paid directly by the Education and Skills Funding Agency (ESFA) so mainstream school budget expenditure is reduced by (£593k), DSG funding will also be reduced as per below. Revised Early Years pupil Premium estimate (£21k) and a small reduction in take up for 2 year old places (£9k). Savings offset by increase in demand for High Needs top ups £41k and school rates increases £0.017m
		DSG Skills and Attainment	(87,205)	(83,815)	3,391	54	New academy conversions so funding will now be paid directly by the Education and Skills Funding Agency (ESFA) £0.593m offset by additional DSG High Needs Funding allocated in December (£0.524m) and a revision to Early Years Pupil Premium expected (£0.016m)
Dedicated Schools Grant Total			0	51	51	(511)	
Housing Revenue Account	Housing Revenue Account	Supervision & Management	(35,565)	(35,361)	204	55	Lost rents and Council Tax charges relating to void properties continue to remain high due to the re-let periods resulting in a pressure of £157k. This has largely been offset by savings in Property Maintenance and Estate Management costs of £102k.
		Special Services	450	281	(169)	(57)	A combination of increased income on Homeline £20k, reduced licence costs in Sheltered Housing Management and operational savings in the Sheltered Housing Schemes.
		Repairs	10,115	10,673	558	356	The backlog of voids from the previous year and a higher number of properties becoming void in year has required total additional contractor spend of £291k by year end. A transfer of some of these costs to Capital is expected to mitigate any further pressures in this area. This is combined with a pressure on external vehicle hire due to breakdowns in the aged existing fleet and additional vehicles required for the in-house void team £65k.
		HRA Capital Financing	25,000	25,000	0	0	
		Housing Revenue Account Total		0	593	593	354

	Resources & Corporate £'000	Economy	Children Services £'000	Adult Services £'000	Communities & Housing £'000	Contingency £'000	Total General Fund £'000
Cabinet 05/12/2018	(4,210)	(2,439)	34,261	84,296	26,133	2,183	0
Transfer of income budgets to follow employee budgets transferred between services	25		(25)				0
Reallocation of budget following new WAN contract	(3)	(6)	(6)	(1)	16		0
Grossing up of Commercial rents between Treasury and Property budgets	(168)	168					0
Transfer of staff between service areas	(58)			58			0
Shopmobility service budgets moved to Voluntary Sector Contracts				4	(4)		0
Cabinet 06/02/2019	(4,414)	(2,277)	34,230	84,357	26,145	2,183	0

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BUDGET CONSULTATION - NATIONAL NON-DOMESTIC RATEPAYERS

TUESDAY, 22 JANUARY 2019

PRESENT: Councillors David Renard (Leader of the Council) and Russell Holland (Deputy Leader of the Council, Vice-Chair of Cabinet, and Cabinet Member for Finance).

Swindon Borough Council: Mr Mick Bowden (Director of Finance).

Representatives of Swindon Non-Domestic Rate Payers: Mr Steve Bizley (JLL), Roger Shakles (Sewcraft Swindon Ltd), Di Powell and Rachael Youd (inSwindon BID Company Ltd), Justin Britchford (MECA) and Malcolm Gregory (Royds Withy King).

Apologies for absence were received from: Nik Hayward (Lazy Frog (UK) Ltd), Anne McCulloch (Sweets Galore), Zoe Pontin and Darren Bien (Thomas Cook UK & Ireland), Bryan Davis (Green Labyrinth), Jane Stewart (The Brunel), Vince Ayris (Vince Ayris Ltd), Jennie (Tiffins Swindon), Nalni Sorr (Swindon resident), Stuart McNeil (Bevirs), Geraldine Smith (Coate Water Care Co. Ltd), Manni Madhani and Colleague - name unknown (Bardolino), Hayley Williams and Alex Yarde (Soul Shack).

1. Welcome

Councillor David Renard, Leader of the Council, welcomed the invited representatives of local businesses to the meeting.

2. Budget Update

Councillor Russell Holland, Deputy Leader of the Council, Vice-Chair of Cabinet, and Cabinet Member for Finance, opened the meeting, explaining that the meeting was part of the Council's statutory duty to consult annually with non-domestic rate payers on its budget proposals. He advised that the meeting was intended to inform local businesses of the Council's projected outturn for 2018/19 and the financial context for setting the budget to March 2020. He referred to the report that was to be considered by the Council's Cabinet on 6th February 2019 and then by Full Council on the 21st February 2019. He confirmed that any comments made by the business representatives at the meeting would be submitted at both meetings for consideration.

Councillor Holland outlined the Council's Budget proposals for 2019/20, placing these in the context of the Council's known financial pressures and challenges. In particular, he drew the meeting's attention to the following:

- The reduction in grant from Central Government and its adverse effect on the budget.
- That Currently 80% of the Council's budget was earmarked for Adult and Children's Social Care Services.
- The impact on the Adult Social Care budget due to the change in Swindon's demographics such as increase in longevity and the need for greater support

with health and complex conditions.

- The increased investment in Children's Services in order to continue supporting vulnerable children appropriately.
- The Council's inability to amend business rates as these were set by Central Government.
- The proposed Council Tax increase of 3.99%.

Councillor Holland advised that a number of initiatives were being implemented aimed at town centre regeneration, including Kimmerfields and the refurbishment of the Carriage Works for small to medium businesses.

Councillor David Renard, the Leader of the Council, stated that this had been the most challenging Budget to date, expanding on the various challenges faced by the Council as a result of the economic conditions facing the country generally and local government in particular.

Following the introductory remarks, Councillor Holland, supported by the Council's Director of Finance, responded to questions and comments put by the representatives at the meeting on the following points:

- The business rates are set by Central Government, based on the valuation of the property
- That currently 50% of business rates are returned to Central Government, rather than being utilised for local investment purposes.
- That the Council, in conjunction with Wiltshire Council, had submitted a bid requesting the retention of a higher percentage of the rates for local investment and that this bid was unsuccessful.
- The Council is proposing to increase the Council Tax premium on domestic properties unfurnished and unoccupied for over two years.
- Concerns about the impact of Brexit and how any attributable increase in council tax levels would impact Swindon residents and businesses.
- The cost of social services provision and the Council's statutory duty to ensure the provision of high quality social services for its residents.
- The support provided to those residents in social housing who are experiencing financial difficulties.
- The creation of the Commercial Investment Fund to ensure funding was set aside to be spent on projects that would generate revenue.
- The "Help to Save Scheme" designed for those on lower incomes to encourage saving habits and to develop an emergency fund for unexpected situations.
- The opportunity to bid for a share of the £675m of funding for a new "High Street Fund" to assist with rejuvenation of High Streets.
- A proposal to review billboard advertising in local car parks and across the borough to generate revenue streams for the Council and help small businesses.
- Car parking charges within Swindon Town Centre.
- The proposed reduction of funding to the In Swindon Town Centre Bid.

In response to concerns regarding car parking charges, Councillor David Renard referred to past initiatives that were aimed to help businesses in Swindon Town Centre. He advised that discussions regarding parking charges were still being

undertaken and stated that whilst the Council was being open minded on a review of tariffs, any future initiative had to be cost neutral.

In response to an offer of collaboration from businesses, the Leader of the Council welcomed contributions and confirmed he was available and open to consider and discuss any proposals that would help business and the local community mitigate the current economic climate.

Councillor Russell Holland invited the business representatives to submit to Council any proposals they might have that would generate additional income or offset demand in other areas of the Council and subject to these being cost neutral.

3. Conclusion of the meeting

Councillor David Renard thanked the representatives of the business community and Non-Domestic Ratepayers for attending the meeting and expressed his hope that they found the meeting useful. He concluded by emphasising that over the next twelve months, the Council still faced considerable challenges which it had to meet to deliver the best outcomes for local residents and businesses.

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2019-20 Budget - Detailed Proposals
Service Area - Corporate & Resources

Appendix 4

	Changes Proposed for 2019-20
Proposal	£'000
Cost Pressures (positive numbers)	
Pay Inflation	1,900
Contract Inflation	4,420
Income inflation	(554)
Reduction in Education Function recharge due to schools converting to Academies	36
Pensions - changes in contribution to the pension fund deficit	587
Elections Team - growth in population has resulted in increased costs of servicing the elections and there will be less opportunity in future to mitigate election costs through dual elections.	79
Thamesdown Transport Pension Costs	70
Document archiving contract put in place to release Hillmead for a commercial rental.	40
Human Resources - income pressure relating to agency contract rebate and recruitment	52

2019-20 Budget - Detailed Proposals
Service Area - Corporate & Resources

Appendix 4

	Changes Proposed for 2019-20
Proposal	£'000
<u>Savings (negative numbers)</u>	
Internal Audit - Deletion of vacant post (net of income target associated with the post)	(23)
Internal Audit - recovery of costs for services to HRA	(25)
Digital redesign of service delivery and other productivity savings in Health & Safety	(99)
Finance budget savings including deletion of vacant posts, introduction of vacancy factor and recovery of project costs	(354)
Review of Appointees and Deputyships service to ensure full cost recovery	(27)
Summons Income - increase budget to reflect current levels	(100)
Revenues & Benefits - reflecting reduction in court fees	(20)
Reduce Local Welfare Assistance budget to reflect current expenditure levels	(50)
Human Resources - deletion of vacant posts	(65)
Learning and Development - consolidation of specialisms resulting in better commissioning and economies of scale.	(69)
Savings from 18-19 Commissioning activity across the Council to achieve better value from spend. Higher than assumed in the budget	(242)
Corporate Programmes and Innovation Team - deletion of vacant revenue funded performance analyst post	(43)
Redesign of Customer Service function including better use of technology	(231)
Cashless Council - initial phase	(14)
Digital redesign and commercialisation across Registrars, Cemeteries & Crematorium.	(94)

2019-20 Budget - Detailed Proposals
Service Area - Corporate & Resources

Appendix 4

	Changes Proposed for 2019-20
Proposal	£'000
Capita Private Cloud Migration - invest in on premise infrastructure to host IT systems locally.	(256)
Wide Area Network infrastructure procurement savings	(50)
Information Governance - saving on salary budget	(10)
Removal of post in Performance and Data	(35)
Redesign of service delivery across Business Support improving productivity and efficiency.	(133)
Waterside reception closure	(51)
Finance Admin operational excellence. Will require one off investment to deliver.	(60)
Children's Business Administration - dependant on co-location and operational excellence productivity. Will require one off investment to deliver.	(105)
Communications Team restructure	(50)
Communications - savings on non-staffing	(35)
Streamline the Council's approach to recording, processing and using performance data.	(151)
Policy & Performance - saving in staffing budget arising from consolidation of specialisms and appointing to roles at a lower cost.	(72)
Policy & Performance - savings on subscription budgets	(4)
Deletion of the post of Corporate Director of Resources & Growth.	(140)
Remodelling Legal Services	(198)
Democratic Services - staffing restructure across all elements of the service	(120)
Democratic Services - stationery budgets	(1)

2019-20 Budget - Detailed Proposals
Service Area - Corporate & Resources

Appendix 4

	Changes Proposed for 2019-20
Proposal	£'000
Democratic Services - reduce members training budget	(4)
Lower cost of the Climate Change Levy compared to the Carbon Reduction Commitment scheme.	(130)
Funding Changes	
New Homes Bonus - increase	(1,071)
Remove contribution from reserves	2,824
Changes in Better Care Fund and Improved Better Care Fund	(689)
Increase in the budget risk contingency to £3.5m	1,317
Reduction in Council Tax Support Grant passported to Parish Councils linked to reductions in Revenue Support Grant	(28)
One-off grant from distribution of the surplus of the business rates levy account as announced in the funding settlement	(487)
Social Care Support Grant	(1,314)
Additional non ring-fenced grant	(85)
NNDR S31 grant income	(802)
Total	3,234

2019-20 Budget - Detailed Proposals**Appendix 4****Service Area - Economy**

	Changes Proposed for 2019-20
Proposal	£'000
<u>Cost Pressures (positive numbers)</u>	
The 2018-19 budget was supported by £312k use of reserves which is not available to support the 2019-20 budget. This pressure has been largely offset by the decision to bring Forward Swindon Ltd back in house as reflected in the saving below.	312
<u>Savings (negative numbers)</u>	
Rental income from the investment in commercial property.	(750)
Hillmead archiving warehouse reinstated as a commercial rental property	(131)
Forward Swindon Ltd - bring back services in house	(285)
End Council direct contribution to Swindon BID	(60)
Restructure Strategic Growth team	(39)
Additional commercial income	(40)
Property staff restructure	(60)
Reduction in revenue R&M (compliance and reactive repairs) budget as a result of transferring assets to parish councils	(30)
Capitalisation of garage repairs costs which are currently netted off Gross Rents	(50)
Mannington battery storage land rental income	(30)
Total	(1,163)

2019-20 Budget - Detailed Proposals**Appendix 4****Service Area - Children**

	Changes Proposed for 2019-20
Proposal	£'000
<u>Cost Pressures (positive numbers)</u>	
Increase in the demand for Independent Fostering placements.	2,467
Increase in demand for Residential Placements.	2,288
Increase in demand for Adoption Placements, which has also lead to an increase in the contribution to our Regional Adoption agency Adopt Thames Valley.	554
Increase in demand for Special Guardianship placements.	98
Increase in demand relating to Parent & Child placements.	190
Increase in demand for Supported Living placements.	2,290
Increase in the resources within the Placements team to give improved monitoring and overview of External placements.	100
Increase in permanency for Children on placement orders, working with Adopt Thames Valley will look to increase the numbers become adopted by a further 12 during June & July 19.	86
Setting up a Swindon One Door model based on the North Yorkshire No Wrong Door model to support children both on the edge of care and to support the step down of placements.	519
Commissioning of a Safer Families for Children service - this is a volunteer base service supporting the 0-10 years age group.	60
Increase in the number of Family Group Conferencing posts.	260
Increase in the number of Social Workers in the Long term teams to support the increase in demand relating to Child Protection, Children in Need and Children Looked After.	1,658
Increase in the number of Social Workers in the Disabled Children's team to support the increase in demand.	281
Increase in the number of Social workers due to an increase in demand at the front door, both in the Multi Agency Safeguarding Hub and the Assessment and Child Protection team.	730
Increase in the number of Independent Reviewing officers in order to provide Quality Assurance to an increase number of Child Protection and Children Looked After. Two Practice Improvement posts have also been created to support the service improvement requirements.	377

Service Area - Children

	Changes Proposed for 2019-20
Proposal	£'000
Increase in staffing within the Fostering service to provide capacity to support the needed growth of in-house foster carers.	367
The Care Leavers team has changed from an 18 to 21 year old service to a 16 to 25 year old service, therefore an increase in staffing is required to support the wider scope.	770
Staffing costs relating to the Early Help Hub which has been set up to ensure the right support is put in at the right point and the right level.	147
Increase in support staff, management requirements and non-staff related costs to support the increase in staff as a result of continued demand.	247

2019-20 Budget - Detailed Proposals**Appendix 4****Service Area - Children**

	Changes Proposed for 2019-20
Proposal	£'000
<u>Savings (negative numbers)</u>	
Project to support vulnerable woman and families in order to prevent their children coming into care.	(125)
Swindon Challenge - planned end of 3 year Council investment between September 2016 and August 2019 in support of schools that are rated as Requires Improvement by OFSTED. The final £100k is funded from existing reserves.	(200)
The Streamlining and digitisation of Early Years processes to release capacity.	(67)
Early Years Training efficiencies in courses offered to meet Statutory role of training for Early Years settings.	(10)
Education Standards and Quality team efficiency savings including the deletion of a vacant post.	(47)
Change of funding stream relating for Pupil Education Travel plan.	(8)
Reduction in Business support to the Virtual School	(12)
The delivery of SEND Travel Training will be reshaped.	(16)
Reshaping of existing post within the Exclusions and Re-integration service.	(5)
Digitalisation savings relating to a reduction in spend on Printing.	(3)
Additional contribution from the DSG to the Place planning service and the removal of contributions relating to Inclusion funding.	(18)
Grant funding ending for Special Educational Needs and Disability Information, Advice and Support Service (SENDIASS) so team restructure and review of working practices required.	(8)
Restructure of the Governors Support Service and increase traded income.	(31)
Reduction of expected costs in the Traded Services operations budget.	(4)
Libraries savings focusing on operational efficiencies, income generation and reduction in contracts.	(117)
Supported Employment - refocus of service to ensure opportunity to access available grants are fully utilised.	(164)
Savings to be achieved by restructuring the service, this will allow it to continue to support higher Education, Careers education in schools and Apprenticeships.	(69)

2019-20 Budget - Detailed Proposals**Appendix 4****Service Area - Children**

	Changes Proposed for 2019-20
Proposal	£'000
Improvements against the Independent Fostering budget relating to a number of changes to services including increases to the In-House fostering service, the introduction of Safer Families for children and the setting up of a Swindon No Wrong Door model based on the North Yorkshire model.	(854)
Residential placements budget relating to the Top 30 project - a review of high cost placements and identifying those who could be safely stepped down from Residential.	(31)
Review of existing Supported living placements with the plan to manage demand at a lower level.	(145)
The re-allocation of existing resources in order to support the increase in the number of Family Group Conferences.	(260)
Children's Commissioning - review of commissioning arrangements on 3 commissioned contracts to reduce or remove the amount spent on commissioned services, reduce contract value or deliver the service differently.	(76)
SBC had been making a contribution to CAMHS for Placement support to Children Looked After, this support is being delivered by the TAMHS team therefore in agreement with the CCG the £51k contribution will be removed.	(51)
Improved efficiencies in the delivery of safeguarding and preventative services.	(87)
Improved efficiencies to the delivery of partnership safeguarding services.	(25)
Review of the current Short Breaks provision within the Disabled Children's service.	(34)
Review of current Aiming High Service for Disabled Children.	(67)
Efficiency savings from the Family service by the removal of vacant posts and smaller other savings from non staff budgets.	(152)
Review of Emergency Duty Service in consultation with adult services.	(81)
Review of the Learning and Development offer across the council, savings to come from Children's Workforce Development budget.	(60)
Additional income relating to Children's Traded services.	(50)

2019-20 Budget - Detailed Proposals**Appendix 4****Service Area - Children**

	Changes Proposed for 2019-20
Proposal	£'000
Removal of SBC contribution to the Remand service. The service receives a contribution each year from YJB which currently covers the current cost of remand.	(31)
Other smaller savings across Children's services budgets.	(14)
<u>Funding Changes</u>	
Contribution from Children's Transition Reserve	(2,500)
Total	8,067

2019-20 Budget - Detailed Proposals**Appendix 4****Service Area - Adults**

	Changes Proposed for 2019-20
Proposal	£'000
<u>Cost Pressures (positive numbers)</u>	
Demand Pressures - learning disabilities care packages through Children transitioning into Adult Social Care services.	2,958
Demand pressures - older people services. Increasing numbers of clients and increasingly complex social care needs.	1,550
Demand pressures - mental health services. Increasing numbers of clients and increasingly complex social care needs.	300
Additional staffing to support delivery of Older People Care services	267
Realignment of Localities function into Public Health - restructure (18-19 saving not yet delivered)	43

2019-20 Budget - Detailed Proposals**Appendix 4****Service Area - Adults**

	Changes Proposed for 2019-20
Proposal	£'000
<u>Savings (negative numbers)</u>	
Learning Disabilities managing demand. Continuation of improved ways of working project to maximise reablement potential and reduce requirement for residential and nursing placements.	(1,050)
Learning Disabilities transitions - managing demand of children transitioning to Adult Social care services	(1,758)
Older People service redesign and efficiency project. Continuation of improved ways of working from the project started in 2017/18 to maximise reablement potential and reduce requirement for residential and nursing placements.	(2,270)
Older People Commissioning - remodelling and consolidation of Day Care services.	(291)
Remodelling of Older People extra care core contract.	(450)
Review of operating costs of in house residential care homes to ensure operation is in line with CQC requirements in the most efficient and effective way possible.	(309)
Reshaping of OK4U Learning Disability day care provision that supports service users to be as independent as possible and also provides the space to provide Older People day care facilities if required.	(510)
Additional client contribution income from improved use of beds at Fessey House & Whitbourne house - achieved from 18/19.	(58)
Full year implication of Digital redesign of back office service delivery in Blue Badges completed in 18/19	(10)
Older People domiciliary care lead provider- full year implication of procurement in 18/19.	(38)
Supported housing - full year implication of contract reprocurments completed in 18/19	(100)
Negotiate maximum inflation increase with ASC providers	(1,585)
Implementation of new case management system (Eclipse)	(35)
Reduction in number of ASC brokerage posts following redesign of processes.	(87)
Reduction in the number of ASC finance admin posts following redesign of processes	(15)

2019-20 Budget - Detailed Proposals**Appendix 4****Service Area - Adults**

	Changes Proposed for 2019-20
Proposal	£'000
Use of the one off ASC support grant (£481k) for one off initiatives in 18/19 so not required in 19/20	(245)
Efficiency in requirements for Learning and Development budget	(56)
Digital redesign of service delivery in Public Protection. Second year of a two year programme	(236)
Review of provision of Volunteering support across the Council	(79)
Public Health - Reshaping of Childrens Health service. 2 year programme. To mitigate reduction in Public Health Grant.	(120)
Public Health - Reshaping of tobacco control service to mitigate reduction in Public Health grant completed in 18/19.	(100)
Public Health - efficiencies within prevention programmes to offset reduction in Public Health grant	(47)
Increased Public Health contribution towards Substance Misuse services.	(41)
Efficiencies in delivery of Community Safety services	(38)
Community grants are now provided through Wiltshire Foundation Trust following 2 years set up support from SBC	(42)
Efficiencies in delivery of Emergency planning services	(6)
Reshaping of Community Health & Wellbeing services. Continued drive for use of external partners to deliver evidenced preventative programmes.	(43)

2019-20 Budget - Detailed Proposals**Appendix 4****Service Area - Adults**

	Changes Proposed for 2019-20
Proposal	£'000
<u>Funding Changes</u>	
Reduction in Ring fenced Public Health Grant	267
Non recurring ASC Support grant for 18/19 only. No notification yet as to whether funding to continue into 19/20	481
Funding from Swindon CCG towards reablement additional investment currently being considered by CCG	(115)
Total	(3,868)

2019-20 Budget - Detailed Proposals
Service Area - Communities and Housing

Appendix 4

	Changes Proposed for 2019-20
Proposal	£'000
Cost Pressures (positive numbers)	
Waste & Recycling - Additional waste tonnage generated by new house completions - 1,000 tonnes assumed	122
Passenger Transport - demand for services higher than assumed in the budget.	105
Highway Operations - Increased annual costs of new Highways IT system required to release business efficiencies	85
Income pressures across service areas	204
Shortfall on savings delivery from digital redesign activity across service areas.	344
New museum storage arrangements put in place to provide a centralised facility to store museum artefacts that are not on display.	51

2019-20 Budget - Detailed Proposals
Service Area - Communities and Housing

Appendix 4

	Changes Proposed for 2019-20
Proposal	£'000
<u>Savings (negative numbers)</u>	
Enterprise Works - Preferred option to transfer operation to new provider currently running similar facility in the region. Options appraisal will be undertaken in the event transfer does not take place.	(247)
Community Meals - Preferred option to transfer operation to new provider currently running similar services elsewhere in the country.	(40)
Footcare service decommissioned August 2018	(15)
Waste Strategy - changes to collection arrangements along with an increase in recycling diverted from refuse bins through a communication campaign and employment of waste wardens.	(185)
Waste & Recycling - additional green waste customers achieved in 2018/19 assumed to continue into 19/20. Total customers now 18,000	(100)
Waste & Recycling - Public Power Solutions Ltd to deliver cashable savings for 2019/20 across both Power and Waste Disposal Services. Assumes April 1st delivery.	(800)
Waste & Recycling - Restructure across the service area.	(89)
Grounds maintenance - restructure of SBC non parish staff which will create a bespoke Parish service. Savings relate to staff reductions.	(33)
Street Cleaning - 1.) Provide a commercial road and private car park sweeping service net £5k income . 2) Restructure of retained staff in BID area £50k 3) Provide a chargeable graffiti removal service net income £10k	(65)
Stores - restructure of service to reflect appropriate operating model following implementation of new systems and processes.	(50)
Stores and Fleet - Better purchasing and management to reduce spend on safety workwear [PPE] and consolidation of buying fleet part spares.	(70)
Waterside Depot - Introduce LED lighting across the Waterside Depot. Saving is net of one-off costs to buy and install	(20)
Lottery - Net income from introduction of SBC lottery to be allocated to local causes selected by participating public. Based on model operated for Aylesbury Council by a third party.	(24)
Housing General Fund - Number of options to reduce the numbers of private sector leased houses to provide housing for homeless families. Capacity within HRA stock provided from purchases of properties and bringing void properties back into use.	(627)

2019-20 Budget - Detailed Proposals
Service Area - Communities and Housing

Appendix 4

	Changes Proposed for 2019-20
Proposal	£'000
Housing General Fund - The Temporary Winter Housing Project [TWHP] will reduce the demand for B & B accommodation during the winter.	(15)
Housing General Fund - New IT system will reduce print costs and staff overhead within the Lettings team	(25)
Passenger Transport - review of mainstream bus and coach contract routes in June/July 2018 has moved students onto registered bus routes and other routes from September 2018	(81)
Passenger Transport – review of SEN transport policy and retendering of contracts to include minibuses, taxi and Dial-a-Ride contracts.	(296)
Passenger Transport - permanently delete 2 vacant posts once efficient working practices have been designed	(41)
Passenger Transport - explore options to charge Coach operators for overnight parking at SBC bus station / new temporary bus exchange	(5)
Passenger Transport - reductions in specific premises budget reflecting identified underspends in 2018/19	(16)
Passenger Transport - Concessionary Transport - potential reduced numbers of trips to be paid for based on 2018/19 data. To be confirmed by transport advisor	(21)
Transport Policy and Traffic Management team - review of team's time allocated to the Capital Programme. SBC team will undertake the work currently delivered by external consultants.	(70)
Transport Policy and Traffic Management team - Additional demand to carry out Traffic Regulation Orders reflecting 18/19 trend.	(40)
Transport Development Management - Increase funding from S38 reserve to cover costs of the service and reduce expenditure on consultants.	(110)
Highway assets teams - review of capital recharge levels to ensure correct cost recovery	(49)
Street Lighting - LED business case to reduce electricity and maintenance costs part year benefit in 2019/20	(285)
Highway Operations - reduction in expenditure on materials	(13)

2019-20 Budget - Detailed Proposals
Service Area - Communities and Housing

Appendix 4

	Changes Proposed for 2019-20
Proposal	£'000
Highway operations - Additional project work delivered for Housing sites. Dependant upon satisfactory delivery of schemes in 2018/19 currently in progress	(100)
Highway Operations - Digital redesign of service delivery in Highways to deliver efficiency savings from the service area and the support functions	(43)
Highway assets - Permanently delete vacant drainage post and change approach to not assess flood risk elements for smaller developments.	(53)
Bus Lane Enforcement - Increase number of bus lane cameras.	(30)
Car Parking - Digital redesign of service delivery in Parking and Bus Lane Enforcement to deliver efficiency savings from the service area and the support functions	(71)
Car Parking - Overachievement of 18-19 budget from the Increase car parking fees in town centre from £2 to £3 for 4 hours in multi storey car parks and other daytime pay & display tariffs in shopper car parks.	(86)
Car Parking - Move to cashless payment in car parks reduces cash collection costs	(6)
Car Parking - Alternative provision for Shopmobility service by Voluntary Action Swindon	(14)
Construction and Architecture - review of fees charged to projects for professional services.	(100)
Facility Management - corporate cleaning contract savings from tender exercise	(50)
Departmental management - permanently delete a vacant post	(100)
Heritage & Culture - Theatre contract review to achieve subsidy reduction.	(30)
Heritage & Culture - commissioning approach to long standing grants to cultural groups which total £129k to align outcomes to Council Priorities.	(60)
Heritage & Culture - Proposed commercial review across both Steam Museum and Lydiard House, Park & Hotel.	(88)

2019-20 Budget - Detailed Proposals
Service Area - Communities and Housing

Appendix 4

	Changes Proposed for 2019-20
Proposal	£'000
Heritage & Culture - Proposed restructure across both Steam Museum and Lydiard House, Park & Hotel.	(45)
Heritage & Culture - Swindon Museum & Art Gallery - Increased income target and efficiency savings anticipated around the day to day operation.	(20)
Licensing - In year review of fees.	(9)
Licensing - reshape kennelling contract	(1)
Licensing - introduce charging for statutory Safety at Sports Grounds advice,	(10)
Taxi Licensing - Digital redesign of service delivery in Licensing to deliver efficiency savings from the service area and the support functions in 19/20	(23)
Catering - reconfigure catering provision with the outcome to provide a cost neutral service provision by March, 2020.	(30)
Landscape & Countryside - Commissioning approach to reduce current funding levels to external bodies net of funding received. Funding commitments will be linked to Council priorities with measurable outcomes.	(13)
Building Control - Digital redesign of service delivery in Building Control to deliver efficiency savings from the service area and the support functions.	(41)
Land Charges - Digital redesign of service delivery in Land Charges to deliver efficiency savings from the service area and the support functions.	(82)
Planning - Digital redesign of service delivery in Planning to deliver efficiency savings from the service area and the support functions.	(90)
Planning - Deletion of vacant posts in planning & conservation	(98)
Planning - introduction of chargeable pre-application service	(30)
Planning - use of earmarked planning reserves to fund post	(20)
Planning - restructure of planning teams.	(35)
Street Naming and Numbering - Increase in income levels reflecting current performance and new street naming service	(20)
Street Naming and Numbering - Vacant post changed to deliver service at lower cost overall	(8)

2019-20 Budget - Detailed Proposals
Service Area - Communities and Housing

Appendix 4

	Changes Proposed for 2019-20
Proposal	£'000
<u>Funding Changes</u>	
Housing General Fund - Rough Sleepers Project - use of additional Flexible Homeless grant funding this project.	(70)
Total	(3,997)

Reserves Policy

Swindon is a very ambitious Council with plans to continue transforming services and improve the local area at a time when national austerity measures are putting the finances of local Councils under tremendous strain. The pace of change at the Council and the scale of savings being delivered bring with them risks in relation to the Council's capacity to deliver the planned stepped changes. These risks are both in relation to the complexity of some of the transformational changes required to deliver the ongoing budget savings and secondly in respect of the potential need for funds to pump-prime work on future changes. The Council is managing these risks using a number of means:

Risk Assessment

Each of the savings proposals put forward as part of the Budget setting cycle has been individually risk assessed against a number of factors, namely:

- Impact on service
- Complexity of implementation
- Impact on equalities
- Contribution to strategic plans

Contingencies

The Council has a budget risk contingency fund of £3.5m to support its 2019/20 Budget.

Reserves

It is recommended that the minimum level of General Reserves the Council needs to hold to support the 2019/20 Budget is £6m. The Council's S151 officer advises that this is adequate in the context of the earmarked reserves held, specific contingencies and the proposed budget risk contingency of £3.5m.

Alongside the General Reserve, the Council is holding a number of specific reserves to support key risks and future commitments. These have been established following a thorough review of risks and needs.

By the start of 2019/20, the Council expects to be holding around £49m of reserves, of which £31.6m support the General Fund. By holding these reserves, the Council is accruing investment interest of around £237k per annum (assuming investment returns of around 0.75%). Should the Council decide to hold lower levels of reserves in future, for every £1m brought back into the revenue budget as a funding source to help balance the budget, the Council Tax increase for that financial year could be reduced by 1%. However, funding on-going revenue expenditure from reserves other than on a transitional basis would increase the level of risk within the annual budget and make future years' Budgets increasingly unsustainable. The Council has incorporated the planned use of significant levels of reserves in each of its last two budgets to support both the overall budget and targeted support for Children's Services. In the light of this the Director of Finance would not recommend any further allocation of specific reserves to support the annual budget.

The £49m reserves expected to be held in 2019/20 is summarised below. Full details will be brought back to Cabinet early in the next Financial Year as normal for consideration and approval:

General Fund (£31.6m)

- **£2.7m** relates to the PFI equalisation reserve. This reserve fluctuates depending on the yearly cash flows of the PFI and will be fully depleted by the end of the project's life.
- **£1.4m** relates to infrastructure and regeneration funding, which has been sourced mainly from the Planning Delivery Grant and New Homes Bonus issued by the Government. £50k has been earmarked to support economic growth initiatives.
- **£1.3m** relates to the Superfast Broadband project.
- **£13.9m** of general 'cash flowing' reserves to fund programmes of work to deliver future years' budgets. This includes funding for severance costs (£2.4m), Recreation and Golf asset transfers reserve (£0.8m), the Transformation Fund (£1.8m), Swindon Challenge (£0.1m) and the IT service reshaping funding (£0.4m).
- **£12.3m** of service specific reserves set out below:

Insurance Fund	£3m	This fund is set at an industry standard level of covering twice the aggregate excess liability in any financial year. It was increased in 2013 to reflect the increased liabilities associated with bringing SCS back in-house and higher levels of self-funding which was offset by a significant reduction in premiums
Children Services transitional Funding	£2.5m	Balance of the reserve to provide additional investment in 2019-20 to address the short-term pressures while the plans to enable the service to be financially sustainable in the longer term continue to be implemented.
Other	£6.8m	A number of smaller service-specific reserves often financed from external funding or earmarked for committed projects

Other Funds (£17.4m)

- **£6.3m** of Schools balances representing the combined total of all individual schools' rolled-forward balances (£5.7m) and the non-schools retained DSG reserve (£0.6m).

£11.1m of HRA Balances comprising the HRA minimum working balance (£4m), the general reserve (£6.3m) and specific reserves (£0.8m).

Appendix 6

Swindon Borough Council

Medium Term Financial Strategy and Efficiency Statement

1 Background and Scope

- 1.1 The Council's Medium Term Financial Strategy agreed by Cabinet in February 2018 set out the financial context for the Council up to 2021/22. This document extends the financial planning period to 2023/24 and updates the strategy for changes announced in the 2018/19 local government finance settlement.
- 1.2 Alongside increasing demands for services, councils nationally have seen cumulative reductions in Government funding since 2010/11. As part of the multi-year settlement arrangements introduced from 2016/17 the Council is required to produce an efficiency statement demonstrating its high-level funding position and responding strategies to ensure medium-term financial sustainability. The efficiency statement is incorporated within this document.

2 Forecast Resources

- 2.1 As 2019/20 is the final year of the multi-year settlement the future funding arrangements for the Council are uncertain beyond that point and will be shaped by three main issues:
 - 2.1.1 Spending Review 2019 – this is expected to establish the total funding for local government nationally for 2020/21 and, possibly, future years
 - 2.1.2 Business Rates Retention – the government is working with local government, led by the Local Government Association, to develop the arrangements for councils to retain 75% of the growth in business rates (compared to 50% currently)
 - 2.1.3 Fair Funding Review – this will establish the assessment of relative needs between authorities and take into account the ability of councils to raise income and will therefore form the basis of the redistribution of resources between councils
- 2.2 In the absence of any further information the central planning assumption is that the funding levels for the Council will remain at the same level, in cash terms, as 2019/20. This incorporates the current funding streams of Revenue Support Grant, Better Care Fund, New Homes Bonus and the baseline level of retained business rates. The exception to this being the one-off distribution of the surplus on the Business Rates Levy Account, which is for 2019/20 only.
- 2.3 For 2019/20 the limit of core council tax increases, without requiring a referendum, is 2.99%. The planning assumption used in the medium term projections is that the same level of increases will be applied annually over the period to 2023/24.
- 2.4 Allowance has been made for growth in the council tax base (£1.2m per annum) and business rates (£0.8m per annum, except for 2020/21 which will be affected by a reset of the system)

Appendix 6

3 Forecast Expenditure

- 3.1 Following the experience of recent years the key expenditure pressures are anticipated to be related to demand pressures in children and adults social care. More generally the council will face pressures relating to population growth and pay and price inflation and estimates of these have been produced for future years.

4 The Swindon Programme

- 4.1 The Swindon Programme is the response to the financial challenge facing the Council by transforming the way Council works and making its services, systems and processes more efficient for both customers and staff. This would allow the Council to provide the residents of Swindon with the information and support they need in a way that is convenient to them and cost effective for the local authority.
- 4.2 There are four strands to the Swindon Programme:
- 4.2.1 Organisational Excellence
 - 4.2.2 Commissioning and Procurement
 - 4.2.3 Managing Demand
 - 4.2.4 Commercialisation

Organisational Excellence

- 4.3 This workstream is about creating a modernised, effective and efficient organisation and is broken into four themes focussing on:
- Improving digital services for customers
 - Reviewing our IT infrastructure and estates
 - Workforce development
 - Sharing of data

Demand Management

- 4.4 This workstream is about supporting our residents to be as independent and resilient for as long as possible and focuses on the main challenges of reducing the amount of demand coming in to the Council by:
- Ensuring effectiveness of interventions
 - Addressing the length of interventions
 - Driving down unit costs of work associated with demand.
- 4.5 The major focus of Demand Management is on care provision for adults with learning disabilities, children and older people. There will be additional projects across the council including housing and waste and recycling.

Commissioning and Procurement

- 4.6 This workstream is about how we buy goods and services and identifying whether there are better ways to do it by thinking across services and departments and focuses on:

Appendix 6

- Developing tools and process to help commissioners and contract managers to work together to commission services based on the future needs of the council
- Providing opportunities for commissioners and contract managers to learn from best practice
- Increasing the rigour and challenge in the commissioning process, alongside forensic analysis of specific contracts

Commercialisation

- 4.7 This workstream relates to making best use of the Council's assets for income generation and helping to make the Council less reliant upon central government funding. This will help enable us to continue to deliver front line services through the generation of income from multiple areas.
- 4.8 The identified projects include:
- Housing development across the borough including Wichelstowe
 - Disposal of land with planning permission
 - Expansion of profitable traded services
 - Marketing and advertising
 - Energy production and storage
 - Review of fees and charges

5 Financial Strategy

- 5.1 The approach to addressing the financial challenges includes extending the detailed financial planning period beyond the annual budget setting cycle, to reflect the time period to plan and implement the savings proposals required. This will be on a rolling basis to ensure that the Council is best placed to respond strategically to the difficult and uncertain funding position it faces.
- 5.2 In line with emerging national guidance from the Chartered Institute of Public Finance and Accountancy the council has developed its capital strategy to set out the long-term context in which capital expenditure and investment decisions are made, reflecting both the delivery of council priorities and the associated risks and rewards.
- 5.3 In March 2016 the Secretary of State issued statutory guidance on the flexible use of capital receipts. This will enable council's to finance certain revenue expenditure from capital receipts. The key criteria to use when deciding whether expenditure can be funded using the capital receipts flexibility is that it is forecast to generate on-going savings. The guidance sets out some examples of expenditure that could be financed using this flexibility, including:
- Sharing services
 - Service reform
 - Collaboration between councils
 - Service reconfiguration, restructuring or rationalisation
 - Setting up alternative delivery models.
- 5.4 The Swindon Programme will incur expenditure of this nature in order to deliver the savings specified above. Specific areas being explored which could require up-front

Appendix 6

investment to realise future savings include increased use of digital channels the costs of restructuring and reconfiguring services. The Council may therefore utilise the capital receipts flexibility to meet expenditure that it incurs in order to realise the savings set out in this efficiency plan.

- 5.5 This flexibility will not be applied rigidly. Expenditure incurred in delivering the efficiency plan will be monitored continuously and the decision on whether or not to use the flexibility will be taken based upon the Council's best financial interests at the time.

Financial Projections from 2020/21

	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m
<u>Pressures:-</u>				
Pay and Prices Inflation	6.0	6.0	6.0	6.0
Social Care Packages	6.3	6.3	6.2	6.0
Pension and Debt Charges	1.1	3.2	2.8	1.0
Other Cost Pressures	1.5	1.5	1.5	1.5
End of Children's Social Care Reserve Funding	2.5	0.0	0.0	0.0
End of one-off Business Rate Levy surplus grant	0.5	0.0	0.0	0.0
Reduction in Collection Fund Surplus	1.4	0.0	0.0	0.0
Total Pressures	19.3	17.0	16.5	14.5
Council tax increase at referendum limit	(3.0)	(3.0)	(3.0)	(3.0)
Increase in council tax base	(1.2)	(1.2)	(1.2)	(1.2)
Assumed business rates growth	(0.0)	(0.8)	(0.8)	(0.8)
Savings needed after assumed increases in income	15.1	12.0	11.5	9.5

Capital Programme 2019-20

Cabinet

Date: 6th February 2019

Authors: Cabinet Member for Finance

Director of Finance

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 To report new Capital Programme requirements for the year 2019/20 and the Capital Strategy for 2019/20 to 2023/24.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.
- 1.3 Responsible budget management underpins the Council's strategic objective of consistently making the best use of all available resources as well as providing focus for its change programmes.

2. Recommendations

Cabinet is recommended to:

- 2.1 Approve that the Devolved Formula Capital Grant is distributed once it has been received from Government as detailed in paragraph 3.12 below.
- 2.2 Approve a budget of £1.018m for the schemes referred to in paragraphs 3.3 to 3.12 below and detailed at Appendix 1.
- 2.3 Approve a total budget of £5.074m for the 2019/20 local priority Highways and Transport schemes, referred to in paragraphs 3.13 to 3.22 below and detailed at Appendix 2.
- 2.4 Approve a total budget of £3.676m for 2018/19 for Corporate & Property schemes as referred to in paragraphs 3.23 to 3.32 and detailed at Appendix 3.
- 2.5 Approve a total budget requirement of £1.317m for Children's & Older Peoples proposals as referred to in paragraph 3.33 to 3.36 and detailed at Appendix 4.
- 2.6 Approve the use of CIL receipts as detailed in paragraph 3.37 to support the existing capital programme of works at Junction 16.
- 2.7 Approve the Capital Strategy 2019/20 – 2023/24 as attached at Appendix 5
- 2.8 Recommend the Investment Strategy attached as Annexe 3 to Appendix 5, for approval by Full Council on 21st February 2019.

Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No. 464384 or Email iburbidge@swindon.gov.uk

Capital Programme 2019-20

Cabinet

Date: 6th February 2019

3. Detail

Capital Programme – 2019/20

3.1 The Council approved, on Cabinet's recommendation, a 2018/19 programme in February 2018 with indicative costs in years beyond reflecting the Government's decision to approve grants on a yearly basis.

3.2 This report details the Capital Programme approval requirements for 2019/20, and indicative requirements for 2020/21.

Education Services Schemes

3.3 The Government allocates two main capital grants to support expenditure on school assets; maintenance grant and basic need grant. Maintenance funding is provided for maintenance and repair to existing school buildings, and Basic Need funding supports the Councils statutory requirement to provide new pupil places in new or expanded maintained schools. The Basic Need funding does not include any uplift to reflect the higher costs of providing Special Educational Needs places. Neither grant is ring-fenced to schools, but given the pressures in this area it is recommended that these funds are used as proposed in this paper.

3.4 **Basic Need grant of £2.550m** has been awarded for 2019/20, with currently no funding being awarded for 2020/21. The DfE expects that any schools required as a result of development are to be funded from S106 contributions, Basic Need grant is not provided to support new developments. Any schools provided as a Free School would be funded directly through the Education and Skills Funding Agency ("ESFA") and where this school is required as a result of a new development any S106 receipts will be required to support this provision.

3.5 Currently there are no specific schemes that require funding in 2019/20 although there is an expectation that the Council will need to fund either expansion or new construction in the town centre to meet demand in 2020/21. A capital bid will be brought forward to a future meeting once the full requirements are known.

3.6 **Capital Maintenance grant** for 2019/20 has not been notified at the date of writing this report but is estimated at **c£0.9m** (2018/19 £1.119m). The level of grant is reduced every time a school converts to an academy as academies are funded directly from the EFA. Notification of the exact sum is not expected until spring 2019. Currently only £0.4m of this grant has been allocated to schemes, leaving £0.5m as a contingency to deal with any emerging condition issues at schools.

3.7 There is a demand for new schools to be opened over the next 3 years that were expected to be provided by the free school programme, however there is

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Capital Programme 2019-20

Cabinet

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currently no information on when the next bidding round will open and what types of school may be eligible for funding from this source. In the event that these are not approved an update will be provided to Cabinet outlining alternative options to meet the need for these schools.

- 3.8 The Council has to meet the cost of expanding schools to meet need where it is not practical to build new schools. In addition the LA has responsibility for maintaining its special school and special resource provision.
- 3.9 Cabinet has previously been notified of the **Special Education Needs and Disability (SEND) Capital investment Fund Strategy** Grant of £978k that has been awarded to Swindon over a three year period. The Council has been notified that it will receive a further £227k in 2019/20, it is proposed to add this to the existing budget and allow it to be bid for in line with the processes already established.
- 3.10 The Council has also been notified that it will receive £104k from **the Healthy Pupils Capital Fund** as its share of the national soft drinks industry levy. This funding is designed to support capital projects in maintained schools and it is proposed to establish a bidding process to enable schools to apply for a share of this funding.
- 3.11 This report seeks approval for the following Education Services schemes:-
- 3.11.1 £400,000 required for condition works, funded from Maintenance grant, which relates to high priority condition issues outside of the schools ability to fund from their own delegated funding (which is fairly small), such as replacement heating systems.
- 3.11.2 The full programme of grants and anticipated spend is contained in **Appendix 1**.
- 3.12 The Council will also receive from the DfE Devolved Formula Capital Grant during 2019/20 estimated at £287k. This grant is ring fenced for maintained schools and the Council passport to each of the maintained schools via a methodology prescribed by the DfE. The funding is to support schools in undertaking minor capital schemes as part of their management of the school premises and for IT. Permission is sought for this grant to be distributed to the maintained schools when it is received from Government.

Local Priority Highways, Transport and Landscapes Schemes

- 3.13 The Government provided an indication that the Local Transport Plan (LTP) grant funding for 2019/20 will be £4.1m (2018/19 £4.1m). This is non-ring-fenced funding and the proposed 2019/20 programme has been developed within this envelope of funding to ensure no further Council borrowing is required.

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- 3.14 More comprehensive information around the specific allocations of the budget to highways schemes will be contained within the Swindon Local Transport Plan Implementation Plan 2019/20 report which will be brought to a future Cabinet.
- 3.15 Officers are proposing that the following schemes are also included in the 2019/20 capital programme:
- 3.16 £13k from S106 contributions to be added to the current Great Western Community Forest Project budget. It is proposed that any future s106 that is specifically identified for this project will be added to the budget automatically when it is received.
- 3.17 £2k from s106 contributions to be added to the current Blagrove roundabout project.
- 3.18 £72k from S106 contributions to be added to the current Rapid Transport Corridor Project. This funding is the first instalment of funding from the Tadpole Farm development, it is proposed that any future s106 that is specifically identified for this project will be added to the budget automatically when it is received.
- 3.19 £349k from S106 contributions to be added to the current Mouldon Hill Country Park Project. This covers recent funding received from the Abbey Farm development, it is proposed that any future s106 that is specifically identified for this project will be added to the budget automatically when it is received.
- 3.20 £348k from s106, Parish Council and Sport England to fund the construction of a Multi-Use Games Area (MUGA) at Blunsdon. The Parish Council are supportive of the construction of a MUGA next to St Leonard Primary School and are providing £50k of funding towards its construction. The council has received £150k of s106 funding and is expecting a further £48k shortly that can be used to support this project. Officers are in discussion with the Parish about submitting a bid to Sport England for £100k to provide the balance of funding required to deliver this project. The Parish have acknowledged that they will be responsible for future maintenance requirements.
- 3.21 £190k from s106, Public Open space, St Andrews Parish. The Parish Council are in discussions with the land owners to purchase a piece of land adjacent to one of their community centres to be used for public open space. The parish has requested that the Council transfer the s106 funding to them to enable them to complete the purchase. The Parish have acknowledged that they will be responsible for future maintenance requirements.
- 3.22 In the absence of any firm funding notification beyond 2019/20, officers are recommending that Cabinet only make new approvals for 2019/20. The total

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Capital Programme 2019-20

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2019/20 scheme value of **£5.075m** is detailed at **Appendix 2**; this also shows indicative requirements for 2020/21.

Property and Corporate Schemes

- 3.23 **Appendix 3** contains a summary of the property and assets related capital schemes requiring approval. There is a requirement for works totalling **£3.676m** in the following areas:
- 3.24 £1.522m – General Repairs & Maintenance. This includes Disability Discrimination Access requirements, work on “non-highways structures” such as bridges within parks and management of asbestos.
- 3.25 £158k – Children’s Mobile Working funded from borrowing. This will provide a mobile app and related infrastructure in support of the Children’s Social Care Case Management system.
- 3.26 £493k – Corporate EDRMS funded from borrowing. This will enable the Council to scope the data storage requirements to ensure that all data is stored in compliance with the GDPR regulations. It is anticipated that the solution will be implemented in 2021/22.
- 3.27 £410k – Capita One Education replacement funded from borrowing. The current software is part of the aspire contract that finishes in 2022, therefore it is necessary to commence the procurement process for a replacement system. Soft market testing has shown that a new system will help to cut revenue costs and provide improved functionality.
- 3.28 £100k – Digital Strategy Seed Money funded from borrowing. This will enable the IT department to purchase licences, equipment etc. as part of the proof of concept stage of delivering emerging digital technologies and developing the full business cases to support Council wide deployment.
- 3.29 £843k – Estates Rationalisation funded from capital receipts from sale of surplus property. The Council is working towards providing all services from the Civic Campus and 3 children’s locality hubs, this will involve works to improve the remaining buildings and the disposal of 5 surplus sites. It is estimated that the disposals will result in a capital receipt of £1.5m and annual operational savings of £122k.
- 3.30 £150k – Additional car parking at Lydiard house funded initially from borrowing with the resulting debt charges of £12k pa funded from future revenue income. This will provide for a redesign of the existing car park facilities and provide additional overflow parking that is usable following bad weather. It will also allow for contactless pay and display parking machines thus reducing the risk of vandalism.

Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No. 464384 or Email iburbidge@swindon.gov.uk

Capital Programme 2019-20

Cabinet

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- 3.31 No specific funding is available for **£2.683m** of the new approvals detailed at paragraphs 3.23 to 3.28 above and therefore they will all need to be funded from borrowing, at a cost of approx. **£215k** per annum. This pressure will be budgeted from within the Treasury Management budget.
- 3.32 Items 3.29 and 3.30 (**£993k**) are to be funded from future capital receipts and revenue income respectively. There may therefore be some short term interest costs associated with these proposals as a result of the timing of the sale / savings being realised. Indicative proposals beyond 2019/20 are shown on **Appendix 3** but no approval is required at this stage.

Children's and Adults Schemes

- 3.33 **Appendix 4** contains details of three scheme approvals with a total budget requirement of **£1.317m** of which **£1.067m** is funded from grant contributions, leaving a balance of **£250k** to be funded from borrowing.
- 3.34 £1.067m – Disabled facilities grants, fully grant funded. Disabled Facilities Grants are mandatory grants (subject to claimants fulfilling certain conditions) for which Swindon receives grant funding of £1.067m (2019/20 indicative figure). There has been increased demand for these grants in recent years; any additional demand over and above the grant would need to be funded from borrowing. If this is likely to happen in 19/20 a further request will be made as part of a capital monitoring report. These grants support people to stay in their homes and remain independent.
- 3.35 £250k – Community equipment, funded from borrowing. Officers will keep the s106 contributions received under review, and if appropriate will look to use these to reduce the borrowing requirement. Officers have indicated that based on past experience the demand for Community Equipment is likely to exceed £1m. This proposal relates to expenditure that assists individuals to remain independent, staying in their own homes for longer and therefore potentially reduces demand on Adult Social Care services. This is a joint funded provision with Swindon Clinical Commissioning Group and the Councils share of this cost pressure is c£250k. Borrowing costs are estimated at around **£20k** per annum and will be funded through the treasury management budget.
- 3.36 Officers are recommending that only 2019/20 proposals are approved at this stage due to no firm funding indications beyond this period.

Community Infrastructure Levy (CIL)

- 3.37 At its December meeting Cabinet was advised that this report would contain a recommendation for the use CIL receipts to support the capital programme.
- 3.38 It is proposed that any CIL receipts for 2019/20 continue to be used to support the improvement works at Junction 16. The value of CIL receipts for 2019/20 will be supplied to Cabinet as part of the Capital outturn report.

Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No. 464384 or Email iburbidge@swindon.gov.uk

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Capital Strategy

- 3.39 The 2017 version of the CIPFA *Prudential Code for Capital Finance in Local Authorities* Code ("the Code") introduced the requirement for authorities to produce a capital strategy. The purpose of the capital strategy is to firmly place decisions around borrowing in the context of the overall longer term financial position of the authority and to provide improved links between the revenue and capital budgets.
- 3.40 Paragraph 19 of the Code sets out that in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. The capital strategy should form a part of the authority's integrated revenue, capital and balance sheet planning. The Capital Strategy is attached at Appendix 5.
- 3.41 In addition, recent updated Statutory Guidance on Local Government Investments sets out that a Local Authority should prepare at least one Investment Strategy, to be approved by Full Council prior to the start of the financial year. This strategy should be publically available on the Council's website, and a public notice should be posted detailing how local residents can obtain a copy of the strategy, free of charge. The Council's Investment Strategy is attached at Annex 3.

4. Alternative Options

- 4.1 Cabinet could choose not to approve the proposed additions to the capital programme.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The proposals contained in this report if approved will result in the Capital Financing Requirement of the Council increasing by £2.933m, this will result in an increase in debt charges of £235k per annum which will need to be funded through the Treasury Management budget.
- 5.2 Of the proposals included above the Estates rationalisation project is expected to deliver direct revenue savings of £122k pa, plus a capital receipt of around £1.5m, of which £834k is required to fund the works leaving a further sum of £666k available.
- 5.3 The debt charges resulting from investment in additional car parking at Lydiard will be funded from additional revenue income of £12k pa.

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- 5.4 These proposals support the Swindon programme by ensuring that the appropriate infrastructure is in place to support the 4 strands of the programme. They also seek to build sustainable platforms to support the digitisation objectives of the Council.

Legal and Human Rights Implications

- 5.5 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.6 There are no such direct implications.

Diversity Impact Assessment

- 5.7 A Diversity Impact Assessment (DIA) has not been done as this report does not make any new recommendations that would have a detrimental impact on services. Service areas have undertaken DIA assessments for each of the proposals that they are recommending.

Risk Management

- 5.8 None other than those highlighted in the body of the report. Individual schemes will have individual Risk Assessments and DIAs.

6. Consultees

- 6.1 The Director of Finance (Section 151 Officer) and Interim Director of Law (Monitoring Officer) are consulted in respect of all Cabinet reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Overview of 2019/20 capital programme
- 8.2 Appendix 1 – Education proposals
- 8.3 Appendix 2 – Highways and Transport
- 8.4 Appendix 3 – Corporate and Property proposals
- 8.5 Appendix 4 – Children's and Older Peoples proposals
- 8.6 Appendix 5 – Capital Strategy
- 8.7 Annex 1 – 5 Year Capital Investment

Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No. 464384 or Email iburbidge@swindon.gov.uk

Capital Programme 2019-20

Cabinet

Date: 6th February 2019

- 8.8 Annex 2 – Highway Condition Survey
- 8.9 Annex 3 - Investment Strategy
- 8.10 Annex 4 – Property Investment and Disposal Strategy

9. Key Decision/Decision in Cabinet Work Programme

- 9.1 This is not a key decision and is included in the Cabinet Work Programme for February 2019.

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Overview of 2019/20 Capital Programme - New Approvals

	Education	Highways & Landscapes	Property & Corporate	Children's & Adults	Total Programme
Budget Requested	1,018,381	5,074,827	3,676,000	1,317,000	11,086,208

Funding

s106 Contributions		820,827			820,827
Maintenance Grant	400,000				400,000
Basic Need Grant	-				-
Devolved Formula Capital	287,000				287,000
Healthy Pupils	104,028				104,028
Special Education Needs and Disability (SEND) Capital Investment Fund Strategy	227,353				227,353
LTP Maintenance Grant		2,726,000			2,726,000
LTP Integrated Grant		1,378,000			1,378,000
Sport England		100,000			100,000
Parish Council		50,000			50,000
Disabled Facilities Grant				1,067,000	1,067,000
Future Revenue Savings			150,000		150,000
Future Capital Receipts			843,000		843,000
Borrowing Requirement	-	-	2,683,000	250,000	2,933,000
Total Funding	1,018,381	5,074,827	3,676,000	1,317,000	11,086,208

Revenue Budget Impact p.a. @ £80k per £1m	-	-	214,640	20,000	234,640
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Indicative 2020/21 Capital Programme

	Education	Highways & Landscapes	Property & Corporate	Children's & Adults	Total Programme
Budget Requested	937,000	4,404,000	2,000,000	1,367,000	8,708,000
Borrowing Requirement	-	-	2,000,000	300,000	2,300,000
Revenue Budget Impact p.a. @ £80k per £1m	-	-	160,000	24,000	184,000

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Appendix 1- Education Services proposals

	19/20 For Approval	20/21 For information	Comments	Funding
Condition Programme 2018/19	400,000	650,000	On-going high priority maintenance and replacement programme to keep the Councils maintained schools operational.	grant
Special Education Needs and Disability (SEND) Capital Investment Fund Strategy	227,353		Swindon was allocated £1m over three years to invest in capital improvements for pupils with SEND. Subsequently the government have announced a further £50m grant for the sector, of which Swindon has received £227,353.	grant
Devolved Formula capital	287,000	287,000	Passported to maintained schools for them to use on small scale capital projects	ring fenced
Healthy Pupils	104,028		Allocated to invest in capital projects for Local Authority maintained schools, to improve health and wellbeing	grant
TOTAL BUDGET REQUIRING APPROVAL	1,018,381	937,000		

Already allocated	143,642		Allocated to schemes previously agreed by cabinet	grant
Unallocated resources	2,906,793	250,000	Any future schemes will be able to use this funding as part of the overall resources required to deliver.	grant
TOTAL BUDGET REQUIRING APPROVAL	4,172,844	1,187,000		

Funding	19/20	20/21
Maintenance Grant - indicative grant figures	900,000	900,000
Basic Need Grant	2,550,435	-
Devolved Formula Capital - indicative grant figures	287,000	287,000
Healthy Pupils	104,028	

Special Education Needs and Disability (SEND) Capital Investment Fund Strategy	227,353	
Total Funding Available	4,068,816	1,187,000
Total Shortfall - Borrowing Requirement	-	-
Revenue Budget Impact p.a. @ £80k per £1m	-	-

Appendix 2 - Highways and Transport proposals

Project Name	19/20 For Approval	20/21 For information	Comments	Funding
Highways Maintenance - Various tba	2,726,000	2,726,000	This project comprises the Local Transport Plan Capital Programme for 2018/19. This is made of Highway Maintenance (Carriageway surfacing, Rights of Way improvements, Structural maintenance, Pavement maintenance, Street lighting, Drainage and Traffic Signals) and Integrated schemes (Locality schemes, Casualty and congestion reduction schemes, Sustainable transport schemes).	grant
Integrated Schemes - Various tba	1,378,000	1,378,000		grant
Great Western Community Forest	12,997		This is additional s106 funding that it is proposed to add to the current Great Western Community Forest project	s106
Blagrove Roundabout Landscape Improvements	2,073		This is additional s106 funding that it is proposed to add to the current project at Blagrove roundabout	s106
Rapid transit Corridor	71,748	300,000	The council are in receipt of the first instalment of s106 funding towards a rapid transit corridor supporting the Tadpole Farm development. It is proposed that this and all future s106 receipts are included within the existing rapid transit budget as they are received.	s106
Blunsdon MUGA	348,000		Consultation, design and construction of football focussed All Weather Pitch adjacent to St Leonards Primary School, Linley Road, Blunsdon. This project is promoted and supported by Blunsdon Parish Council. Funding utilises received s106 payments (£150k) and further anticipated s106 funds that are due soon (£48k) as occupancy triggers are close. The balance of the funding will come from Sport England (£100k subject to planning permission) and the Parish Council (£50k), the parish will take on the maintenance of the facility after completion. The funding will enable the project to progress to planning stage, and the grant applications to be submitted in a timely manor.	s106, grant, parish

Mouldon Hill Country Park	346,009		The opportunity to provide a country park in Northern Sector development was realised in the original masterplan for the 10,000 house development. This status has been further elevated by it's designation as a future country park within the Borough's Local plans. This bid is further to the last in October 2016 to align newly received s106 funds to the project. It is to work with Ward Members, Parish Councils and the public to realise these facilities. Finance will be from the legacy of existing funds and this further s106 receipt of £108,469.38 from the Abbey Farm development.	s106
Public open space St Andrews	190,000		The Parish wish to purchase land next to Redhouse Village Centre to enable it to be used for public benefit. They have requested that the s106 sum be transferred to them to enable them to purchase the land, they will be responsible for all future maintenance.	s106
TOTAL BUDGET REQUIRING	5,074,827	4,404,000		

Funding	19/20	20/21
LTP	2,726,000	2,726,000
Maintenance		
LTP Integrated	1,378,000	1,378,000
Grant		
Sport England	100,000	
Parish Council	50,000	
s106	820,827	300,000
Total Funding Available	5,074,827	4,404,000

Total	-	-
Shortfall - Borrowing		
Revenue	-	-
Budget Impact p.a. @ £80k		

To be confirmed once planning has been obtained

Appendix 3 - Property & Corporate Proposals

Project Name	19/20 For Approval	20/21 For information	Comments	Funding
General Repairs & Maintenance including Disability Discrimination Access& asbestos works requirements	1,522,000	2,000,000	The Councils general fund property portfolio includes over 250 buildings upon which there is a maintenance responsibility. Planned (mostly maintenance contracts and compliance testing) and Reactive (mostly urgent and emergency works) repair and maintenance is undertaken from revenue budgets. The current revenue budgets are such that very little work undertaken addresses any of the current backlog or is available to fund any significant spend. The corporate capital R&M budgets is the mainstay of holding the backlog while keeping buildings safe secure and substantially fit for use. The capital sum requested includes proposed capital expenditure which in previous years have been awarded funding separately to include works identified from asbestos surveys; DDA works; unadopted highway structures as well as reactive and repairs that cannot be funded from revenue.	borrowing
Additional car parking capacity Lydiard House	150,000		Capacity of the existing car park provision is limited. In the event of bad weather, the current overflow provision on the field cannot be used. This can lead to significant number of customers being turned away in the spring / summer with loss of income to the council and loss of amenity for residents, this scheme will provide for additional spaces as well as address the current design and flow of vehicles which is not efficient at busy periods as well as contactless P&D machines to mitigate the impact of vandalism and lost income due to holding cash in machines this year. SBC highways are supporting the team to inform the cost of various options.	future revenue savings

Children's Mobile Working	158,000		The new Children's Social Care Case Management system (CareDirector) will be implemented in November 2019. There is a Mobile App for the solution that offers off-line connectivity to key records and the ability to record signatures. The mobile app would be deployed after the core system implementation.	borrowing
Corporate EDRMS	493,000		To enable the application of Records Management security, metadata and retention scheduling to all non-system, unstructured corporate information and records saved via Microsoft Outlook and SharePoint. This will also remove the need to store unstructured information within the current corporate shared drive folder structures. The new Data Protection Act requires that all personal data is stored with 'appropriate security' and with applied retention schedules. Whilst this can be manually achieved, in reality this is hard to do, complex and costly in administrative terms, so automating records management allows compliance to be proven and auditable. Work will be undertaken ascertain requirements with the anticipation that this solution will be implemented in 2021/22	borrowing
Capita One Education	410,000	-	Capita One Education is part of the Aspire contract which comes to an end in February 2022. A replacement line-of-business system is required to be implemented by this date. There are benefits from a new solution which will contribute towards delivering the digital hub business case and initial soft market testing has shown we can cut revenue costs and improve functionality with a new solution.	borrowing

Digital Strategy Seed Fund	100,000		A Digital Strategy for the council is due to go to Cabinet in 2019. The people in the team can be funded by revenue costs, but there will need to be seed funding to develop concepts and prove business cases before the solutions they develop can be scaled up. The Capital funding will go towards purchasing development licences, platforms, specialist consultant advice, recruitment costs and working with 3rd parties for installation and configuration. Every solution developed by the team will release cashable revenue savings that are currently out of the reach of the Swindon Programme.	borrowing
Estates Rationalisation	843,000		The Council is working towards providing all services from the Civic Campus and 3 children's locality hubs, this will involve works to improve the remaining buildings and the disposal of 5 surplus sites. It is estimated that the disposals will result in a capital receipt of £1.5m and annual operational savings of £122k	future capital receipt
Total	3,676,000	2,000,000		

Funding	19/20	20/21	Comments
Future Revenue Savings	150,000		
Future Capital Receipts	843,000		
Total	993,000	-	
Shortfall - Borrowing	2,683,000	2,000,000	
Revenue Budget Impact p.a. @ £80k per £1m	214,640	160,000	

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Appendix 4 - Children's & Adults Proposals

Project Name	Budget Requirement		Comments	Funding
	19/20 For Approval	20/21 For information		
Community Equipment	250,000	300,000	Provision of hoists, stair lifts and other equipment is a major contributor to allowing the elderly and disabled live independent lives, Council priority number 4. In many instances the installation of equipment such as hoists is essential to allow safe discharge from hospital. The community equipment store is a jointly run and funded service with our health partners. In 18-19 the cost of community equipment is likely to exceed £1m and capital is required to pick up the cost of the larger more expensive items of equipment.	borrowing
Disabled Facilities Grants	1,067,000	1,067,000	The award of Mandatory grants for the adaptation of the homes of disabled persons. Such grants (other than those for disabled children) are means tested and fund only those works recommended by an Occupational Therapist as being necessary to meet the needs of the disabled occupier. Past spending would indicate that the grant is not sufficient to cover the demand	grant
New children's residential provision	TBC		Children's Services are currently producing a business case for investment in residential property to support children currently in care outside of the authority area. It is intended that a full proposal will be brought to Cabinet in February.	borrowing
Total	1,317,000	1,367,000		

Funding	19/20	20/21	Comments
Disabled Facilities Grants	1,067,000	1,067,000	2019/20 Indicative grant
Total	1,067,000	1,067,000	
Shortfall - Borrowing	250,000	300,000	
Revenue	20,000	24,000	
Budget Impact p.a.			

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**SWINDON BOROUGH COUNCIL
CAPITAL STRATEGY
2019/20 – 2023/24**

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Capital Strategy 2019/20 – 2021/22

1 Executive Summary

1.1 This purpose of this Capital Strategy is to:

- a. Set out the principles the Council will follow in its capital planning.
- b. Outline the methodology for inclusion of schemes within the Capital Programme.
- c. Set out the arrangement for management of capital schemes.
- d. Identify the investment requirements and how those schemes may be funded.

1.2 In addition the Strategy includes a number of other areas due to changes in the CIPFA's Treasury Management Code of Practice relating to the loans to companies and investments in property funds and how these differ from the Councils capital expenditure. The Strategy also sets out the principles of what is a capital investment, the knowledge and skills available to the Council, an overview of governance processes and an outline of its approach to commercial activities including due diligence and risk appetite.

1.3 The capital strategy is therefore intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

2 What is Capital Expenditure?

2.1 Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset that is needed to provide services. Fixed assets are tangible or intangible assets that yield benefits to the Council generally for a period of more than one year, e.g. land, buildings, roads, vehicles. This is in contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services. The definition of what can be classed as capital expenditure is a combination of accounting regulation and legislation and this distinction is important as capital funding (such as capital receipts and capital grants) cannot typically be used to fund revenue expenditure.

2.2 The capital programme is the authority's plan of capital works for future years, including details on the funding of the schemes. Included are the projects such as the purchase of land and buildings, the construction of new buildings, design fees and the acquisition of vehicles and major items of equipment. Also included could be service and commercial investments.

3 What are Treasury Investments?

3.1 Treasury Management investment activity covers those investments which arise from the organisation's cash flows and debt management activity, and ultimately represent balances which need to be invested until the cash is required for use in the course of business.

3.3 For Treasury Management investments the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Treasury Management Policy and the Annual Investment Strategy.

3.4 The CIPFA Treasury Management Code recognises that organisations may make investments for policy reasons outside of normal treasury management activity. These may include service and commercial investments.

4 What are Service and Commercial Investments?

4.1 These are investments for policy reasons outside of normal treasury management activity. This may include:

Service investments

4.2 Investments held clearly and explicitly in the course of the provision, and for the purposes, of operational services, including regeneration.

Commercial investments

4.3 Investments taken for mainly financial reasons. These may include:

- investments arising as part of business structures, such as shares and loans in subsidiaries or other outsourcing structures such as IT providers or building services providers;
- investments explicitly taken with the aim of making a financial surplus for the Council.

4.4 Commercial investments also include fixed assets which are held primarily for financial benefit, such as investment properties.

4.5 Due to the nature of the assets or for valid service reasons, such investments do not always give priority to security and liquidity over yield. In these cases, such a decision will be explicit, with the additional risks set out and the impact on financial sustainability identified and reported.

4.6 The Director of Finance will ensure that the Council has the appropriate legal powers to undertake such investments and will ensure the proportionality of all investments so that the Council does not undertake a level of investing which exposes it to an excessive level of risk compared to its financial resources.

4.7 Annex 3 sets out in detail the Council's Investment Strategy around Commercial Investments

5 Due Diligence

5.1 For all capital investments, the appropriate level of due diligence will be undertaken with the extent and depth reflecting the level of additional risk being considered.

5.2 Due diligence process and procedures will include:

- effective scrutiny of proposed investments by the relevant committee;

- identification of the risk to both the capital sums invested and the returns;
- understanding the extent and nature of any external underwriting of those risks;
- the potential impact on the financial sustainability of the Council if those risks come to fruition;
- identification of the assets being held for security against debt and any prior charges on those assets;
- where necessary independent and expert advice will be sought.

5.3 The Director of Finance will ensure that members are adequately informed and understand the risk exposures being taken on.

6 Council Objectives/Identifying Need

6.1 The Council has agreed a number of corporate aims, priorities and objectives which guide its work. The Council Plan 2016 – 2020 sets out vision for Swindon and the priorities we are trying to achieve for our residents and the borough of Swindon. The current Plan sets 4 priorities:

- Improve infrastructure and housing to support a growing, low-carbon economy
- Offer education opportunities that lead to the right skills and right jobs in the right places
- Ensure clean and safe streets and improve our public spaces and local culture
- Help people to help themselves while always protecting our most vulnerable children and adults

6.2 Capital investment projects must be in line with the Plan and priorities as well as individual service aims and objectives.

6.3 In addition to the Council's own priorities external influence may impact on capital decisions, for example central government and local enterprise partnership (LEP) priorities and funding requirements, and of course the influence of demographic and legislative changes. These need to be considered as part of the risk process when considering investment decisions.

7 Prioritising Investment

7.1 In order to ensure best use of resources, all capital investment proposals should be prioritised based on the following considerations:

- Is the proposal as a result of a statutory or urgent Health & Safety requirement and to what degree?
- Does the proposal fit within one of the Councils 4 priorities?
- Does the proposal attract significant external funding support or other sustainable income streams such as business rates or income tax?
- Does the proposal generate revenue savings, to what extent and timescales and are these acceptable?
- Does the proposal avoid future costs, to what extent and timescales and are these acceptable?

- Has risk been assessed and fully understood, is it manageable and considered acceptable?

7.2 The following processes are designed to ensure this happens.

8 **Governance**

8.1 In order for capital schemes to enter the capital programme, they must ultimately be approved at Cabinet. Prior to this there are various layers of scrutiny to ensure all proposals are deliverable, affordable, and provide value for money.

8.2 The Commercial Investment Strategy Board (“CISB”) specifically reviews proposals that are made for purely a commercial purpose. The Investment Strategy attached at Annex 3 to this paper details the Governance process for this Board.

8.3 General Fund Capital proposals that do not require CISB approval should be presented to the Capital Board for review and scrutiny prior to proceeding to Cabinet. The Capital Board is an officer Board and should consider schemes using the same criteria as detailed at section 7 above.

8.4 Once a proposal has been formally approved, the identified budget manager must manage the project and ensure forecasts are updated regularly in line with financial processes so that they can be incorporated into the quarterly capital programmes reports for Cabinet. In addition, for larger projects, strong consideration should be given to setting up a Project Board chaired by the Head of Service which adds a further ability to monitor and scrutinise progress of the project against cost, time and deliverables.

9 **The Capital Programme 2019/20 – 2023/24**

9.1 Table 1 below provides an estimate of further investment requirements over the next 5 years including the new 19/20 proposals contained elsewhere in this report.

9.2. The estimates for 20/21 forwards are based on best understanding at this time using:

- Schools - place planning forecasts
- New Eastern Villages “NEV” - strategic delivery plans and Local Growth fund awards
- Highways maintenance – 19/20 Local transport settlement
- Property assets – condition survey information
- Children’s & Adults – 19/20 approvals

Table 1	<u>19/20</u>	<u>20/21</u>	<u>21/22</u>	<u>22/23</u>	<u>23/24+</u>	<u>Total</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
<u>Capital Investment</u>						
Highways maintenance	5.1	4.1	4.1	4.1	4.1	21.5
Schools (excl NEV)	4.1	14.4	0.9	23.9	0.9	44.2
Property assets	3.7	1.1	1.1	1.1	1.1	8.0
Childrens & Adults	1.3	1.3	1.3	1.3	1.3	6.5
New Eastern Villages	33.4	55.4	38.6	43.1	39.5	210.0
sub-total	47.5	76.3	46.0	73.5	46.8	290.2
Grant/S106 Funding	39.1	51.8	20.1	57.5	116.0	284.5
Shortfall - Borrowing	8.4	24.5	25.9	16.0	-69.2	5.7

9.3 Due to the requirement to fund NEV infrastructure costs in advance of expected Developers S106 contributions (which are paid in line with house completions) there is an annual borrowing requirement until 23/24 when significant contributions are estimated to become payable. The Council has no control over the delivery timescales or scale of delivery and there is clearly significant financial risk around these.

9.4 There is also a bid for Housing Infrastructure funding of £18m to support the Southern Connector Road which hasn't been factored into the above. This, if successful, would significantly reduce the borrowing requirement to 2020/21.

9.5 Annex 1 contains a more detailed breakdown of the information contained in Table 1 above.

Backlog and Investment shortfalls

9.6 Capital investment in service assets is highly constrained by the funding available and therefore has historically not been funded at a level required to keep assets in a "steady state" condition or to address backlog maintenance needs.

9.7 Work has been commissioned to understand backlog maintenance requirements around highways and property assets as well as to understand the future level of spend required to prevent assets from further deterioration and is summarised in table 2. This shows the required steady state spend compared with funding/historic spend together with an estimate of the debt charge impact of funding this deficit.

9.8 In summary, **highways assets** have a backlog spend requirement of £10.6m based on the current approved performance management framework for highways assets and requires a further annual sum of around £11.8m per annum to keep the highways infrastructure from deterioration as opposed to estimated future annual funding availability of between £4.1m and £4.9m per annum. Annex 2 provides further detail.

9.9 Property Services has identified a total backlog maintenance liability of c£7M from its condition survey programme for its **operational property** portfolio. This excludes all assets where there are options appraisals underway for their future use such as maintained schools, properties let under commercial arrangements, non-highway structures and works resulting from statutory compliance inspections.

9.10 For each property the condition categories of A, B, C & D (D being the worst) and priority levels of 1, 2, 3 & 4 (1 being the most urgent) of each backlog maintenance element is assessed. With a diverse operational property portfolio it is not always appropriate to maintain them all to the same standard although in all cases property assets must remain safe, secure and substantially fit for the purpose for which they are used.

9.11 Future funding of c£5.8m over the next 5 years (£1.4m for 19/20, £1.1m for each subsequent year) will be required to address all backlog maintenance targeting the highest priority worst condition items first. However estate rationalisation programmes, closure/disposal of assets, asset transfers and other capital projects to refurbish or replace operational properties will also be utilised to offset the backlog funding required. This is lower than the sum of £2m per annum that has traditionally been made available due to a reduction in the asset base. The phasing of future requirements will be reviewed annually.

10 Funding Strategy and Capital Policies

- 10.1 This section sets out the policies of the Council in relation to funding capital expenditure and investment.

External Funding

- 10.2 Services must seek to maximise external funding wherever possible to support capital schemes. This can be in the form of grants and contributions from outside bodies including central government.
- 10.3 Prior to submitting bids for grant funding, an assessment of the risk of cost increases must be completed to estimate the likelihood of additional funding being needed, and whether this risk is acceptable.
- 10.4 If additional funding is required or match funding is required as part of the bid conditions then the source of the match funding must be identified and approved via the relevant Corporate Director prior to the external funding bid being submitted. If this is not possible then the appropriate service must raise this for consideration with the members of the Corporate Management Team and the relevant Portfolio Holder prior to submitting any bid for funding.

Capital Receipts

- 10.5 A capital receipt is an amount of money exceeding £10,000 which is received from the sale of an asset. This funding cannot be spent on revenue items other than where a statutory override exists such as through Flexible Use of Receipts detailed below.
- 10.6 The Director of Finance will review all of the Council's property annually against the aims and objectives of the Corporate Asset Management Strategy. The general policy is that any capital receipts are then pooled and used to finance future capital expenditure and investment according to priorities, although they may be used to repay outstanding debt on assets financed from loans, as permitted by the regulations.
- 10.7 The Government introduced Statutory Guidance on the Flexible Use of Capital Receipts in 2016 which was updated again in December 2017 to allow a continuation of the flexibility programme for a further 3 years to 2020/21. This allows for certain qualifying (revenue) expenditure which is forecast to generate on-going savings to the authority to be funded from Capital Receipts. A level of governance and reporting is required to take account of this benefit and the guidance recommends that a report is taken to Full Council each year detailing the use of this flexibility to ensure there is full transparency.

S106 Developer Contributions/Community Infrastructure Levy (CIL)

- 10.8 Developer contributions and CIL are sought to mitigate the impact of development and overcome what would otherwise be a potential reason to refuse a planning application. Following the introduction of CIL the Council primarily seeks S106 contributions to meet the social housing targets within our current planning policies.
- 10.9 The CIL charging mechanism which largely replaces s106 monies can be claimed to fund Community Facilities, Indoor Sports Facilities, Public Open Space, Environmental Improvements, Public Art, Highway measures (inclusive of Park and Ride, Pedestrian measures, Cycle Facilities etc.), Education, Libraries, Waste Recycling, Youth Services, Museum Resource Centre and Day Care Provision for Adults.

- 10.10 The finance team keep a record of all S106 and CIL payments received, committed and spent. Officers should always liaise with the finance and S106/CIL teams to identify potential funding sources before submitting capital bids with funding gaps.

Revenue Funding

- 10.11 Services may use their revenue budgets to fund capital expenditure.
- 10.12 The Director of the service and the Director of Finance will need to take a view and decide the most appropriate way of funding their service areas.

Prudential/Unsupported Borrowing

- 10.13 Local Authorities can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code... This borrowing may also be referred to as Prudential Borrowing.
- 10.14 Capital projects that cannot be funded from any other source can be funded from Prudential Borrowing. Borrowing costs are not funded by the Government and therefore Services must be able to afford the borrowing repayment and interest charges on the loan from existing revenue budgets or the Council must see this as a key priority for the budget process and to be factored into the medium term financial strategy accordingly.
- 10.15 The Director of Finance will make an assessment of the overall prudence, affordability and sustainability of the total borrowing requested. The impact of this borrowing will be reported in the Treasury Management Strategy alongside the Prudential Indicators required by CIPFA's Prudential Code for Capital Finance.
- 10.16 The view of the Director of Finance will be fed into the corporate bidding process so that, should the borrowing levels be unaffordable or not prudent, then the schemes will be prioritised against the available funding from borrowing using the prioritisation framework in this strategy.
- 10.17 The Director of Finance will also determine the timing and extent of any external borrowing as part of the Treasury Management Strategy.
- 10.18 The Housing Revenue Account has a borrowing cap in place which was calculated as part of the self-financing debt settlement in 2013. This restricts the total amount of long-term debt to £172.6m that can be undertaken in respect of the service. The debt forms part of the overall monitoring and regulation under the Prudential Code and is reported as part of the Councils treasury Management reporting. The Government abolished the cap in October 2018.

Spend to Save Schemes

- 10.19 Occasionally projects arise for which services require assistance with meeting the set up costs of projects which may bring long term service delivery improvements and/or cost savings. The initial set up costs may be of a revenue or capital nature. Assistance for these schemes must be considered on an individual basis by the Corporate Management Team and then the Cabinet with consideration to the Council's overall priorities and resources.
- 10.20 For 'spend to save' schemes assistance may be given for initial set up costs, but it is expected that in the longer term these schemes will produce savings and/or additional income that will as a minimum fund any additional operational or borrowing costs. If the additional savings/income does not cover the additional costs incurred, then the service will be required to fund the gap from their existing budgets (i.e. they will underwrite the savings/income).

Leasing

- 10.21 The Director of Finance may enter into finance leasing agreements to fund capital expenditure on behalf of services. However, a full option appraisal and comparison of other funding sources must be made and the Director of Finance must be certain that leasing provides the best value for money method of funding the scheme.
- 10.22 Under the Prudential Code finance leasing agreements are counted against the overall borrowing levels when looking at the prudence of the authority's borrowing.

11 Asset Management Planning

- 11.1 Disposals of the existing commercial portfolio are considered on the basis set out in the investment and disposal strategy which has been agreed through the Commercial Investment Strategy Board. There are no planned disposals, opportunities are considered as they arise and in the context of the disposals strategy, recognising the fact that commercial properties are revenue producing and that the Council is looking to retain and maximise the return from revenue making assets, and acquire further assets in line with the investment strategy.
- 11.2 There are also sites that are available for disposal that are non-income producing that are dealt with as part of business as usual. These mainly consist of undeveloped plots where planning is either available or specific planning briefs are obtained to maximise the value as part of the marketing and disposal process, or assets that are no longer required for operational use. Opportunities are considered taking into account:
- Potential demand if a site is marketed and the ability to maximise the sale value;
 - The holding cost of assets. The higher the cost the more this will influence the timing of a proposed sale;
 - Whether there is an opportunity for a sale to one of the Council's fully owned companies to maximise revenue generation.
- 11.3 On-going costs of existing assets are reflected in budgets and these are taken into account when considering investment or disposal opportunities

12 Treasury Management and Debt

- 12.1 Treasury Management performance, the effective management of the Authority's daily cash balances, is reported to Cabinet twice a year and an Annual Treasury Strategy is approved at Council every year. Under the Council's Constitution, the Audit Committee scrutinises the treasury management activities undertaken by the Director of Finance and his team, including compliance with agreed policies.
- 12.2 The amount of long term borrowing undertaken to fund capital expenditure and therefore is relevant to this strategy. The reports provide full information around the strategy for the year ahead and the performance for the previous period, but some of the key information is replicated below from the latest reports.

12.3 As at the end of March 2018, the Councils debt position was as follows:

Table 2

	GF	HRA	Total
External Debt	£193.7m	£114.0m	£307.7m
Internal Borrowing	£103.2m	Nil	£103.2m
Total Debt	£296.9m	£114.0m	£410.9m
PFI liabilities	£51.3m		£51.3m
Total CFR	£348.2m	£114.0m	£462.2m

12.4 Internal borrowing represents the use of cash backed reserves as a temporary measure to defer the need to immediately borrow externally for capital purposes. This saves the Council interest as the opportunity cost of using reserves is less than the cost of external borrowing.

12.5 Total Debt including Internal Borrowing is measured through a calculation derived from the balance sheet at year end and is known as the “**Capital Financing Requirement**”. It is a true measure of underlying debt which takes into account the requirement for further borrowing rather than just the actual external debt at a moment in time.

12.6 Debt is repaid through an annual charge to the revenue budget broadly equating to the life of the underlying asset that has been financed and is known as the Minimum Revenue Provision. This is a charge which sets aside cash to repay the principal element of any borrowing and for the General Fund is calculated with reference to the life of the assets being financed and interest rates. The MRP Policy Statement forms part of the Treasury Management Strategy taken to Cabinet and approved at Full Council annually.

12.7 HRA borrowing forms part of overall Council borrowing for treasury management purposes but charges are earmarked to the HRA on an accounting basis which reflects the initial debt allocation when HRA subsidy was abolished less annual repayments. Effectively charges are ring-fenced between the General Fund and the HRA.

Future borrowing levels

12.8 Section 9 of this strategy sets out the estimate future level of capital investment and the level of borrowing required to support it.

12.9 The following table sets out the estimated General Fund debt position taking into account the projected spend estimates to 2023/24 as set out in table 1 and with an assumed level of new borrowing of £30m per annum to be taken out to fund both new expenditure and to re-finance maturing debt.

12.10 This shows the borrowing requirement increasing annually through to 2022/23 and then reducing as expected NEV S106 contributions are received. This does not include any further commercial investments funded through borrowing which will increase borrowing but be supported by underlying revenue streams.

Table 3

General Fund Projections	2018/19 (£m)	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)
CAPITAL FINANCING REQUIREMENT						
CFR excl. PFI b/fwd 1 Apr	296.9	311.5	342.4	365.1	388.4	400.3
PFI liabilities	51.3	49.6	47.6	45.5	43.1	40.4
CFR incl. PFI b/fwd 1 Apr	348.2	361.1	390.0	410.6	431.5	440.8
Add Capital Expenditure funded through borrowing	16.1	32.6	24.5	25.9	16.0	1.1
Less NEV Developer s106	-	-	-	-	-	(70.3)
Less MRP (debt repayment)	(1.5)	(1.7)	(1.8)	(2.6)	(4.1)	(3.6)
Underlying Borrowing Requirement excl PFI	311.5	342.4	365.1	388.4	400.3	327.5
PFI Liabilities	49.6	47.6	45.5	43.1	40.4	37.4
CFR c/fwd incl PFI 31 Mar	361.1	390.0	410.6	431.5	440.8	365.0
External Borrowing b/fwd 1 Apr	(193.7)	(202.2)	(230.7)	(248.0)	(266.1)	(283.1)
Loan Maturities	11.5	1.5	12.7	12.0	13.0	4.7
New Loans	(20.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)
External Borrowing c/fwd 31 Mar	(202.2)	(230.7)	(248.0)	(266.1)	(283.1)	(308.4)
Under Borrowing (excl PFI)	109.3	111.7	117.1	122.4	117.3	19.2

12.11 Table 4 below sets out the estimated HRA debt position. The HRA are currently repaying £5m of debt annually but are expected to take out new borrowing from 2020/21 as a result of the Queens Drive regeneration.

Table 4

HRA Fund Projections	2018/19 (£m)	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)
CAPITAL FINANCING REQUIREMENT						
CFR excl. PFI b/fwd 1 Apr	114.0	109.0	104.0	109.6	120.6	115.6
PFI liabilities	-	-	-	-	-	-
CFR incl. PFI	114.0	109.0	104.0	109.6	120.6	115.6
Add Capital Expenditure funded through borrowing	-	-	10.6	15.9	-	-
Less MRP (debt repayment)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
Underlying Borrowing Requirement	109.0	104.0	109.6	120.6	115.6	110.6
PFI Liabilities	-	-	-	-	-	-
CFR c/fwd 31 Mar	109.0	104.0	109.6	120.6	115.6	110.6
External Borrowing b/fwd 1 Apr	(114.0)	(109.0)	(104.0)	(109.6)	(120.6)	(115.6)
Loan Maturities	5.0	5.0	5.0	5.0	5.0	5.0
New Loans	-	-	(10.6)	(15.9)	-	-
External Borrowing c/fwd 31 Mar	(109.0)	(104.0)	(109.6)	(120.6)	(115.6)	(110.6)
Under / (Over) Borrowing	-	-	-	-	-	-

12.12 The Medium Term Financial Plan will take into account the additional borrowing costs which are dependent on future interest rate movements and timings of new loans.

Borrowing Limits

12.13 The Council is required by the Cipfa Prudential Code to set Prudential Indicators around limits on external debt which include both an **Authorised Limit** and an **Operational boundary**. These were set at Council as part of the Annual Treasury Strategy but are reproduced below for completeness:

12.14 **The Operational Boundary** is the limit beyond which external borrowing is not normally expected to exceed i.e. a best estimate of the maximum level if all borrowing requirements were undertaken plus a contingency. This limit reflects the Council's current estimated debt position, with the assumption that internal borrowing (using existing working capital cash balances temporarily to fund capital expenditure in advance of undertaking new external borrowing) will be reduced as new external borrowing is undertaken. Other long term liabilities represent PFI and finance leases. The operational boundary for 2018/19 and projected up to 2021/22 is shown below:

Operational Boundary	£m's 2018/19	£m's 2019/20	£m's 2020/21	£m's 2021/22	£m's 2022/23	£m's 2023/24
CFR (borrowing requirement)	420.5	446.4	474.8	509.0	515.9	438.1
PFI liabilities	49.6	47.6	45.5	43.1	40.4	37.4
Uplift	20.0	20.0	20.0	20.0	20.0	20.0
Total	490.1	514.1	540.3	572.0	576.3	495.5

12.15 **The Authorised Limit** for external borrowing is a further key prudential indicator, this represents a control on the maximum level of borrowing. This represents a limit beyond which external borrowing is prohibited. This has been set to reflect the Council's estimate of the Capital Financing Requirement for borrowing, and for other long term liabilities (PFI and other leases) at £5m above the Operational Boundary (i.e. the expected level)

Authorised Limit	£m's 2018/19	£m's 2019/20	£m's 2020/21	£m's 2021/22	£m's 2022/23	£m's 2023/24
Operational Limit	490.1	514.1	540.3	572.0	576.3	495.5
Uplift	5.0	5.0	5.0	5.0	5.0	5.0
Total	495.1	519.1	545.3	577.0	581.3	500.5

12.16 The prime policy objectives of local authority investment activities are the security and liquidity of funds, and authorities should avoid exposing public funds to unnecessary or unquantified risk. However, all treasury management activity is subject to risk, including the 'do nothing' option and treasury management is all about the management of risk.

12.17 The key risks inherent in treasury management activity are set out below but the Treasury Management Policy and Treasury Management Practices (Annex to the Policy) sets out more detail:

12.17.1 Borrowing – it is important the any new borrowing is taken out at the lowest possible cost to the Council. As loans also have to be replaced upon maturity, it is important that the Council has a balanced portfolio in terms of varying loan period so that the risk of having to replace maturing loans in any one period when interest rates may be high is mitigated.

12.17.2 Lending – the priorities for lending are security and liquidity, followed by yield. The primary risks are therefore that the Council will receive its money

back (Security), and that the funds lent can be returned as quickly as required.(Liquidity) The Policy strategy sets out in full the framework around who the Council can invest with and the restrictions in place.

- 12.18 The Council sets out its Treasury management Strategy to Full Council annually in the Treasury Strategy Statement and regularly updated its Treasury Management Practices document which sets out how officers will apply the strategy and mitigate the risks. The Councils Director of Finance and Treasury management team meet quarterly to review borrowing and investment requirements in the light of interest rate movements and obtain expert advice as required.
- 12.19 The Council uses external advisors, Link Asset Services, to provide Treasury Management advice and support its internal team. This includes both technical advice as well as advice around the market outlook given this is a key area for successful management of loans and investments. The Councils internal treasury team have significant experience in this area gained with a number of local authorities over many years.
- 12.20 In addition, staff undertake regular training to ensure knowledge is up to date and Member training is periodically provided using both in house and external resources.
- 12.21 The annual Treasury Management Policies and Strategies are presented annually to Council for approval and contain significantly more detail around Treasury Management and Debt.

13 Commercial activity

- 13.1 The updated 2017 Prudential Code and Treasury Management Codes now require that an Investment Strategy should be approved annually, either as a stand-alone strategy or as part of either the Capital Strategy (this document) or the Treasury Management Strategy.
- 13.2 This document sets out the authority's risk appetite and governance processes which include due diligence.
- 13.3 The Councils Investment Strategy is attached at Annex 3.

14 Other long-term liabilities

- 14.1 Other long term liabilities relate to off balance sheet items such as finance lease and PFI. The largest long term financial liability that the Council is committed to is its 7 schools PFI contract signed in 2005 and in operation until 2032. This contract with Education and Support Swindon Limited, a company operated by John Laing and provides Design, Build, Finance and Operate services to the Council at a cost of c£11m per annum.
- 14.2 Other than the PFI contract which is managed and monitored through an in-house client team, the Council does not have any other long-term liabilities. Any future leasing arrangements should be advised to the Treasury team within the finance function so that consideration of the value for money and accounting issues can be ascertained.

15 Procurement and Value for Money

- 15.1 The Council is under a general Duty of Best Value to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness

- 15.2 Procurement is the purchase of goods, services, consultancy and works with a strategy being developed to assist with the definition of quality standards and securing provision of the best possible services for local people for a given price.
- 15.3 The Council has a Procurement team that ensures that effective procedures and scrutiny are in place to deliver value for money and identify opportunities for efficiency savings to be maximised.
- 15.4 It is essential that all procurement activities comply with both the Councils own Contract Standing Orders (that incorporates national legislation) and financial regulations in addition to the EU procurement directives to ensure compliance with all of the relevant procedures and regulations.
- 15.5 The main aim is to hold 'value for money' as a key goal in all procurement activity to optimise the combination of cost and quality.

16 Management Framework

- 16.1 The governance structure of the Council has the Corporate Management Team that takes a corporate and group view on the capital programme and investment.
- 16.2 The Corporate Management Team will also ensure a corporate and group portfolio perspective to the use and allocation of the Council's capital assets and those within its control, and in planning capital investment. The team receives reports on proposed capital projects and recommends to the Cabinet proposals for the development of the capital programme.

17 Performance and Project Management

- 17.1 Clear measurable outcomes should be developed for each capital scheme and should include a project plan with milestones as well as robust budgets with contingencies that reflect known and unknown risks taking into account internal and external influences.
- 17.2 All capital projects should have an identified budget manager responsible for managing the performance of the scheme in terms of both time and cost. All individual projects with a total budget of greater than £1m should consider setting up a Project Board set up, or be overseen by a wider Project Board, that meets regularly to monitor scheme progress against required outcomes, and gives strategic direction to the Project Manager.
- 17.3 After the scheme has been completed, services should check if outcomes have been achieved budgets.
- 17.4 If Project Boards are set up, they should ensure that agendas are prepared and circulated beforehand, minutes taken, and include as a minimum a risk register and project plan with key dates and tasks. Project Boards should also review the project risk register and provide strategic direction to the project manager where required.
- 17.5 Formal post scheme evaluation reviews should be completed by Departments for all schemes over £1 million and this should be signed off by the Project Board when the project is complete.
- 17.6 Post project reviews should look at the effectiveness of the whole project in terms of service delivery outcomes, design and construction, financing etc. and identify good practice and lessons to be learnt in delivering future projects.

18 Risk Management

- 18.1 Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and to execute its strategies successfully.
- 18.2 Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all their activities.
- 18.3 The aim is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties.
- 18.4 To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored.
- 18.5 It is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in capital assets held primarily for financial returns. Under the CIPFA Prudential Code these are defined as investments and so the key principle of control of risk and optimising returns consistent with the level of risk applies.
- 18.6 The Director of Finance will report explicitly on the affordability and risk associated with the Capital Strategy. Where appropriate he will have access to specialised advice to enable him to reach his conclusions.
- 18.7 An assessment of risk should therefore be built into every capital project and major risks recorded in a Risk Register.

19 Alternate Delivery Models

- 19.1 In response to reducing capital resources the Council has looked to existing and new delivery models to continue its significant capital investment in the town which levers in other partners and innovative financing. These include:
- Public Power Solutions Ltd – Wholly owned subsidiary offering waste and power solutions
 - Solar Farms – Common and Chapel Farms are wholly owned companies delivering solar power
 - Swindon Housing Company Ltd – wholly owned Housing development companies
 - Wichelstowe Joint Venture – 50/50 Joint Venture between Barratt Developments and the Council to deliver up to 2,800 homes on Wichelstowe
- 19.2 A Shareholder Panel meets every 6 months to review the performance of the companies listed above, their wider benefit to the Council and risks.
- 19.3 Innovative funding streams and partnerships will be explored where these could provide benefits to the Council but will be subject to rigorous assessment and approval in line with the Capital Strategy and wider Council governance processes.

20 Property Investments

- 20.1 As part of Commercial activity and the response to reducing resources, the Council has looked to purchase property where returns are greater than the cost

of funding. This is underpinned through a Commercial Acquisitions & Disposal Strategy and purchases are approved via a business case to the Commercial Investment Strategy Board chaired by the Deputy Leader of the Council and Cabinet Member for Finance. The strategy is attached at Annex 4.

20.2 Hartnell Taylor Cook, a firm of specialist commercial property consultants, have been procured to offer external expert advice on proposed purchases as well as an overview of the overall Council portfolio to ensure the portfolio is balanced, and risks are actively identified and managed.

20.3 The Council has also engaged specialist accounting and financial advisors to support this process.

Appendices

Annex 1 - 5 year capital investment

Annex 2 - highways condition survey

Annex 3 - Investment strategy

Annex 4 - Property Investment and Disposal Strategy

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Capital Strategy - Annex 1						
<u>CAPITAL INVESTMENT</u>	19/20	20/21	21/22	22/23	23/24+	Total
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
<u>Highways maintenance</u>						
Capital Investment	5.1	4.1	4.1	4.1	4.1	21.5
Funding:						
Grant (Local transport Plan)	4.3	4.1	4.1	4.1	4.1	20.7
S106	0.8					0.8
sub-total	5.1	4.1	4.1	4.1	4.1	21.5
Borrowing						
<u>Schools (excl NEV)</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Capital Investment	4.1	14.4	0.9	23.9	0.9	44.2
Funding:						
Grant (Maintenance)	4.1	0.9	0.9	0.9	0.9	7.7
S106		13.5		23.0		36.5
sub-total	4.1	14.4	0.9	23.9	0.9	44.2
Borrowing						
<u>Property assets</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Capital Investment	3.7	1.1	1.1	1.1	1.1	8.0
Funding:						
Grant						
S106						
Future Revenue Savings	0.2					0.2
Future Capital Receipts	0.8					0.8
sub-total	1.0					1.0
Borrowing	2.7	1.1	1.1	1.1	1.1	7.1
<u>Childrens & Adults</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Capital Investment	1.3	1.3	1.3	1.3	1.3	6.6
Funding:						
Grant (Disabled Facilities)	1.1	1.1	1.1	1.1	1.1	5.3
sub-total	1.1	1.1	1.1	1.1	1.1	5.3
Borrowing	0.3	0.3	0.3	0.3	0.3	1.3
<u>New Eastern Villages</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Capital Investment:						
Strategic Transport	28.8	37.7				66.6
Local Transport	2.3	11.8	2.3	0.3	0.9	17.6
Education	2.3	5.5	25.5	32.0	9.8	74.9
District Centre, Health Facilities, Adults Social Care, Archaeology.			8.1	8.1	10.0	26.3
Leisure Facilities, Dwelling Waste Provision, GW Forest		0.2	1.9	1.9	6.2	10.1
Libraries, Arts, Nature Reserve		0.3	0.8	0.8	12.6	14.5
sub-total	33.4	55.4	38.6	43.1	39.5	210.0
NEV Funding:	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Grant (Local Growth Fund)	21.8	25.6				47.3
S106	5.9	6.4	13.8	28.2	109.7	164.1
sub-total	27.6	32.0	13.8	28.2	109.7	211.4
Borrowing	5.8	23.4	24.8	14.9	-70.3	-1.3
TOTALS	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Capital Investment	47.5	76.3	46.0	73.5	46.9	290.3
Available Funding	38.8	51.6	19.9	57.3	115.8	283.3
BORROWING	8.7	24.8	26.1	16.3	-68.9	7.0

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Annex 2							
Metis Report Data			required for Steady State condition source: Metis 2018 report				
	18/19 Budget	Backlog	19/20	20/21	21/22	22/23	23/24
	£m	£m	£m	£m	£m	£m	£m
Highways							
<u>Investment (incl staff costs)</u>							
Carriageways	1.52	3.09	5.50	5.50	5.50	5.50	5.50
Cycle tracks & footways	0.28	Not measured	1.89	1.89	1.89	1.89	1.89
Street lighting	0.95	6.70	0.60	0.60	0.60	0.60	0.60
Drainage	0.08	Not measured	0.59	0.59	0.59	0.59	0.59
Traffic signals	0.15	Nil	0.08	0.08	0.08	0.08	0.08
Structures	0.50	Nil	0.70	0.70	0.70	0.70	0.70
Rights of way	0.08						
Pavement condition management	0.31						
sub-total	3.85	9.79	9.36	9.36	9.36	9.36	9.36
Car park maintenance	0.25	2.00	0.50	0.50	0.50	0.50	0.50
Total	4.10	11.79	9.86	9.86	9.86	9.86	9.86
Funding							
LTP maintenance grant	2.72		2.72	2.72	2.72	2.72	2.72
LTP integrated grant	1.38		1.38	1.38	1.38	1.38	1.38
Total	4.10		4.10	4.10	4.10	4.10	4.10
Shortfall - Highways	-0.00		5.76	5.76	5.76	5.76	5.76

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Annex 3

Investment Strategy (Non-Financial Investments)

Investment Types

1.1 Authorities may invest in other financial assets, including loans and property primarily for financial return, which are not part of treasury management activity.

Other investments may include:

- service investments' held clearly and explicitly in the course of the provision and for the purposes of operational services, including regeneration
- commercial investments' which are taken for mainly financial reasons, including investments arising as part of business structures, such as shares and loans in subsidiaries or other outsourcing structures such as IT providers or building services providers; or investments explicitly taken with the aim of making a financial surplus for the organisation; commercial investments also include non-financial assets which are held primarily for financial return such as investment properties. These are termed "**non-financial investments**"

1.2 Where authorities invest in other financial assets and property primarily for profit, these investments should be proportional to the level of resources available to the authority, and the authority should ensure that the same robust procedures for the consideration of risk and return are applied to these decisions as would be applied to any other decision. Robust and transparent governance procedures and decision making remain critical in all investments the authority makes and the following section set out the Councils governance procedures around such proposals.

1.3 Swindon Borough Council invests in asset purely for a financial return and has a clear and robust governance process in place for such investments which is set out below:

Governance Processes

1.3.1 All Commercial Investment proposals must be taken through the Commercial Investment Strategy Board ("CISB") in the form of a business case which sets out the financial implications and the risks.

1.3.2 The Board is chaired by the Cabinet Member for Finance and is attended by the Chief Executive and Director of Finance meets monthly to review all proposals. If successful they either proceed to Cabinet for approval if the investment required is greater than £10m, or through a Cabinet Member Decision Note process if less than £10m. In addition, there is a CMAG (Cabinet Member Advisory Group) for additional scrutiny and comment.

- 1.3.3 The CISB will also obtain external expert advice if required, including additional legal advice if required, and has procured expert commercial property advice for this purpose as it continues to look for commercial property investments to support the budget.
- 1.3.4 The CISB has also approved a Property Investment and Disposal Strategy which sets out a number of criteria by which property investment proposals will be assessed. This is attached at Annexe 4.
- 1.3.5 Proposals other than those assessed against the criteria in the Property Investment and Disposal Strategy will be assessed against the following criteria:
- Is the overall profit acceptable to the risk?
 - Are the timescales for returns realistic and acceptable?
 - Are the risks acceptable and/or controllable?
 - Is the investment required proportional to the level of resources available to the Authority?
 - Is external expertise required to fully understand the business case proposal and risks?
- 1.3.6 The purpose of the criteria set out above is to set a framework by which to assess commercial proposals and ensure consistency is applied when making decisions.

Risk Appetite and Indicators

- 1.4 In general, the Council's risk appetite is assessed through its tolerance to risk in respect of capital preservation, meaningful liquidity and income volatility. In terms of Treasury Investments, this is through the primary considerations being Security and Liquidity, with yield being a secondary consideration.
- 1.5 For non-financial investments, the Council seeks to minimise its exposure to risks that are unwanted and unrewarded.
- 1.6 The Council is exposed to a wide range of risks, key ones being:
- Financial risks related to the investment of the Council's assets and cash flow, market volatility, currency etc.
 - Economic risks related to the performance of the economy, nationally and locally, interest rates and inflation.
 - Credit and counterparty risks related to investments, loans to institutions and individuals and counterparties in business transactions.
 - Strategic risks related to key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its objectives.
 - Reputational risks related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.

- Governance risks related to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks and balances that balance oversight and efficiency.
- 1.7 All business case proposals will clearly identify risk to ensure these are acceptable to the Council with a clear focus on the impact of the downside risk on the overall sustainability of the authority.
- 1.8 Managing the Council's risks is an area of significant focus for senior management and members, and risk management is at the heart of all investment as well as operational decisions.
- 1.9 The Council aims to minimise its exposure to unwanted risks – those risks that are not actively sought and which carry no commensurate reward for the Council – through a range of mitigation strategies to the extent that it is cost-effective to do so. Specifically, the Council has no appetite for reputational risk, governance risk and currency risk.
- 1.10 The following local indicators will be used to assess the Council's total risk exposure as a result of its **commercial investment decisions** and will form part of the treasury management out-turn report.
- Total Investment in commercial undertakings by Property/Other
 - Total Investment funded through borrowing
 - Average investment return before financing costs
 - Total investment income as a proportion of the Council's Net General Fund budget
 - Investment borrowing as a proportion of total external debt as measured by the Capital Financing Reserve (excl lease liabilities and HRA)
 - Fair value of property investments as a proportion of all Council property assets
- 1.11 In considering risk, it is vital that not only the risks of individual investments are considered but also the cumulative impact of all the investments made by the authority and the interaction of individual risks. The Commercial Investment Strategy Board will therefore review the overall portfolio in light of current market and other risks.
- 1.12 Returns from treasury management investments are fully detailed in the bi-annual treasury management reports which are scrutinised at Audit Committee.

Ongoing Management and Reporting

- 1.13 The Commercial Investment Strategy Board will receive regular reports setting out the performance and current risk in relation to the overall investment portfolio.
- 1.14 Regular monitoring of the portfolio will identify any changes in Security, Liquidity and Yield and will also identify any lifecycle costs required to maintain the income potential of any property based assets. Values will also be regularly assessed to identify any significant changes in the value of the investments and market conditions that might impact upon this.

1.15 Any material change in the investment risk or threat to ongoing yield will be reported immediately to the next Board meeting (or immediately to the Chair if urgent action is required) so that mitigating action can be established.

Local Indicators

1.16 Recent guidance on Local Authority Investments states that the Strategy should include quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions. The following indicators have been calculated for 18/19 and relate to all purchases for a pure commercial purpose since April 2017.

<u>Indicators</u>	<u>18/19</u>
Number of investments since April 2017	4
Total Investment in commercial undertakings by Property/Other	£17,059,593
Total Investment funded through borrowing	£12,504,593
Average investment return before financing costs	6.9%
Total investment income as a proportion of the Councils Net General Fund budget	0.6%
Investment borrowing as a proportion of total external debt as measured by the Capital Financing Reserve (excl lease liabilities and HRA)	4.0%
Fair value of property investments as a proportion of all Council property assets (excl HRA)	2.3%

These currently are based on assumptions as to the level of year end debt and the fair value of assets and will be updated as part of the Treasury out-turn reports in the new year.

In addition to the above, the guidance also requires Authorities to have regard to the guidance if it makes loans to local enterprises, local charities, wholly owned companies and joint ventures and can demonstrate that the overall exposure to these loans is proportionate. At the end of March 2019, the Council is estimated to have outstanding loans of this type totalling £16.023m and this is considered proportionate in relation to the Councils net general fund budget (£143.1m) and its overall debt level of £311.5m (estimated 31/3/19). In addition, these loans are to wholly owned companies with direct control and oversight from the Council.

The limits on loans by type are as follows:

- Wholly owned companies and joint ventures - £40m
- Local Enterprises and charities - £1m

Annex 4 - Property Investment and Disposal Strategy

Investment Strategy

Swindon Borough Council holds a substantial portfolio of property held for non-operational purposes. Within this portfolio is a large estate of income-producing property that would traditionally form the basis of an investment portfolio, comprising the retail, office and industrial premises together with ground rents. This produces an annual revenue income of about £4.6m used to support the delivery of Council services.

In September 2017 Hartnell Taylor Cook were appointed to advise on the performance of the existing portfolio and devise a strategy and criteria for future investment acquisitions. Their findings are summarised below:

Current Portfolio

1. The existing portfolio appears to have evolved from longstanding ownerships and is biased towards retail and long leasehold asset classes.
2. Income from ground rents is 23% of the total portfolio income as a secure element of the portfolio this is sensible and to be expected.
3. Retail and office properties make up 26% and 21% respectively, these are historically subject to low rental growth (in the Swindon area) and higher obsolescence in the case of offices.
4. Industrial units only constitute 15% which shows an imbalance by sector and lack of exposure to an active sector of the local and South West occupational market and historically one of the best performing classes in Swindon and likely to show highest rental growth
5. There is no direct exposure to some established or emerging use classes such as retail warehousing or hotels
6. The portfolio is nevertheless balanced and relatively well split across the other sectors it holds, and the current gross yield of circa 8.10% is a good overall return

Investment Strategy

1. The current portfolio is heavily weighted towards the Swindon borough boundaries with only Lysander House (Bristol) being held outside the borough boundary. Swindon would be considered a higher risk location by the commercial investor market due to historic oversupply in most sectors, and relatively low levels of rental growth. In order to diversify the exposure of the portfolio it would be sensible to spread investment beyond the local authority boundaries

2. The portfolio lacks modern industrial buildings, retail warehousing and has a low modern office content. Target asset classes for new acquisitions should prioritise industrial investments (particularly if investing in Swindon), the retail warehouse sector with a lower priority focus on recycling office investment to target quality office income in, for example, Bristol or Reading. The portfolio should remain balanced at all times.
3. The current portfolio is quite dated, with obsolescence an ongoing issue and many smaller properties with high levels of management. Preference should be for assets with minimal associated management costs and those with low obsolescence costs, typically modern single let properties or those with 2-3 tenants and unexpired lease terms of 5-10 years reducing the requirement for active management. A regular review of potential disposals and the recycling of sale proceeds into opportunities to achieve a better or more sustainable return should be carried out to identify higher risk properties in the portfolio (see **Disposal Strategy** and **Disposal Criteria** below)
4. In addition to reviewing potential disposals, asset management opportunities to increase the commercial return / investment value from existing portfolio should be pursued. These may include buying in existing long leasehold interests for increased revenue, pursuing early lease renewal negotiations to add certainty to income streams, extending / restructuring shortening leasehold and long leasehold interests, and pursuing site assembly and joint venture opportunities with adjoining owners, leaseholders and developers to release and maximise values

Investment Criteria – New Acquisitions

Aim –*“to provide a set of principals in the form of target investment criteria for the acquisition of properties for investment purposes to provide additional and sustainable sources of income over the medium to long term to support the delivery of council services”*

Location: candidate properties within Swindon Borough Council boundaries are preferred, but if a candidate property meets all the other Investment Criteria then consideration will be given to opportunities outside the Borough boundaries in an area along the M4 corridor from Bristol to Reading / Bracknell, and north east to the Oxford area.

Preferred Sectors: Industrial (single and multi-let), retail warehousing and offices

Target lot size: £2,000,000 to £10,000,000

Lease length: 5 years minimum, or Weighted Average Unexpired Lease Term (WAULT) of at least 5 years.

Repairing covenants: Full Repairing and Insuring (FRI) or FRI via service charge

Tenant Covenant: Tenants with a Creditsafe credit rating in excess of 50B

Rental income profile: Estimated Rental Value (ERV). Treat over-rented buildings with care.

Target yield: To meet the criteria outlined the likely yield range will be 6.00% -7.00%. Yields above this will be subject to careful risk scrutiny and likely to be within the Swindon boundaries. Yields below this will be considered on their merits but will be dependent on candidate properties exceeding the minimum lease length and tenant covenant strength criteria

Capital expenditure: Candidate properties requiring capital expenditure within the first 5 years of ownership are generally to be avoided

Disposal Strategy

1. As highlighted in the Investment Strategy, the current portfolio is quite dated, with obsolescence an ongoing issue and many smaller properties with high levels of management. The preference should be for assets with minimal associated management costs and those with low obsolescence costs, typically modern single let properties or those with 2-3 tenants and unexpired lease terms of 5-10 years reducing the requirement for active management. A regular review of potential disposals and the recycling of sale proceeds into opportunities to achieve a better or more sustainable return should be carried out, aiming to maintain a balanced portfolio at all times.
2. The Council undertook a programme in recent years of rebuilding several of its older suburban shopping parades but other properties remain that are close to being functionally obsolete, or require significant expenditure to bring them up to date. In addition, MEES (Minimum Energy Efficiency Standards) have come into force meaning that properties that fall below a certain threshold will no longer be able to be lawfully let.
3. Properties that are likely to need significant capital expenditure to maintain the current income stream should be considered for disposal where that expenditure will not guarantee a return on the expenditure that cannot be achieved or bettered elsewhere
4. In addition to the sale of properties where obsolescence is a major factor or capital expenditure is required, opportunities will arise for a sale of a property at above market value. Typically (but not exclusively) such circumstances will be:
 - Where an occupying lessee wishes to invest significant sums in on improvements to the building or business expansion, and requires the freehold to raise the necessary finance or justify the expense
 - Where a lessee holds the property on a long ground lease from the Council, paying a ground rent and wishes to acquire the freehold to merge the interests and release latent marriage value, shared with the Council as freeholder

- Where a purchaser owns nearby or adjacent properties and has a special interest in acquiring the Council's property

Disposal Criteria – Existing Stock

Aim –*“to provide a set of principals against which to identify properties within the portfolio for sale and the re-investment of the proceeds of the sale into opportunities to achieve a better or more sustainable source of income over the medium to long term to support the delivery of council services”*

Sale Price: properties will be considered for disposal where opportunities arise for a sale at above market value.

Capital Expenditure Exposure: properties will be considered for sale where substantial capital expenditure is likely to need to be incurred within the next five years and where incurring such expenditure cannot be justified

Balanced Portfolio: properties will be considered for sale where the portfolio shows an unacceptable imbalance in any sector which requires correction, or where opportunities arise for reducing the need for active management.

Treasury Strategy Statement 2019-20

Cabinet

Date: 6th February 2019

Authors: Cabinet Member for Finance

Director of Finance

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 To report the Treasury Management Strategy for 2019/20, including Prudential Indicators up to 2023/24, the Annual Investment Strategy, and the Minimum Revenue Provision Policy Statement.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.

2. Recommendations

Cabinet is recommended to:

- 2.1 Recommend the Treasury Management Strategy, Minimum Revenue Provision Policy and Prudential Indicators, as set out in Appendix 1, for approval by Full Council on 21st February 2019.
- 2.2 Recommend the terms of the UK Municipal Bond Agency, as set out in Appendix 2, for approval by Full Council on 21st February 2019.
- 2.3 Approve the loan facilities outlined in paragraph 3.23 below to Swindon Music Services.

3. Detail

Treasury Strategy

- 3.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 3.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term

Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No. 464384 or Email iburbidge@swindon.gov.uk

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loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

- 3.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 3.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.
- 3.5 CIPFA defines treasury management as:
“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 3.6 Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately as part of the Capital programme 2019/20 report. The Treasury Management Strategy for 2018/19 was reviewed and agreed by Council in February 2018 then reported to Cabinet mid-year (Council Minute 84, 2018/19 and Cabinet Minute 50, 2018/19 refer).

Reporting requirements

- 3.7 The Council is required to receive and approve, as a minimum, three treasury management reports and a capital strategy report each year.

Capital Strategy

- 3.8 The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

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- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - an overview of how the associated risk is managed
 - the implications for future financial sustainability
- 3.9 The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 3.10 This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

Treasury Management reporting

- 3.11 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.
- 3.12 **Treasury Strategy Statement** (this report) - The first, and most important report is forward looking and covers:
- The capital plans, (including prudential indicators);
 - A minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
 - The treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - An investment strategy, (the parameters on how investments are to be managed).
- 3.13 **A Mid-Year Treasury Management Report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.
- 3.14 **An Annual Treasury Report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
- 3.15 The above reports are required to be adequately scrutinised before being recommended to the Council. Under the Council's Constitution, the Audit Committee scrutinises the treasury management activities undertaken by the Director of Finance and his team, including compliance with agreed policies.

Treasury Management Strategy for 2019/20

- 3.16 The strategy for 2019/20 covers two main areas:
-

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Capital issues

- The capital expenditure plans and the associated prudential indicators;
- The minimum revenue provision (MRP) policy.

Treasury management issues

- The current treasury position;
- Treasury indicators which limit the treasury risk and activities of the Council;
- Prospects for interest rates;
- The borrowing strategy;
- Policy on borrowing in advance of need;
- Debt rescheduling;
- The investment strategy;
- Creditworthiness policy; and
- The policy on use of external service providers.

- 3.17 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

Training

- 3.18 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. A members training session was held on the 15th October 2018 and further training will be arranged as required.
- 3.19 The training needs of treasury management officers are periodically reviewed.

UK Municipal Bonds Agency

- 3.20 The Council is considering whether to join the UK Municipal Bonds Agency's (the "UK MBA") borrowing framework (the "Framework"). The intention of the Framework is to leverage the collective borrowing power/financial status of the participating authorities to obtain loans at a rate that is preferential to the rate offered by the Public Works Loan Board.
- 3.21 UK MBA is a PLC established by the LGA and, at the time that it produced the Framework supporting documentation, it had 56 local authority shareholders.
- 3.22 The Framework is underpinned by a requirement for each participating authority to enter into a joint and several guarantee (the "Guarantee") and the ability of UK MBA to require contribution payments from each participating authority (other than the defaulting authority) in the event of a default in repayment by one of the participating authorities. Appendix 2 contains a more

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detailed summary of how the UKMBA will operate and the implications for the Council.

Loan to local charity

- 3.23 As allowed for within this strategy it is proposed to make a loan to Swindon Music Service, to be repaid over a 3 year period. The loan will comprise 2 elements

3.23.1 A cash flow loan facility of £50k repayable over 3 years to enable them to transition from a Council service to a separate charitable trust, (subject to interest)

3.23.2 A bond facility of £45k to mitigate any pension fund liabilities, this bond will be held in escrow by the Council, (no interest will be charged on this element).

3.23.3 In both cases the charity will make quarterly payments to cover their liability.

4. Alternative Options

- 4.1 Any alternative options for specific areas are set out within the report.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 These proposals ensure that a robust financial framework is in place to provide governance for the treasury function, thereby seeking to safeguard the Council from extremes within the financial markets.

Legal and Human Rights Implications

- 5.2 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.
- 5.3 The legal department have reviewed the documentation pack for the UK Municipal Bond Agency and their advice has been provided to the Lead Member for Finance

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.4 There are no such direct implications.

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Diversity Impact Assessment

- 5.5 A Diversity Impact Assessment (DIA) is not relevant to this report as this is a regulatory report, which covers the Councils treasury management processes and doesn't directly affect any services.

Risk Management

- 5.6 None other than those highlighted in the body of the report.

6. Consultees

- 6.1 The Director of Finance (Section 151 Officer) and Interim Director of Law (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 - Treasury Management Strategy 2019/20

8.1.1 Annex 1 - The Capital Prudential Indicators 2019/20 – 2021/22

8.1.2 Annex 2 - Credit and Counterparty Risk Management, Specified and Non-Specified Investments

- 8.2 Appendix 2 - UK Municipal Bonds Agency's Framework Agreement, And Joint And Several Guarantee

9. Key Decision/Decision in Cabinet Work Programme

- 9.1 This is not a key decision and is included in the Cabinet Work Programme for February 2019.

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TREASURY MANAGEMENT STRATEGY 2019/20

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Contents:

- 1. Current Portfolio Position**
 - 2. Prospect for Interest Rates and Economic Outlook**
 - 3. Minimum Revenue Provision Policy Statement**
 - 4. Borrowing Strategy**
 - 5. Investment Policy, Creditworthiness Policy and Investment Strategy**
-
- Annex 1 – Prudential Indicators**
 - Annex 2 - Credit and Counterparty Risk Management, Specified and Non-Specified Investments**

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1 Current Portfolio Position

- 1.1 The capital expenditure plans set in Annex 1 to Appendix 1 summarises the Council's current and future plans. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.
- 1.2 The Council's actual treasury portfolio position at 31 March 2018, with forward projections are summarised below.

TREASURY PORTFOLIO				
	actual	actual	current	current
	31.3.18	31.3.18	27.12.18	27.12.18
Treasury investments	£m	%	£m	%
UK Banks	0.0	0%	5.0	11%
Non UK Banks	5.0	10%	5.0	11%
Local authorities	11.0	23%	6.5	15%
Call Accounts	10.0	21%	10.0	22%
Money market funds	7.0	15%	3.0	7%
Total managed in house	33.0	69%	29.5	66%
Property funds	15.0	31%	15.0	34%
Total managed externally	15.0	31%	15.0	34%
Total treasury investments	48.0	100%	44.5	100%
Treasury long term external borrowing				
Local authorities	10.0	3%	8.6	3%
Other Financial Institutes	10.0	3%	30.0	10%
PWLB	267.8	87%	271.3	88%
LOBOs	20.0	6%	0.0	0%
Total external borrowing	307.8	100%	309.9	100%
Net treasury investments / (borrowing)	(259.8)	0	(265.4)	0

- 1.3 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing requirement, (the Capital Financing Requirement or "CFR"), highlighting any over or under borrowing.

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CAPITAL FINANCING REQUIREMENT						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	(£m's)	(£m's)	(£m's)	(£m's)	(£m's)	(£m's)
CFR excl. PFI b/fwd. 1 April	411.0	420.5	446.4	474.8	509.0	515.9
PFI liabilities	51.3	49.6	47.6	45.5	43.1	40.4
CFR incl. PFI	462.2	470.1	494.1	520.3	552.0	556.3
Add Capital Expenditure funded through borrowing	16.1	32.6	35.1	41.8	16.0	1.1
Less NEV Developer s106	-	-	-	-	-	(70.3)
Less MRP (debt repayment)	(6.5)	(6.7)	(6.8)	(7.6)	(9.1)	(8.6)
Underlying Borrowing Requirement	420.5	446.4	474.8	509.0	515.9	438.1
PFI Liabilities	49.6	47.6	45.5	43.1	40.4	37.4
CFR c/fwd. 31 March	470.1	494.1	520.3	552.0	556.3	475.5
External Borrowing b/fwd. 1 April	(307.8)	(311.3)	(334.8)	(357.7)	(386.6)	(398.6)
Loan Maturities	16.5	6.5	17.7	17.0	18.0	9.7
New Loans	(20.0)	(30.0)	(40.6)	(45.9)	(30.0)	(30.0)
External Borrowing c/fwd. 31 March	(311.3)	(334.8)	(357.7)	(386.6)	(398.6)	(418.9)
Under Borrowing (excluding PFI liabilities)	109.3	111.7	117.1	122.4	117.3	19.2
<i>Under borrowing as a % of Underlying Borrowing Requirement (excludes PFI)</i>	26%	25%	25%	24%	23%	4%
Net Investments c/fwd.	(50.5)	(50.5)	(50.5)	(50.5)	(50.5)	(50.5)

- 1.4 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.
- 1.5 The Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

2 Prospects for Interest Rates and Economic Outlook

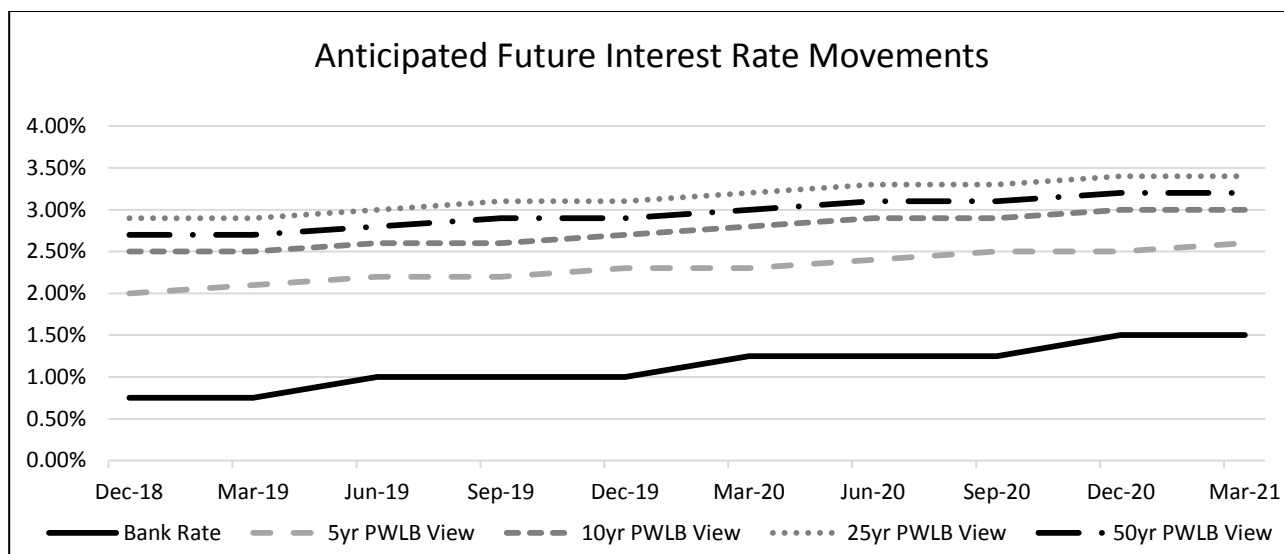
- 2.1 The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Link view on interest rate movements.

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2.2 The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth has been healthy since that meeting, but is expected to weaken somewhat during the last quarter of 2018. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

2.3 The overall longer run future trend is for gilt yields, and consequently PWLB rates as linked, to rise, albeit gently. PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

2.4 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

2.5 In summary:

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years;
- Borrowing interest rates have been volatile so far in 2018-19 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be

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able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns

3 Minimum Revenue Provision Policy Statement

- 3.1 The Council is required to charge an element of the accumulated General Fund capital spend each year (measured through the CFR) to revenue (the minimum revenue provision or “MRP”), although it is also allowed to undertake additional voluntary payments if required.
- 3.2 CLG Regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to Councils, as long as there is a prudent provision. The Council is recommended to approve the following MRP Statement for 2019/20:
 - *For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP will be based on the CFR as per the regulatory method in the MRP guidance. This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.*
 - *From 1 April 2008 for all unsupported borrowing the MRP will be based on the estimated life of the assets, on an annuity basis, in accordance with the regulations. Annuity method charges will be calculated using the relevant PWLB annuity rates for the estimated asset lives as at 31st March in the year of expenditure. MRP charges commence the year after the asset becomes operational.*
 - *MRP will be deferred in relation to capital expenditure funded through borrowing where there is an intention to repay the borrowing from future receipts and where there is a strong likelihood that this will happen. Should there be a shortfall between the debt and eventual receipts, the balance will incur an annual MRP charge.*
 - *MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision (VRP) or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2019 no VRP overpayments had been made, the Council will apply this policy as required in future years.*
 - *For PFI contracts MRP will be based on the estimated life of the assets, on an annuity basis, in accordance with the regulations. Annuity method*

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charges will be calculated based on the PWLB annuity rates at 31st March in the year that the assets became operational.

- Where non-ring-fenced capital receipts are available, these can be applied to meet the cost of PFI liability repayment (or part thereof). Where capital receipts are applied in this manner, the MRP charge for the PFI would be reduced by an equal amount in that year.*
- For any future finance leases the MRP requirement would be met by a charge equal to the element of the charge applied to write down the liability.*

- 3.3 No revenue charge is currently required for the HRA, although the existing voluntary policy is to repay £5m per annum.

4 Borrowing Strategy

- 4.1 The Council is currently maintaining an under-borrowed position. This means that there is a shortfall between the amount of long-term loans required, and the actual level of long term loans taken out. Long term loans are required to fund capital expenditure which Cabinet has approved as “funded through borrowing”, but there is a timing difference between when the expenditure is made and when the long term loan is taken out. The timing of the taking of long term loans is part of the wider cash management strategy.
- 4.2 The difference between long term borrowing required and what has actually been taken out is known as “Internal Borrowing” and represents the temporary use of cash reserves and working capital to bridge the timing difference. As cash from reserves and working capital is currently invested at historically low rates, then the policy of delaying long-term borrowing and using existing cash balances as an interim measure is currently a cheaper option for the Council.
- 4.3 While the council will maintain an under borrowed position on the General Fund (the HRA is fully borrowed up to the CFR), future movements in interest rates will dictate the future policy and the timing of taking out long-term loans, and will be kept under careful review.
- 4.4 Against this background and the risks within the economic forecast, caution will continue to be adopted with the 2019/20 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- If it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
 - If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an

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acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

5 Borrowing in Advance of Need

- 5.1 The Council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

6 Loan Re-scheduling

- 6.1 Opportunities from rescheduling loans to generate savings will be monitored through the year but need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).
- 6.2 The reasons for any rescheduling to take place will include:
- The generation of cash savings and / or discounted cash flow savings;
 - Helping to fulfil the treasury strategy;
 - Amending the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 6.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 6.4 All rescheduling will be reported to the Cabinet at the earliest meeting following its action.

7 Municipal Bond Agency

- 7.1 The UK Municipal Bond Agency (UKMBA) is hoping to be able to offer loans to local authorities in the near future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLb). The Council may wish to make use of this new source of borrowing as and when appropriate.
- 7.2 The bond agency documentation pack is attached as Appendix 2, but key points are as follows:
- UKMBA is owned by 56 local authorities and the LGA
 - UKMBA will borrow from third parties and only lend to local authorities
 - UKMBA will lend for between 10 & 15 years

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- UKMBA are expecting to provide loans at rates lower than the PWLB
- Accessing funds requires a joint and several guarantee from all borrowers to achieve reduced borrowing costs. This is explained in the following paragraphs.
- There is no fee to the Council from agreeing to join the UKMBA

Explanation of Joint and Several guarantee (extract from Appendix 2)

- 7.3 UK local authorities are heavily supervised and subject to tight statutory control that significantly reduces the probability that a local authority will default on its financial obligations. Furthermore, the Agency will undertake credit assessments of local authorities and limit its exposure to authorities to reduce credit risk. In the event that a local authority needs to refinance its borrowings from the Agency, the PWLB is available to all local authorities as lender of last resort provided that the borrowing from the PWLB is not unlawful. No UK local authority has ever defaulted on one of its primary debt obligations. Taken together, the risk of a default is judged to be low and thus the risk of entering into the Framework Agreement and guarantee is deemed to be low.
- 7.4 If a local authority does default, the Agency has liquidity facilities available to it so that it can meet the interest payments due on a bond and cover a limited default on a principal repayment by a local authority; the provisions of the Framework Agreement will be used only if these facilities are exhausted. The Council has adequate reserves of £6m and in the unlikely event of a call for contributions under the Framework Agreement or payment under joint and several guarantee, has access to PWLB funds at 48 hours' notice if required.
- 7.5 The risks associated with the joint and several guarantee are mitigated by the contribution arrangements. Therefore, from a practical perspective, the real risk to the Council is the requirement to make contributions in the event of a default by another borrower and this exposure is proportional because it is calculated by reference to the amount borrowed by the Council as a proportion of all non-defaulting loans made by the Agency. **If the Council has no borrowings via the Agency, it will not be called upon under the Framework Agreement.**
- 7.6 In the unlikely event that the guarantee is called upon, it is also unlikely that bond holders or other providers of finance to the Agency will pursue a single Council for payment because the best outcome for lenders is likely to be achieved by pursuing all the guarantors because this maximises the potential revenues available to repay them.
- 7.7 Section 13 of the Local Government Act secures all debts of a local authority on its revenues and therefore it is extremely likely that the Agency will be able to recover amounts owed to it by a defaulting authority. In turn, this will enable the Agency to repay sums lent to it under the Framework Agreement or paid out by the Council under the guarantee.
- 7.8 The risk that the Council suffers a loss under the Framework Agreement and the joint and several guarantee is therefore a combination of the low risk of a default

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by a local authority and the low risk that if a local authority does default, local authorities cannot recover sums owed to them.

- 7.9 In return for accepting this low level risk, the Council will receive access to more diverse and cheaper sources of capital finance via the Agency.

8 Investment Policy, Creditworthiness Policy and Investment Strategy

Investment Policy

- 8.1 The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (Appendix 5 the Capital Report).
- 8.2 The Council's investment policy has regard to the following: -
- MHCLG's Guidance on Local Government Investments ("the Guidance")
 - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
 - CIPFA Treasury Management Guidance Notes 2018
- 8.3 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).
- 8.4 The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -
- 8.5 Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- 8.6 **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.
- 8.7 **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 8.8 As a result of the change in accounting standards for 2018/19 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant

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charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1/4/18.)

- 8.9 Investment instruments identified for use in the financial year are listed in Annex 2 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

Creditworthiness Policy

- 8.10 This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:
- Credit watches and credit outlooks from credit rating agencies;
 - CDS spreads to give early warning of likely changes in credit ratings;
 - Sovereign ratings to select counterparties from only the most creditworthy countries.
- 8.11 This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments.
- 8.12 The Link Asset Services' creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.
- 8.13 Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 8.14 All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.
- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

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- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

8.15 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process.

UK banks – ring fencing

8.16 The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

8.17 Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

8.18 While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

Country limits

8.19 The Council has determined that it will only use approved counterparties from the UK and countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). This list will be amended by officers should ratings change in accordance with this policy.

Investment Strategy

8.20 **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to

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manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- 8.21 **Investment returns expectations.** Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.50%
- 2021/22 1.75%
- 2022/23 1.75%
- 2023/24 2.00%
- Later years 2.50%

Investment Periods

- 8.22 Investment periods are currently restricted to no longer than 24 months. Lending to counterparties is in line with the creditworthiness policy detailed above and recommended by Link and these are limited to a total of £20m. Any investments to banks and building societies for a period in excess of 365 days would be classed as a “non-specified investment” as detailed in Annex 2 to this strategy.
- 8.23 Investments are limited to a maximum of £10m for any one counterparty, however investments in the Local Authority Property Fund or any similar multi asset fund may exceed this limit. These investments will be subject to a specific Cabinet approval before they are undertaken.

Investment risk benchmarking

- 8.24 This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 3 month LIBOR. At the end of the financial year, the Council will report on its investment performance as part of its Annual Treasury Report.

9 Policy on the use of external service providers

- 9.1 The Council uses Link Asset Services as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue

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reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Annexes

- Annex 1 - Prudential Indicators.
- Annex 2 - Credit and Counterparty Risk Management, Specified and Non-Specified Investments

Key Decision / Decision in Forward Plan

This is not a key decision for the Cabinet (as the approval of the full Council is required) and is included in the Cabinet Forward Plan

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Annex 1 – The Capital Prudential Indicators 2019/20 – 2021/22

- 1 The Council's capital expenditure plans are a key driver of treasury management activity. The outputs from capital expenditure plans are reflected in prudential indicators, which are designed to assist the Members overview and confirm capital expenditure plans.

2 Capital expenditure

- 2.1 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital Expenditure projections	2018/19 (£m)	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)
General Fund Approved	197.8					
General Fund New		47.5	76.3	46.0	73.5	46.8
HRA Approved	63.4					
HRA Estimated New		15.4	26.3	31.9	16.2	16.5
Total	261.2	62.9	102.6	77.9	89.8	63.4

- 2.2 Other long-term liabilities - The above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.
- 2.3 The figures in this indicator (General Fund approved) represent the level of current scheme approvals as reported to Cabinet in December 2018 as part of the quarterly capital monitoring process. Figures in the "general fund new" row represent proposed approvals for Cabinet in February 2019. These represent total approvals, irrespective of funding source. Figures in the "HRA estimated new" represent the annual capital expenditure in the HRA maintenance programme.

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

- 3.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.
- 3.2 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.
- 3.3 The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP

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lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £49.6m (as at 1 April 2018) of such schemes within the CFR.

3.4 The Council is asked to approve the CFR projections below. Details of the Council's projections for actual external debt compared to the CFR are contained in the main Strategy. Note the figures are estimates, not commitments.

General Fund CFR Projections	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
CFR excl. PFI b/fwd. 1 Apr	296.9	311.5	342.4	365.1	388.4	400.3
PFI liabilities	51.3	49.6	47.6	45.5	43.1	40.4
CFR incl. PFI	348.2	361.1	390.0	410.6	431.5	440.8
Add Capital Expenditure funded through borrowing	16.1	32.6	24.5	25.9	16.0	1.1
Less NEV Developer s106	-	-	-	-	-	(70.3)
Less MRP (debt repayment)	(1.5)	(1.7)	(1.8)	(2.6)	(4.1)	(3.6)
Underlying Borrowing Requirement	311.5	342.4	365.1	388.4	400.3	327.5
PFI Liabilities	49.6	47.6	45.5	43.1	40.4	37.4
CFR c/fwd. 31 Mar	361.1	390.0	410.6	431.5	440.8	365.0
External Borrowing b/fwd. 1 Apr	(193.7)	(202.2)	(230.7)	(248.0)	(266.1)	(283.1)
Loan Maturities	11.5	1.5	12.7	12.0	13.0	4.7
New Loans	(20.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)
External Borrowing c/fwd. 31 Mar	(202.2)	(230.7)	(248.0)	(266.1)	(283.1)	(308.4)
Under / (Over) Borrowing Under Borrowing (excluding PFI liabilities)	109.3	111.7	117.1	122.4	117.3	19.2
<i>Under borrowing as a % of Underlying Borrowing Requirement (excludes PFI)</i>	35%	33%	32%	31%	29%	6%
HRA Fund CFR Projections	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
CFR excl. PFI b/fwd. 1 Apr	114.0	109.0	104.0	109.6	120.6	115.6
CFR incl. PFI	114.0	109.0	104.0	109.6	120.6	115.6
Add Capital Expenditure funded through borrowing	-	-	10.6	15.9	-	-
Less MRP (debt repayment)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
Underlying Borrowing Requirement	109.0	104.0	109.6	120.6	115.6	110.6
CFR c/fwd. 31 Mar	109.0	104.0	109.6	120.6	115.6	110.6
External Borrowing b/fwd. 1 Apr	(114.0)	(109.0)	(104.0)	(109.6)	(120.6)	(115.6)
Loan Maturities	5.0	5.0	5.0	5.0	5.0	5.0
New Loans	-	-	(10.6)	(15.9)	-	-
External Borrowing c/fwd. 31 Mar	(109.0)	(104.0)	(109.6)	(120.6)	(115.6)	(110.6)
Under / (Over) Borrowing	-	-	-	-	-	-

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4 Affordability Indicators

- 4.1 Prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans and subsequent finance costs on the Council's overall finances.
- 4.2 The table below shows the estimated financing costs (interest and debt repayment) as a proportion of the General Fund and HRA budgets.

Estimate of the ratio of financing costs (principal and interest) to net revenue stream						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
General Fund	8.1%	8.5%	8.7%	9.5%	10.8%	10.7%
HRA	39.4%	38.8%	40.1%	41.4%	40.3%	39.2%

5 Treasury Indicators: limits to borrowing activity

- 5.1 **The Operational Boundary.** This is the limit beyond which external borrowing is not normally expected to exceed. This limit reflects the Councils current estimated debt position, with the assumption that internal borrowing (using existing working capital cash balances temporarily to fund capital expenditure in advance of undertaking new external borrowing) will be reduced as new external borrowing is undertaken. Other long term liabilities represent PFI and finance leases.

Operational Boundary	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
CFR (borrowing requirement)	420.5	446.4	474.8	509.0	515.9	438.1
PFI liabilities	49.6	47.6	45.5	43.1	40.4	37.4
Uplift	20.0	20.0	20.0	20.0	20.0	20.0
Total	490.1	514.1	540.3	572.0	576.3	495.5

- 5.2 **The Authorised Limit for external borrowing.** A further key prudential indicator, this represents a control on the maximum level of borrowing. This represents a legal limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
- The Council is asked to approve the following authorised limit:

Authorised Limit	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Operational Limit	490.1	514.1	540.3	572.0	576.3	495.5

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Uplift	5.0	5.0	5.0	5.0	5.0	5.0
Total	495.1	519.1	545.3	577.0	581.3	500.5

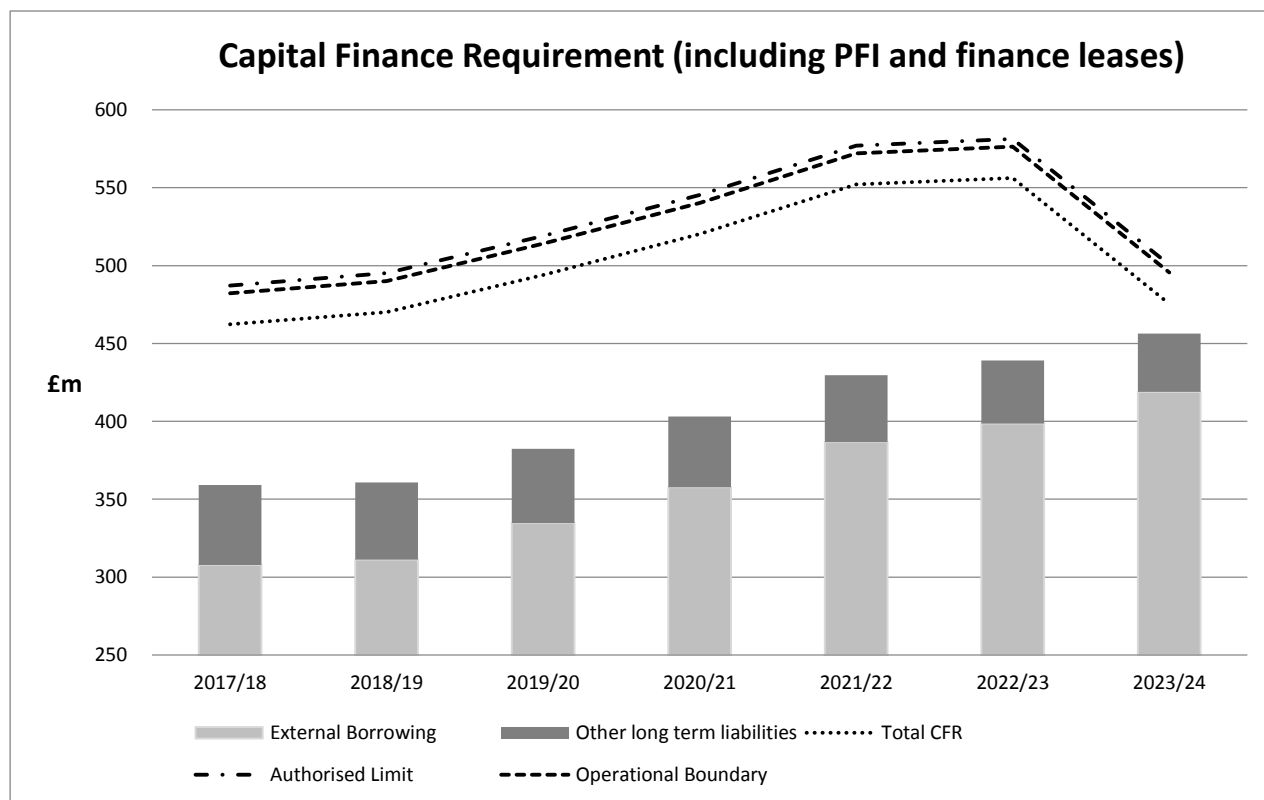
5.3 Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. The table below also includes the anticipated HRA investment balances which are anticipated to reduce over the next 4 years as the HRA uses its capital reserves to purchase property & new build schemes.

HRA Debt Limit	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
HRA debt cap	172.6*	Nil	Nil	Nil	Nil	Nil
HRA CFR 31st March	109.0	104.0	109.6	120.6	115.6	110.6
HRA headroom	63.6	N/A	N/A	N/A	N/A	N/A
HRA Average investment balance	21.5	15.0	5.0	5.0	5.0	5.0

Number of HRA dwellings	10,279	10,299	10,292	10,245	10,185	10,274
Debt per dwelling	£ 10,606	£ 10,100	£ 10,652	£ 11,767	£ 11,346	£ 10,761

**Abolition of HRA debt cap. In October 2018, Prime Minister Theresa May announced a policy change of abolition of the HRA debt cap. The Chancellor announced in the Budget that the applicable date was 29.10.18.*

5.4 The above information is summarised in the graph below, showing existing debt, the CFR, the Operational Limit and the Authorised Limit



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6 Activity Limit Indicators

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

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

Interest rate Exposures				
			Upper	
Limits on fixed interest rates based on net debt			100%	
Limits on variable interest rates based on net debt			30%	
Maturity Structure of fixed interest rate borrowing 2019/20				
			Lower	Upper
Under 12 months			0%	10%
12 months to 2 years			0%	25%
2 years to 5 years			0%	35%
5 years to 10 years			0%	35%
10 years and above			0%	80%
In any 10 year period above 10 years			0%	40%

6.2 The maximum amount the council will invest for more than 1 year is set out in the table below;

Maximum principal sums invested > 365 days				
2019/20	2020/21	2021/22	2022/23	2023/24
£20m	£20m	£20m	£20m	£20m

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Annex 2 – Credit and Counterparty Risk Management, Specified and Non- Specified Investments

1 Treasury Management Practices

- 1.1 The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy.
- 1.2 The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on the 1st April 2008 and will apply its principles to all investment activity. In accordance with the Code, the Corporate Director, Resources and Growth has produced its Treasury Management Practices (TMPs). This part covering investment counterparty policy requires approval each year.
- 1.3 **Annual investment strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:
 - The strategy guidelines for choosing and placing investments, particularly non-specified investments.
 - The principles to be used to determine the maximum periods for which funds can be committed.
 - Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
 - Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.
 - Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

2 Specified/Non-Specified Investments

- 2.1 The main Investment guidelines are contained in the body of the Treasury Strategy statement. The paragraphs below detail the Council's use of Specified and Non-Specified Investments

Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No. 07769 281641 or Email iburbidge@swindon.gov.uk

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2.2 **Specified Investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

- The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or Gilt with less than one year to maturity).
- Supranational bonds of less than one year's duration.
- A local authority, parish council or community council.
- Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. This covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.
- A body that is considered of a high credit quality (such as a bank or building society) in accordance with the Councils creditworthiness Policy.

2.3 Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. The Council has historically maintained a position of minimising investment balances and using these to reduce the requirement for borrowing. The investments made by the Council will therefore be timed to coincide with predicted day to day treasury requirements and thus are primarily of a short term nature.

2.4 **Non-Specified Investments** – Non-specified investments are any other type of investment (i.e. not defined as Specified above). The Council holds 4 types of non-specified investments:

- Cash deposits > 1 year (Category (e) below)
- Share Capital (Category (g) below)
- Loan Capital (Category (h) below)
- The Local Authority Property Fund (Category (j) below).
- Loan to local Charity (Category (k) below) – Swindon Music Service – as proposed within this paper.

Other Non-specified investments that the Council could make would include any investments with:

Non Specified Investment Category
Supranational Bonds greater than 1 year to maturity (a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world

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<p>(e.g. European Reconstruction and Development Bank etc.).</p> <p>(b) A financial institution that is guaranteed by the United Kingdom Government (e.g. The Guaranteed Export Finance Company {GEFCO})</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>
<p>(c) Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>
<p>(d) The Council's own banker if it fails to meet the basic credit criteria. In this instance any balances will be maintained on an instant access basis</p>
<p>(e) Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies but will take specific advice before doing so.</p>
<p>(f) Any bank or building society that complies with the Council's creditworthiness policy for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>
<p>(g) Share capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. See note 1 below.</p>
<p>(h) Loan capital in a body corporate. See note 1 below.</p>
<p>(i) Bond funds. See note 1 below.</p>
<p>(j) Property funds – The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.</p>
<p>(k) Loan capital to local charity – The Council will provide loans to local charities that meets the Council's priorities and can demonstrate that they are sustainable in the medium term and able to meet their repayments as they fall due. Such loans will be for no more than 3 years, and will be closely monitored to ensure any risk</p>

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of default is minimised.

Note 1: This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

***The monitoring of investment counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately and if required new counterparties which meet the criteria will be added to the list.*

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1. PURPOSE OF REPORT

- 1.1 This report seeks approval for the Council to enter into the borrowing documents prepared by the UK Municipal Bonds Agency (UKMBA) (the "Agency").
- 1.2 The Agency requires that local authorities borrowing from it enter into its Framework Agreement. The Agreement includes an accession document confirming that the council has the necessary approvals to sign the Agreement and a joint and several guarantee to those lending money to the Agency in respect of the borrowing of all other local authorities from the Agency. Entering into the Framework Agreement enables the Council to access funding from the Agency as and when required.
- 1.3 This report sets out the background to the Agency, key facets of the Framework Agreement and the advantages and disadvantages of entering into the Agreement, including an assessment of the risk that the Council will be called upon under the guarantee. It seeks approval for the Council to enter into the Framework Agreement.

2. EXECUTIVE SUMMARY

- 2.1 The purpose of the Agency is to deliver an alternative source of strategic capital finance for local authorities. It is designed to be cheaper than PWLB, and to reduce the heavy reliance that many Councils place on PWLB borrowing, and so reduce risk. It will do so via periodic bond issues, as an aggregator for financing from other institutions and by facilitating greater inter-authority lending. The Agency is wholly owned by 56 local authorities and the Local Government Association ("LGA").
- 2.2 The Council has limited sources of capital finance available to it. The margin charged by the PWLB rose significantly in 2010 and therefore the LGA explored and then, with the support of a number of local authorities, established the Agency as an alternative to the PWLB.
- 2.3 Councils have traditionally used PWLB for borrowing. However, the terms of PWLB borrowing can be changed by Government, and at present there are limited alternatives available at the scale and interest rate that Councils need. The UKMBA is designed to fill this gap by providing a strategic alternative to PWLB, that is cheaper, and will spread risk.
- 2.4 The Agency's Framework Agreement sets out the arrangements for borrowing from the Agency and incorporates a joint and several guarantee that requires all local authorities borrowing from the Agency to guarantee the money owed by the Agency to those who have lent it money to fund its loans. The

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Framework Agreement incorporates a mechanism to prevent a call under the guarantee by requiring borrowers to lend the Agency money to cover a default by another local authority, referred to as "contributions".

- 2.5 The Council has the power to enter into the Framework Agreement under Section 1 of the Localism Act 2011 – the general power of competence. Borrowing under the Framework Agreement will be under Section 1 of the Local Government Act 2003 – the power to borrow.
- 2.6 Acting on behalf of prospective borrowers, a small group of authorities appointed lawyers, Allen & Overy, to review and advise upon the documentation. Allen & Overy instructed counsel to obtain senior opinion on vires and reasonableness. The advice and opinion resulted in a small number of changes to the Agency's documentation.
- 2.7 Counsel raised three key considerations that a local authority must take into account when taking a decision to enter into the Framework Agreement:
- Its specific financial position;
 - Whether or not the council is "reasonably financially robust" i.e. the council it can meet the potential demands that the Framework Agreement places upon it; and
 - Whether it is to the authority's advantage to enter into the Framework Agreement taking into account the advantages and disadvantages of doing so.
- 2.8 Taken together, these three considerations help address a key requirement of the Wednesbury principles that the Council exercises its powers in a reasonable manner.
- 2.9 The Council has a need to borrow of **£116.5m** over the next three years comprising **£75.4m** of borrowing to fund capital expenditure and **£41.2m** of refinancing including internal borrowing. Use of the Agency will save the Council interest costs; otherwise the Council will use alternative sources of borrowing. Every 0.01 per cent interest saved is worth £100 per £1m. The savings may be significant as the Agency's bond pricing improves and as other institutions provide financing to the Agency.
- 2.10 Over time, the Agency's business case suggested that the savings delivered by the Agency would be 0.2 per cent (£2k per £1m).
- 2.11 UK local authorities are heavily supervised and subject to tight statutory control that significantly reduces the probability that a local authority will default on its financial obligations. Furthermore, the Agency will undertake

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credit assessments of local authorities and limit its exposure to authorities to reduce credit risk. In the event that a local authority needs to refinance its borrowings from the Agency, the PWLB is available to all local authorities as lender of last resort provided that the borrowing from the PWLB is not unlawful. No UK local authority has ever defaulted on one of its primary debt obligations. Taken together, the risk of a default is judged to be low and thus the risk of entering into the Framework Agreement and guarantee is deemed to be low.

- 2.12 If a local authority does default, the Agency has liquidity facilities available to it so that it can meet the interest payments due on a bond and cover a limited default on a principal repayment by a local authority; the provisions of the Framework Agreement will be used only if these facilities are exhausted. The Council has adequate reserves of £6m and in the unlikely event of a call for contributions under the Framework Agreement or payment under joint and several guarantee, has access to PWLB funds at 48 hours' notice if required.
- 2.13 The risks associated with the joint and several guarantee are mitigated by the contribution arrangements. Therefore, from a practical perspective, the real risk to the Council is the requirement to make contributions in the event of a default by another borrower and this exposure is proportional because it is calculated by reference to the amount borrowed by the Council as a proportion of all non-defaulting loans made by the Agency. If the Council has no borrowings via the Agency, it will not be called upon under the Framework Agreement.
- 2.14 In the unlikely event that the guarantee is called upon, it is also unlikely that bond holders or other providers of finance to the Agency will pursue a single Council for payment because the best outcome for lenders is likely to be achieved by pursuing all the guarantors because this maximises the potential revenues available to repay them.
- 2.15 Section 13 of the Local Government Act secures all debts of a local authority on its revenues and therefore it is extremely likely that the Agency will be able to recover amounts owed to it by a defaulting authority. In turn, this will enable the Agency to repay sums lent to it under the Framework Agreement or paid out by the Council under the guarantee.
- 2.16 The risk that the Council suffers a loss under the Framework Agreement and the joint and several guarantee is therefore a combination of the low risk of a default by a local authority and the low risk that if a local authority does default, local authorities cannot recover sums owed to them.
- 2.17 In return for accepting this low level risk, the Council will receive access to more diverse and cheaper sources of capital finance via the Agency.

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- 2.18 Although the Agency intends that the Framework Agreement is permanent, there may be a need to either amend the Framework Agreement or if the Council wishes, set aside provisions for a period of time without amending the contributions arrangements or joint and several guarantee.

3. RECOMMENDATIONS

- 3.1 The Council is recommended to:
- a) Approve the Council's entry into the Framework Agreement and its accompanying schedules including the joint and several guarantee;
 - b) Delegate authority to the Director of Finance as Section 151 Officer and Interim Director of Law as Monitoring Officer to sign those documents, as appropriate, on behalf of the Council;
 - c) Grant the Section 151 Officer delegated authority to agree amendments to the Framework Agreement as appropriate.

4. THE UK MUNICIPAL BONDS AGENCY

Establishment:

- 4.1 The establishment of the UK Municipal Bonds Agency was led by the LGA following the announcement in the 2010 Autumn Statement that PWLB rates would increase from 0.15 per cent over Gilts to 1 per cent over Gilts, greatly increasing the cost of new borrowing and refinancing. This followed the introduction of punitive early repayment penalties by the PWLB in 2007, which have prevented local authorities from restructuring their loan portfolios to reduce costs while interest rates are low. Although the Government subsequently introduced the "certainty rate", which effectively reduced the PWLB's margin to 0.8 per cent over Gilts in return for the limited disclosure of an authority's borrowing plans, the LGA found that rate remained higher than a bonds agency should be able to achieve.
- 4.2 This recent history of PWLB arrangements exposes the fact that Council are at risk of Government changing the rules. At present there are few strategic alternatives to PWLB available, and Councils rely on it very heavily. Councils would never risk investing the majority of their cash balances with one institution, but are taking a very similar risk on sources of borrowing.
- 4.3 The LGA also noted that it was easy for UK investors such as pension funds to provide capital to overseas local authorities through the London capital markets, but not so to UK local authorities.

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- 4.4 The LGA published a revised business case in March 2014 that set out how a bonds agency would issue bonds on behalf of local authorities in an efficient and cost effective manner and at lower rates than the PWLB. It identified that the regulatory environment meant that the PWLB had a de facto monopoly on providing simple loans to local authorities:
- For regulatory purposes a bank must set aside capital when lending to local authorities – unlike when lending to the Government – and therefore it is difficult for banks to compete with the PWLB on rates and make money other than by offering structured lending products.
 - Bond investor's value liquidity and benchmark sized issues (£250 million), which makes it difficult for most local authorities to access the bond markets, particularly as one-off bond issues can be costly.
 - International agencies, such as the EIB, would typically lend only for large projects or invest in liquid benchmark sized bond programmes, typically around £200 million plus, thereby excluding most local authorities.
- 4.5 The LGA's revised business case was published in March 2014 and the company established in June 2014. The agency will act as an intermediary, borrowing the money and on-lending it to local authorities on a matched basis to deliver cheaper capital finance to local authorities through periodic bond issues, as an aggregator for loans from other institutions, and facilitating longer term inter-authority lending via the Agency.
- 4.6 The LGA and 56 local government shareholders representing 65 principal local authorities and 1 combined authority have invested over £6 million in the Agency

Client Base:

- 4.7 The Agency will only lend to UK local authorities who can give a joint and several guarantee. This is currently limited to 353 principal English local authorities that have the general power of competence under section 1(1) of the Localism Act 2011. The Department for Communities and Local Government specifically intended that local authorities should be able to give guarantees using the power in its regulatory impact assessment.
- 4.8 The ability to give joint and several guarantees may in due course be extended to other local authorities e.g. combined, Welsh or Scottish authorities. In the event that this occurs, those authorities will be eligible to borrow from the Agency.
- 4.9 The Agency would prefer all borrowers to become shareholders. This ensures a strong alignment of interest between borrowers and shareholders,

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and is viewed positively by ratings agencies and the capital markets. Accordingly, the Agency will charge a higher interest rate to borrowers that are not shareholders, albeit one which remains competitive.

Loan Pricing:

- 4.10 The Agency will operate a transparent pricing structure. It will charge local authorities the interest the Agency pays to obtain the funds it on-lends, plus any transaction costs up to a maximum of 0.5 per cent of the amount borrowed, plus a margin to cover its costs. This margin is currently set at an annualised 0.1%, for shareholders, to cover the ongoing costs of the agency. Non-shareholders may be charged at a higher rate of 0.15% annualised, to encourage their participation as shareholders.
- 4.11 The Agency may adjust these margins for new borrowing transactions at its discretion, but will not increase them. It is expected that these margins will reduce once the Agency is profitable.
- 4.12 Transactions costs include the Agency's credit rating agency fees, bank syndicate fees and legal costs. The Council has the option to amortise these over the life of the loan or to expense them.
- 4.13 The Agency will not require local authorities to borrow at a rate that is higher than the PWLB, thus when borrowing via the Agency the Council should always achieve a saving. Over time, the rates offered by the Agency are likely to improve as its bonds programme develops and it is able to borrow from international institutions such as the EIB.

Early Repayment (Prepayment):

- 4.14 The Agency will pass on the cost of early repayment by a local authority (usually referred to as prepayment in financial services) to that local authority. However, the Agency will not profit from the transaction and will assist any local authority seeking early repayment to find the cheapest solution.
- 4.15 Prepayment rights will track through between the loans to local authorities and the Agency's financing. For bond issues, voluntary prepayment is calculated in a similar way to the PWLB's early redemption penalties, although one option available to local authorities will be to buy back part of the bond.

Governance:

- 4.16 The Agency is a public limited company and as such is directed by its Board.
- 4.17 In addition, the Board will have the following 2 sub- committees, chaired by independent non-executives:

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- Risk, Compliance and Audit Committee; and
- Nomination and Remuneration Committee.

4.18 In addition, the Agency will establish a Local Authority Advisory Board, comprising local authority finance officers, to facilitate two-way communication between the Agency and its borrowers. (S151 officers from the initial group of borrowers will make up the inaugural Local Authority Advisory Board and will determine the detailed terms of reference in consultation with the Board of the UKMBA, including ongoing member selection process.)

Credit Process:

- 4.19 Prior to approving any loans, the Agency will carry out a credit assessment of each potential borrower.
- 4.20 The Agency has developed a proprietary credit scoring model based on similar methodologies to the main credit rating agencies. In order to access funding from the Agency, a local authority will need to be able to achieve a "single A" credit rating on a standalone basis; rating agencies typically "notch up" a local authority to account for implied Government support.
- 4.21 The model is based on Moody's, one of the main three global credit ratings agencies. It has been reviewed independently by Ernst & Young to validate its robustness and fitness for purpose. The model looks at both quantitative, e.g. the financial performance of the council, the existing level of borrowing, how much flexibility does the council have in generating revenues and qualitative factors, e.g. is the council heavily dependent upon revenues from a single business or industry, has the council had governance, audit or other performance related issues.
- 4.22 The Agency will assess the council informally, upon an expression of interest, and advise if there are likely to be any credit related problems in advance of any formal request for borrowing
- 4.23 In addition to credit scoring, the UKMBA will ensure appropriate diversification of its lending portfolio, through the contractual concentration limits agreed in the Framework Agreement.

5 THE FRAMEWORK AGREEMENT AND THE JOINT AND SEVERAL GUARANTEE

Content of the Framework Agreement:

5.12 The Framework Agreement comprises:

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- The Framework Agreement itself, which is primarily designed to prevent a call on the joint and several guarantee and lays out how the Agency will interact with local authorities.
- Schedule 1: *Form of Authority Accession Deed*, which local authorities sign to commit themselves to the Framework Agreement.
- Schedule 2: *Form of Guarantee*, which is the joint and several guarantee.
- Schedule 3: *Loan Standard Terms*, which is the loan agreement that covers any borrowing by an authority.
- Schedule 4: *Form of Loan Confirmation*, which supplements the Loan Standard Terms and confirms details of a loan such as principal, maturity, interest rate and etc. It is signed by the Agency and a borrower.

Need for the Joint and Several Guarantee:

- 5.2 The LGA's revised business case highlighted the need for borrowing authorities to sign a joint and several guarantee:
- The joint and several guarantee allows the Agency to issue bonds without having to prepare a full prospectus for each bond issue, pursuant EU's "Prospective Directive", thereby reducing costs and complexity.¹
 - The UK Listing Authority's "listing rules" that govern whether financial instruments can be listed on a UK stock exchange would not permit bonds issued by an agency to be listed on the London Stock Exchange for some years without a joint and several guarantee, meaning the bonds would need to be listed elsewhere such as the Channel Islands or Luxembourg.
 - If, instead of a joint and several guarantee, investors were investing in individual stand-alone bond issues, every bond would require a separate credit rating. Investors would have to assess the participating authorities in each bond, which would materially impact an agency's ability to reduce costs and deter a number of potential investors and lenders from lending money to the agency. The joint and several guarantee draws on the strength of the local government sector and is simple for investors to understand.

Nature of the Joint and Several Guarantee:

- 5.3 The joint and several guarantee is a schedule to the Framework Agreement and is direct, unconditional, irrevocable and not separately administered:

¹ Article 1(2)(d) of Directive 2003/71/EC

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"2.1.1 guarantees to each Beneficiary each and every obligation and liability the Company may now or hereafter have to such Beneficiary (whether solely or jointly with one or more persons and whether as principal or as surety or in some other capacity) in respect of the Guaranteed Liabilities and promises to pay to each Beneficiary from time to time on demand the unpaid balance of every sum (of principal, interest or otherwise) now or hereafter owing, due or payable (following the expiry of any grace period provided for) by the Company to any such Beneficiary in respect of any such Guaranteed Liability; and

2.1.2 agrees as a primary obligation to indemnify each Beneficiary from time to time on demand from and against any loss incurred by such Beneficiary as a result of any such Guaranteed Liability being or becoming void, voidable, unenforceable or ineffective as against the Company for any reason whatsoever, whether or not known to such Beneficiary, the amount of such loss being the amount which such Beneficiary would otherwise have been entitled to recover from the Company."

- 5.4 In practice this means that all borrowers are collectively and individually guaranteeing the lenders to the Agency against a default by a local authority.
- 5.5 The Council can withdraw from the joint and several guarantee by giving notice and repaying its loans to the Agency. However, the irrevocable nature of the guarantee means that the Council will continue to guarantee the Agency's borrowings at the date of withdrawal until those borrowings mature. This prevents moral hazard i.e. a local authority borrowing from the Agency to achieve a cheaper borrowing rate, but walking away from the obligations. Withdrawal does mean that the Council will not be guaranteeing future borrowing by the Agency.

Preventing a Call on the Guarantee:

- 5.6 The Framework Agreement significantly the risk of a possible call on the joint and several guarantee by minimising the risk of default by a local authority, limiting the possible impact of a default and containing a default before the Agency's ability to make payments is threatened.
- 5.7 The Framework Agreement imposes obligations on the Agency that are designed to reduce the possibility of default by a borrower:
- The Agency must credit assess each borrower and exclude those that do not achieve at least the equivalent of a strong investment grade rating equivalent to an "A" rating from the established credit rating agencies such as Moody's.

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- “Concentration limits” ensure that the Agency will maintain a diverse loan book over time that limits the proportion of the Agency’s loan book that can be lent to a single or small group of authorities.
 - Credit lines are available to the Agency that it must utilise in the event of a local authority missing a payment or defaulting, before it has recourse to other borrowers.
- 5.8 The Framework Agreement establishes a “contributions” mechanism that requires borrowers to lend the Agency funds to cover its obligations in the event of a default by a local authority. In practice, this default is likely to be on a periodic interest payment due on the bond, and so will be of limited size. There will be time to work with the defaulting authority to correct the position before further default occurs.
- 5.9 The contributions to cover default are calculated in proportion to an authority’s share of the performing loan book, limiting each Council’s exposure. The loans are interest bearing and will be repaid once the Agency has recovered the sums owed to it by the defaulting authority, which it is required to do by the Framework Agreement. If the Council has no outstanding borrowings via the Agency, it will not be called upon to make contributions under the Framework Agreement.
- 5.10 In practice, this means that if the Agency had £275m, which paid 3% interest, in outstanding debt, split evenly between 11 councils, and a single council defaulted on an interest payment. Each of the other participating councils would be asked to contribute 10% of the defaulted interest payment to ensure that the investor was paid on time. That would equal £75 thousand each. (The UKMBA has a credit facility in place, which may also be used to cover this default.)
- 5.11 The defaulting council would then be pursued through the courts for full repayment plus interest costs. Upon resolution of Council’s default, it is expected that contributions would be returned with interest.
- 5.12 The payment schedules set out in the Framework Agreement are designed to ensure timely payments by local authorities so that error or late payment by a borrower does not risk a call for contributions or under the guarantee.
- 5.13 The Framework Agreement prevents a Council from taking action against a defaulting authority so that a single authority cannot jeopardise the structure of the Agency and / or act against the interests of other borrowers.

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Accounting for the Guarantee:

- 5.14 The Agency commissioned accounting advice from Grant Thornton setting out the local authority accounting requirements for borrowing via the Agency including the joint and several guarantee.
- 5.15 Although the Council is unable to rely on this advice and must procure additional advice if it is uncertain regarding the accounting requirements, Grant Thornton's advice does not raise any concerns at this time. For example, if the Council judges the risk of a call under the joint and several guarantee to be zero, there accounting requirements of entering into the Framework Agreement are minimal and mostly confined to disclosures in the event that the Council borrows from the Agency.

6 RISK OF DEFAULT BY AN AUTHORITY

- 6.1 The risk of a default by a local authority is deemed to be very low: no principal local authority has ever defaulted on a loan. The National Audit Office in its *Financial Sustainability of Local Authorities* report of November 2014 observed:

"A legal framework at the core of the local government accountability system effectively prevents local authorities becoming insolvent. Local authorities cannot borrow to finance revenue expenditure or run deficits."

- 6.2 The statutory and prudential framework under which local authorities operate is extremely strong and designed to prevent local authorities from over-reaching themselves and becoming insolvent. Key aspects of the framework include:
- Local authorities are prevented from borrowing to fund services by the Local Government Finance Act 1992, which sets out how budgets and the Council Tax must be calculated, particularly Section 31A, 32 and 42A of the Act. These provisions require a budget to be balanced on a cash basis without the use of borrowing.
 - Local authorities must comply with the prudential framework established by Part 1 of the Local Government Act 2003 and related regulations, including the Prudential Code for Capital Finance in Local Authorities published by CIPFA.
 - Section 151 Officers have varied powers and responsibilities that result in prudent financial management. For example, if an authority cannot pay its bills at it falls due, he or she must submit a Section 114 report to the Executive / Council, which must be acted upon. A Section 151 officer must also report on the adequacy of reserves and robustness of budget

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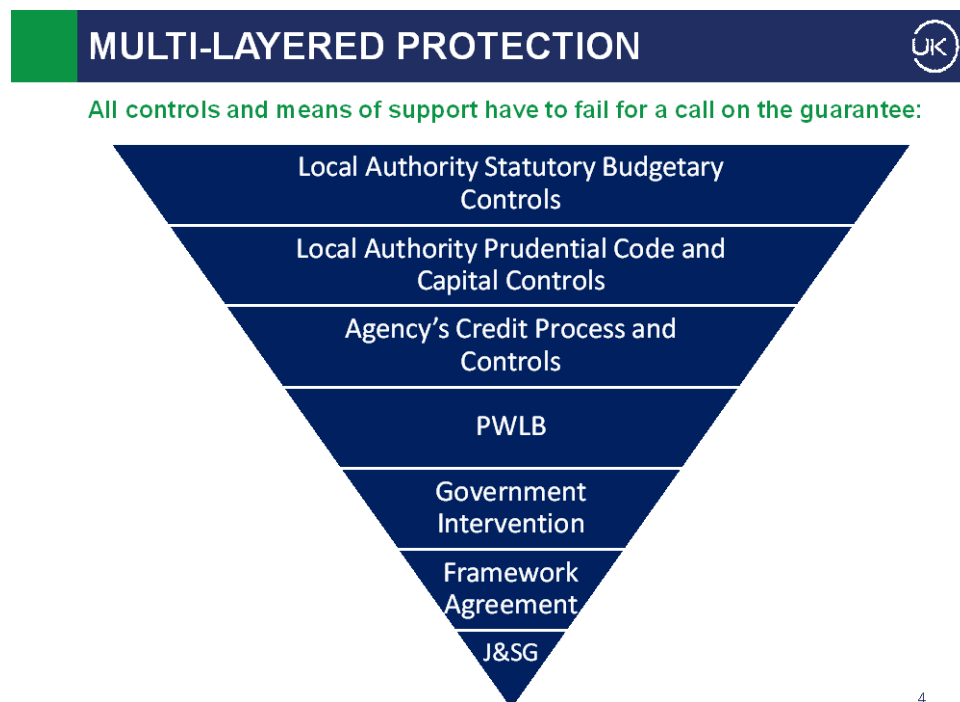
estimate under Section 25 of the Local Government Act 2003 and action be taken by the Council to remedy an adverse report.

- A local authority must make a Minimum Revenue Provision ("MRP") repay debt under the local authorities (*Capital Finance and Accounting*) (*England*) Regulations 2003, issued by the Secretary of State under Sections 21 of the Local Government Act 2003 (as amended). This means that a local authority sets aside cash via its revenue budget, sufficient to ensure it can repay its debt. So the repayment of the bond on maturity is covered.
- 6.3 The Agency's credit assessments, risk management processes and the concentration limits should reduce the possibility that a local authority borrowing from the Agency is likely to default.
- 6.4 Local authorities have access to the PWLB as lender of last resort and therefore can refinance any borrowings from the Agency by the PWLB if it cannot repay its debt to the Agency by other means.
- 6.5 Historically, the Government has intervened when a local authority finds itself in difficult or the Government deems a local authority to be incapable of managing itself effectively.
- 6.6 For the Council to be called upon to make contributions under the Framework Agreement, let alone be called upon under the joint and several guarantee, all the above controls and protections must fail. This has been summarised by the Agency in its presentations as set out in figure 1 below:

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7 RISK OF NOT RECOVERING CONTRIBUTIONS OR PAYMENTS UNDER THE JOINT AND SEVERAL GUARANTEE

7.1 The Local Government Act 2003 provides several key protections to lenders that greatly reduce the possibility that the Agency and therefore the Council would be unable to recover sums owed to it if it is required to make a contribution or pay out under the joint and several guarantee:

- Section 6 provides that a lender is not required to ensure that a local authority has the power to borrow and is not “prejudiced” in the absence of such a power. This prevents a local authority claiming an act was “ultra vires” to side step its obligations.
- Section 13 provides that all debts rank pari passu i.e. have equal status under the law and thus a creditor cannot be disadvantaged by later subordination of that debt by a local authority.
- Section 13 also secures all debts of an authority on its revenues, which is the strongest possible security for a loan as the bulk of a local authority's revenues are either raised under statutory powers or allocated by the Government.

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- Section 13 also provides for a receiver to be appointed by the High Court on application if principal and / or interest greater than £10,000 is outstanding for 60 days.

7.2 The Framework Agreement requires that the Agency must pursue any defaulting authority to the extent that if it does not do so promptly, borrowers can force it to do so. Furthermore, the Framework Agreement provides for a strict application of the proceeds of any debt recovered by the Agency from a defaulting authority.

8. LEGAL ADVICE AND OPINION

8.1 A small group of authorities commissioned Allen & Overy, a law firm, a specialist in financial transactions, to advise on the Framework Agreement. Allen & Overy engaged Jonathan Swift QC to provide senior counsel's opinion on, amongst other things, whether:

- Entry into the Framework agreement, execution of the Guarantee, entry into borrowing transactions under the Framework Agreement and the provision of contribution loans would all be within the general power of competence under the Localism Act 2011; and
- A local authority that decides to enter into the Framework Agreement and the Guarantee on the basis of the Document Package would be acting in accordance with the requirement of Wednesbury reasonableness.

8.2 His main conclusions were:

- Local authorities do have the power, in principle, to enter into the arrangement envisaged by the Framework Agreement; and
- Whilst it would, in principle, be lawful for a reasonably financially robust local authority to enter into the commitments entailed in the Framework Agreement, the final assessment of whether or not it would be reasonable use of the in principle power must be made taking into account the specific financial position of each local authority, whether it is financially robust and the balance of the advantages and disadvantages of doing so.

8.3 Wider considerations, such as establishing the independence of the sector, whether they have merit or not, should not have a bearing on the Council's assessment of the advantages and disadvantages of entering into the Framework Agreement.

8.4 Jonathan Swift QC's opinion was procured independently of the Agency.

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- 8.5 The Council has the power to enter into the Framework Agreement under Section 1 of the Localism Act 2011 – the general power of competence. Borrowing under the Framework Agreement will be under Section 1 of the Local Government Act 2003 – the power to borrow.

9. RISKS AND DISADVANTAGES OF ENTERING INTO THE FRAMEWORK AGREEMENT

- 9.1 Exposure to the contribution arrangements and the joint and several guarantee means that entering into the Framework Agreement and borrowing via the Agency is different in nature to borrowing from the Public Works Loan Board, under a bilateral loan facility or through a bond issue in the capital markets.
- 9.2 There are inherent risks associated with the proposed structure, not least the joint and several nature of the guarantee. These are:
- The risk that the Council's guarantee may be called independently of any other Guarantee and for the full amount owing by the Agency under the financing document that is covered by the guarantee (and, therefore, such participating local authority is potentially liable to pay out amounts to the UKMBA that exceed the amounts borrowed).
 - Even if the Council has terminated its Guarantee, it will continue to guarantee the "Guaranteed Liabilities" entered into by the Agency before the termination date. The effect of this is that the Council's liability under its Guarantee may potentially continue in existence for many years after termination.
- 9.3 However, the risks associated with the joint and several guarantee are mitigated by the contribution arrangements. The Framework Agreement is such that the Council's exposure, from a practical perspective, is the requirement to make contributions in the event of a default by another borrower and this exposure is proportional because it is calculated by reference to the amount borrowed by the Council as a proportion of all non-defaulting loans made by the Agency.
- 9.4 The risk of a default by a local authority is low as set out in section 6 of this report. The ability of the Agency to recover sums owed to it in the event of a default is set out in section 7 of this report.
- 9.5 There is a risk that the Agency does not observe its obligations under the Framework Agreement, but the Council is entitled to expect that the Agency will operate in accordance with its obligations under the Framework Agreement when considering whether or not to enter into the Framework Agreement. The LGA and local authorities control the Agency via their

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shareholdings so could intervene if the Agency did not abide by the Framework Agreement.

9.6 The prime advantages to the Council are:

The prospect of lower borrowing costs and the possibility to obtain types of loans that are not available from the PWLB. Cheaper capital finance will reduce pressure on the Council's finances. This advantage more than offsets the low risk that a local authority defaults and the Agency is unable to recover the debts owed to it in order to repay the Council any contributions it is required to make.

Reducing risk by creating a new strategic source of finance that is not so readily exposed to changes in government policy

9.7 The Framework Agreement only comes into effect if the Council does borrow from the Agency. If the Council does not borrow, there is no risk to the Council arising from the contribution arrangements or joint and several guarantee. The Council is not obligated to borrow via the Agency and even if it chooses to legally commit to borrowing via a bond issue, it will not be required to take a loan that is not cheaper than the PWLB, so the bond will not be issued. Therefore, the financial risk to the Council of the Agency either failing to deliver a saving or the Council not borrowing having signed the Framework Agreement is eliminated.

COUNCIL TAX RESOLUTION

Council

Date: 21st February 2019

Author: Cabinet Member for Finance

Director of Finance

Wards: All Wards

Parishes Affected: All Parishes

1. Purpose and Reasons

- 1.1 To enable Members to formally resolve the Borough's Council Tax for 2019-20, recognising that Billing Authorities have a statutory requirement to set the annual Council Tax bills by 11th March.

2. Recommendations

Council is recommended to:

- 2.1 Approve that there will be a 3.99% increase in the Council Tax levels for the Borough Council element of the 2019-20 bills in accordance with the budget proposed by Cabinet on 6th February 2019;
- 2.2 Determine that the Basic Amount of Council Tax for the Financial Year 2019-20 is not excessive within the statutory definitions set out within part I of the Local Government Finance Act 1992 (as amended by the Localism Act 2011) and that therefore no referendum is required;
- 2.3 Pass the Resolution set out as Annex 2 to this report covering all aspects of the bills.

3. Detail

Council Tax Calculations

- 3.1 The calculations include precept figures from the Police and Crime Commissioner for Wiltshire and Swindon, the Dorset and Wiltshire Fire and Rescue Authority and the Town and Parish Councils within the Borough as well as the Council's own budget requirement including the precept amount specifically to contribute towards the increasing cost of adult social care.
- 3.2 The provisional 2019-20 Council Tax calculations and the formal Council Tax Resolution are set out as Appendix 1 and Annex 2 respectively. These proposals are based on the budget proposals agreed by Cabinet on 6th February 2019 resulting in a net budget for 2019-20 of £142.5m, including the adult social care "precept" of £7.2m. Should the Council's net budget for 2019-20 be amended at the Council meeting or any proposed changes be made to the level of Council Tax for 2019-20 a revised Resolution and set of Council Tax calculations will be made available at the meeting.

Further information on the subject of this report can be obtained from Mick Bowden, Direct Dial 07392 109917, mbowden@swindon.gov.uk

COUNCIL TAX RESOLUTION

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- 3.3 The legal position is set out by the Director of Law and Democratic Services in Annex 1.
- 3.4 Table One sets out the provisional precept and budget figures for each element of the Council Tax bill with a comparison with the previous year.

Table One – Changes in Budgets and Precepts 2019-20

Element of Council Tax Bill	2019-20 £'000	2018-19 £'000	% Change
Amount of SBC Budget met from Council Tax	101,822	95,769	6.3%
Police and Crime Commissioner Precept	15,374	13,287	15.7%
Dorset and Wiltshire Fire and Rescue Authority Precept	5,580	5,300	5.3%
Total Town and Parish Precepts	8,039	7,560	6.3%
Total	130,815	121,916	
Tax Base	74,532.0	72,898.6	2.2%
Band D Average Council Tax	£1,755.15	£1,672.41	4.95%

Referendum Test

- 3.5 In accordance with Schedule 5 of the Localism Act 2011, the Council has a duty to determine whether its Council Tax increase is considered to be excessive in which case it would be required to hold a referendum.
- 3.6 Section 33 of the Local Government Finance Act 1992 (amended by section 41 of Local Audit and Accountability Act 2014) sets out the calculation of the 'relevant basic amount' of council tax.
- 3.7 The 'relevant basic amount' of council tax is calculated by the following steps and is set out in table two below:-
- 3.7.1 Calculating the council tax requirement which is the balance of the Council's budget after taking account of income from RSG, NNDR and adjusting for the Council's collection fund surplus or deficit.
- 3.7.2 Dividing the council tax requirement by the taxbase.
- 3.8 The referendum test is a comparison between the 'relevant basic amount' of council tax set by an authority in the relevant year, and that set in the preceding year.
- 3.9 For 2019-20, the Government has set the referendum threshold at 5%. This comprises 3% under the core principle and up to 2% for the Adult Social Care (ASC) precept on condition that their use of the additional ASC precept flexibility

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COUNCIL TAX RESOLUTION

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does not exceed a total of 6% for 2017-18, 2018-19 and 2019-20. For Swindon this means an increase of 1% above the core principle.

- 3.10 The proposed changes are within the referendum thresholds and therefore no referendum is necessary.

Table Two – Comparison of Relevant Amount of Council Tax

	2019-20	2018-19
Balance of budget to be met from Council Tax	£101,821,892	£95,769,078
Taxbase	74,532.0	72,898.6
Relevant Basic Amount of Council Tax	£1,366.15	£1,313.73
Increase on 2018-19 (£-p)	£52.42	
Increase on 2018-19 (%)	3.99%	

- 3.11 The resulting Council Tax levels and percentage increases for a Band D property are summarised in Table Three.

Table Three – Headline Band D Council Tax Changes

	Band D Council Tax 2019-20	Band D Council Tax 2018-19	% Increase
#Swindon Borough Council	£1,366.15	£1,313.73	3.99%
Wiltshire Police and Crime Commissioner	£206.27	£182.27	13.17%
Dorset and Wiltshire Fire and Rescue Authority	£74.87	£72.70	2.98%
*Average headline charge for Parish / Town Councils	£107.86	£103.71	4.01%
Total Bill	£1,755.15	£1,672.41	4.95%

*These figures will differ per parish as set out in Appendices One and Two.

The figure of £1,366.15 represents the average Council Tax levied by Swindon Borough Council, representing a 3.99% increase compared to 2018-19. The Borough Council's element of the Council Tax bill will appear as two separate lines on the bill as set out in Table Four.

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Table Four – Swindon Borough Council Elements of the Council Tax Bill

	Band D Council Tax 2019-20	Band D Council Tax 2018-19	% Increase*
Swindon 'General Expenses'	£1,269.31	£1,230.03	2.99%
**Swindon Adult Social Care Precept	£96.84	£83.70	1.00%
Total SBC Increase	£1,366.15	£1,313.73	3.99%

* The increases are calculated on the Swindon charge of £1,313.73 for 2018-19.

4. Alternative Options

4.1 Not applicable.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 The starting position for the Council Tax calculations is the Council's budget for 2019-20. The Council Tax figures have been calculated based on the precepts agreed by the precepting bodies and the budget proposed by Cabinet on 6th February 2019. Should any change be made to the final budget agreed by Council on the night, the figures will be recalculated and an amended version of Appendices 1 and 2 and the formal Council Tax Resolution in Annex 2 will be circulated at the meeting.

Legal and Human Rights Implications

5.2 The implications of the Council's 2019-20 Budget are covered by the Revenue Budget report elsewhere on the agenda.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

5.3 This report recommends no changes to services so no other implications are envisaged as a result of the recommendations.

Diversity Impact Assessment

5.4 No diversity impact assessment has been undertaken for this report as a Council Tax has to be set by each Billing Authority and the increase is below the Government's referendum threshold.

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COUNCIL TAX RESOLUTION

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Risk Management

5.5 No new risks are envisaged as a result of the recommendations.

6. Consultees

6.1 The Director of Finance (Section 151 Officer) and Interim Director of Law (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

7.1 Revenue Budget Report to Cabinet – 6th February 2019

8. Appendices

8.1 Annex 1 - Legal Position

8.2 Annex 2 - Council Tax Resolution 2019-20

8.3 Appendix 1 - Council Tax Levels 2019-20

8.4 Appendix 2 - Parish Precepts 2018-19 and 2019-20

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Council

Date: 21st February 2019

Annex 1

COUNCIL TAX 2019-20 - LEGAL POSITION

1. Introduction

- 1.1 A Member is not regarded as having a personal and prejudicial interest in a matter unless it affects the member "to a greater extent than other council tax payers, ratepayers or inhabitants" of Swindon, and is so significant that it is likely to prejudice the Member's judgment of the public interest. However any Member who is in arrears with their Council Tax payments needs to give careful consideration to the provisions of Section 106 of the Local Government Finance Act 1992. This states that if any arrears remain unpaid for at least 2 months, then the Member must disclose this at the beginning of any meeting which is to consider any Council Tax calculation or any matter which might affect the Council Tax calculation, and shall not vote on any such matter. If any Member is likely to be in such a position, or is concerned as to whether any interest should be declared, then advice should be sought as quickly as possible from the Director of Law and Democratic Services. So far as any potential disclosable pecuniary interest in relation to the setting of the Council Tax is concerned, all members have applied for and been granted a dispensation under section 33 of the Localism Act 2011 in order to enable them to participate and vote in any discussion in that regard.

2 Statutory Position

- 2.1 The Borough Council is required to maintain a Collection Fund for both Council Tax and National Non-Domestic (Business) Rates. Any sums paid into an authority's Collection Fund shall be used in the making of payments which are to be met from that fund or transfers from it.
- 2.2 The Council as "billing authority" for the Borough is required, to set an amount of Council Tax for each financial year and for each category of buildings. In accordance with the Council's Standing Order 14(3) and the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, at a meeting of the Council at which it is to determine its budget and Council Tax:-
- (a) Immediately after any vote is taken at a budget decision making meeting of the Council there must be recorded in the minutes of the proceedings of that meeting the names of the Members who cast a vote for or against the decision or who abstained from voting.
 - (b) Reference to a "budget decision making meeting" for the purposes of Standing Order 14(3) means a meeting where the Council (i) makes a calculation (whether originally or by way of substitute) in accordance with any of sections 31A, 31B, 34 to 36A, 42A, 42B, 45 to 49, 52ZF, 52ZJ of the Local Government

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Finance Act 1992 (as amended); or (ii) issues a precept under Chapter 4 of Part 1 of that Act,

(c) Reference to a "vote" for the purposes of Standing Order 14.(3) are references to a vote on any decision related to the making of the calculation or the issuing of the precept referred to in (b) above as the case may be.

- 2.3 The amounts of Council Tax must be set by billing authorities before 11 March in any financial year, but such amounts are not invalid merely because they are set on or after that date. No amount may be set before the earlier of the following:-
- (a) 1 March
 - (b) The date of issue to the Council of a precept for the relevant financial year from a "major precepting authority" (e.g. the Police and Crime Commissioner).
- 2.4 No amount may be set unless the Council has made the calculations required by the 1992 Act (as amended by Section 74 of the Localism Act 2011). Members will recall that one of the required steps was to determine the respective Council Tax Base for the Borough and for each parished and non-parished area. The Local Government Act 2003 (section 84) replaces section 67 Local Government Finance Act 1992 which required full Council to formally approve the Council Tax base for the whole of its area. Under the new regulations, it is now for each Local Authority to make its own arrangements for adopting the Council Tax base. The tax base for 2019-20 has been calculated in accordance with The Local Authorities (Calculation of Council Tax Base) Regulations 1992 as amended (the 1992 Regulations). The figures within Appendix 3 show the Tax Base for both 2018-19 and 2019-20 as a consequence of following these rules.
- 2.5 The 1992 Act provides that billing and precepting authorities may make substitute calculations of their budget requirements and amounts of Council Tax. Except in certain special cases (e.g. where the previous calculations have been quashed), the substitute budget requirement cannot be greater than the previous requirement. In the case of billing and major precepting authorities, any substitute amount of tax calculation as applicable to any dwelling cannot exceed the previously calculated amount.
- 2.6 If the amount of Council Tax set as a result of substitute calculations is less than the original amount set, persons who have overpaid may require repayment or may allow the billing authority to choose whether to repay or credit the overpayment.
- 2.7 Differential charging is provided for within a billing authority's area. These provisions require the Council to set differential amounts of Council Tax for different parts of the Borough in response to precepts issued for parts from parishes and for its own special expenses. For 2019-20 this element only relates to the precepts issued by Town and Parish Councils as there are no longer any special expenses.

Further information on the subject of this report can be obtained from Mick Bowden, Direct Dial 07392 109917, mbowden@swindon.gov.uk

COUNCIL TAX RESOLUTION

Council

Date: 21st February 2019

- 2.8 A "major precepting authority" under the 1992 Act includes the Police and Crime Commissioner, and a Fire Authority whilst a "local precepting authority" includes a parish council and the chair of a parish meeting. In the case of a local precepting authority (e.g. a parish council) the billing authority has no power to set substitute amounts of Council Tax if the precept is issued late, but in this event regulations allow billing authorities to anticipate such precepts.
- 2.9 A billing authority, which has set amounts of Council Tax, is required to publish notice of the amounts within 21 days of setting them in at least one newspaper circulating in the area. Failure to do this does not make the amounts invalid.
- 2.10 In accordance with Schedule 5 of the Localism Act 2011, as a billing authority the Borough has a duty to determine whether its relevant basic amount of council tax for a financial year is excessive. If, according to the principles approved in Section 52ZB of the Local Government Act 1992 the Borough's council tax for the year is deemed to be excessive the Borough will be required to hold a referendum. The Secretary of State has proposed the Council Tax principles he is minded to set for 2019-20. It is understood that, in essence, these are that billing authorities like Swindon will be required to seek the approval of their local electorate if, compared with 2018-19, they set an increase in the basic amount of Council Tax of 5% (comprising 2% for expenditure on adult social care and 3% for other expenditure), or more. He has also required billing authorities to show this split on the face of Council Tax bills.
- 3 General Advice**
- 3.1 In considering whether to approve any given level of expenditure, Members must be satisfied that there is evidence which establishes that such a level of expenditure is necessary to meet the needs of the Borough and to comply with the statutory duty to set amounts of Council Tax. Members should have particular regard to the effect on Council Tax payers of various expenditure levels.
- 3.2 Members should consider whether income can reasonably be increased commensurate with the responsibility to meet what Members perceive are the needs of the community.

Interim Director of Law

6th February 2019

Further information on the subject of this report can be obtained from Mick Bowden,
Direct Dial 07392 109917, mbowden@swindon.gov.uk

COUNCIL TAX RESOLUTION

Council

Date: 21st February 2019

Annex 2

COUNCIL TAX RESOLUTION 2019-20

1 Legal Advice

That it be recorded that the advice of the Interim Director of Law (Monitoring Officer) has been taken into account in the setting of the level of Council Tax for 2019-20.

2 Revenue Budget

That it be noted that the Council's revenue budget is £142,497,235 as recommended by the Cabinet to this Council on 6th February 2019.

That it be recorded that the advice of the Director of Finance (Section 151 Officer) has been taken into account in the setting of the level of Council Tax for 2019-20.

3 Council Tax Base

That it be noted that in accordance with Section 31B of the Local Government Finance Act 1992 (as amended) the Council's Tax Base for 2019-20 is 74,532.0 in total with the breakdown by Parish set out in Appendix 3.

4 Borough / Parish Council Tax Rates

That the following amounts be calculated by the Council in accordance with Sections 31 to 36 of the Local Government Finance Act 1992, as amended by the Localism Act 2011:-

- (a) **Borough / Parish Gross Expenditure** £489,133,180 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the 1992 Act taking into account all precepts issued to it by Parish Councils.
- (b) **Borough Gross Income plus Collection Fund Balance** £379,272,043 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
- (c) **Borough/Parish Net Expenditure** £109,861,137 being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its COUNCIL TAX REQUIREMENT for the year.
- (d) **Basic Amount of Tax (including average parish precepts)** £1,575.64 being the amount at 4(c) above divided by the amount at 3 above, calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year. In accordance with Schedule 5 of the Localism Act 2011, this sum is not considered to be excessive.
- (e) **Special Items** £8,039,245 being the aggregate of Parish Precepts and collectively known as special items and referred to in Section 34(1) of the Act.
- (f) **Basic Amount of Tax ##** £1,366.15 being the amount at 4(d) above less the result given by dividing the amount at 4(e) above by the amount at 3, calculated

Further information on the subject of this report can be obtained from Mick Bowden, Direct Dial 07392 109917, mbowden@swindon.gov.uk

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Council

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by the Council in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.

- (g) **Basic Amount of Tax (Special and Parished Areas)** the amounts shown in Appendix 2, being the amounts given by adding to the amount at 4(f) above, the amounts of the special items relating to dwellings in the appropriate part of the Council's area - divided by the appropriate amount at 3 above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which a special item relates.
- (h) **Borough/Parish Council Tax Rates** the amounts shown in Appendix 1, being the amounts given by multiplying the amounts at 4(g) by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band, divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- 5 Police and Crime Commissioner for Wiltshire and Swindon** That it be noted that for the year 2019-20 the Police and Crime Commissioner has stated the following amounts in precept issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
£137.51	£160.43	£183.35	£206.27	£252.11	£297.95	£343.78	£412.54

- 6 Dorset and Wiltshire Fire and Rescue Authority** That it be noted that for the year 2019-20 the Swindon and Wiltshire Joint Fire Authority has stated the following amounts in precept issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
£49.91	£58.23	£66.55	£74.87	£91.51	£108.15	£124.78	£149.74

Footnote

The Basic Amount of Tax of £1,366.15 comprises £1,269.31 for services generally plus £96.84 specifically relating to a 1% increase in the previous year's bill to contribute towards the increased cost of adult social care.

SUMMARY OF COUNCIL TAX BILLS BY VALUATION BAND

AREA OF THE BOROUGH	VALUATION BAND							
	A £ - p	B £ - p	C £ - p	D £ - p	E £ - p	F £ - p	G £ - p	H £ - p
Bishopstone	1,124.24	1,311.62	1,498.99	1,686.37	2,061.12	2,435.88	2,810.61	3,372.74
Blunsdon	1,149.63	1,341.23	1,532.84	1,724.45	2,107.67	2,490.88	2,874.08	3,448.90
Castle Eaton	1,164.67	1,358.79	1,552.90	1,747.02	2,135.25	2,523.48	2,911.69	3,494.04
Central Swindon North	1,177.79	1,374.10	1,570.40	1,766.70	2,159.30	2,551.91	2,944.49	3,533.40
Central Swindon South	1,174.79	1,370.59	1,566.39	1,762.19	2,153.79	2,545.39	2,936.98	3,524.38
Chiseldon	1,192.25	1,390.96	1,589.67	1,788.38	2,185.80	2,583.22	2,980.63	3,576.76
Covingham	1,142.12	1,332.48	1,522.83	1,713.19	2,093.90	2,474.62	2,855.31	3,426.38
Hannington	1,141.14	1,331.33	1,521.53	1,711.72	2,092.11	2,472.49	2,852.86	3,423.44
Haydon Wick	1,153.97	1,346.30	1,538.63	1,730.96	2,115.62	2,500.28	2,884.93	3,461.92
Highworth	1,192.57	1,391.34	1,590.10	1,788.87	2,186.40	2,583.93	2,981.44	3,577.74
Inglesham	1,098.19	1,281.22	1,464.26	1,647.29	2,013.36	2,379.43	2,745.48	3,294.58
Liddington	1,137.42	1,326.99	1,516.57	1,706.14	2,085.29	2,464.43	2,843.56	3,412.28
Nythe, Eldene & Liden	1,131.37	1,319.93	1,508.50	1,697.06	2,074.19	2,451.32	2,828.43	3,394.12
South Marston	1,165.08	1,359.26	1,553.45	1,747.63	2,136.00	2,524.36	2,912.71	3,495.26
St Andrews	1,128.59	1,316.69	1,504.79	1,692.89	2,069.09	2,445.29	2,821.48	3,385.78
Stanton Fitzwarren	1,150.87	1,342.68	1,534.50	1,726.31	2,109.94	2,493.57	2,877.18	3,452.62
Stratton St Margaret	1,226.87	1,431.36	1,635.84	1,840.32	2,249.28	2,658.25	3,067.19	3,680.64
Wanborough	1,149.83	1,341.47	1,533.11	1,724.75	2,108.03	2,491.31	2,874.58	3,449.50
West Swindon	1,161.50	1,355.09	1,548.67	1,742.26	2,129.43	2,516.61	2,903.76	3,484.52
Wroughton	1,194.15	1,393.17	1,592.20	1,791.23	2,189.29	2,587.34	2,985.38	3,582.46

BREAKDOWN OF COUNCIL TAX BILLS BY VALUATION BAND

	Valuation Band							
	A £ - p	B £ - p	C £ - p	D £ - p	E £ - p	F £ - p	G £ - p	H £ - p
<u>Bishopstone</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Bishopstone	26.05	30.40	34.73	39.08	47.76	56.45	65.13	78.16
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,124.24	1,311.62	1,498.99	1,686.37	2,061.12	2,435.88	2,810.61	3,372.74
<u>Blunsdon</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Blunsdon	51.44	60.01	68.58	77.16	94.31	111.45	128.60	154.32
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,149.63	1,341.23	1,532.84	1,724.45	2,107.67	2,490.88	2,874.08	3,448.90
<u>Castle Eaton</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Castle Eaton	66.48	77.57	88.64	99.73	121.89	144.05	166.21	199.46
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,164.67	1,358.79	1,552.90	1,747.02	2,135.25	2,523.48	2,911.69	3,494.04
<u>Central Swindon North</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Central Swindon North	79.60	92.88	106.14	119.41	145.94	172.48	199.01	238.82
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,177.79	1,374.10	1,570.40	1,766.70	2,159.30	2,551.91	2,944.49	3,533.40
<u>Central Swindon South</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Central Swindon South	76.60	89.37	102.13	114.90	140.43	165.96	191.50	229.80
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,174.79	1,370.59	1,566.39	1,762.19	2,153.79	2,545.39	2,936.98	3,524.38
<u>Chiseldon</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Chiseldon	94.06	109.74	125.41	141.09	172.44	203.79	235.15	282.18
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,192.25	1,390.96	1,589.67	1,788.38	2,185.80	2,583.22	2,980.63	3,576.76
<u>Covingham</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Covingham	43.93	51.26	58.57	65.90	80.54	95.19	109.83	131.80
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,142.12	1,332.48	1,522.83	1,713.19	2,093.90	2,474.62	2,855.31	3,426.38
<u>Hannington</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Hannington	42.95	50.11	57.27	64.43	78.75	93.06	107.38	128.86
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,141.14	1,331.33	1,521.53	1,711.72	2,092.11	2,472.49	2,852.86	3,423.44

BREAKDOWN OF COUNCIL TAX BILLS BY VALUATION BAND

	Valuation Band							
	A £ - p	B £ - p	C £ - p	D £ - p	E £ - p	F £ - p	G £ - p	H £ - p
<u>Haydon Wick</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Haydon Wick	55.78	65.08	74.37	83.67	102.26	120.85	139.45	167.34
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,153.97	1,346.30	1,538.63	1,730.96	2,115.62	2,500.28	2,884.93	3,461.92
<u>Highworth</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Highworth	94.38	110.12	125.84	141.58	173.04	204.50	235.96	283.16
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,192.57	1,391.34	1,590.10	1,788.87	2,186.40	2,583.93	2,981.44	3,577.74
<u>Inglesham</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Inglesham	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,098.19	1,281.22	1,464.26	1,647.29	2,013.36	2,379.43	2,745.48	3,294.58
<u>Liddington</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Liddington	39.23	45.77	52.31	58.85	71.93	85.00	98.08	117.70
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,137.42	1,326.99	1,516.57	1,706.14	2,085.29	2,464.43	2,843.56	3,412.28
<u>Nythe, Eldene & Liden</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Nythe, Eldene & Liden	33.18	38.71	44.24	49.77	60.83	71.89	82.95	99.54
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,131.37	1,319.93	1,508.50	1,697.06	2,074.19	2,451.32	2,828.43	3,394.12
<u>South Marston</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
South Marston	66.89	78.04	89.19	100.34	122.64	144.93	167.23	200.68
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,165.08	1,359.26	1,553.45	1,747.63	2,136.00	2,524.36	2,912.71	3,495.26
<u>St Andrews</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
St Andrews	30.40	35.47	40.53	45.60	55.73	65.86	76.00	91.20
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,128.59	1,316.69	1,504.79	1,692.89	2,069.09	2,445.29	2,821.48	3,385.78
<u>Stanton Fitzwarren</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Stanton Fitzwarren	52.68	61.46	70.24	79.02	96.58	114.14	131.70	158.04
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,150.87	1,342.68	1,534.50	1,726.31	2,109.94	2,493.57	2,877.18	3,452.62

BREAKDOWN OF COUNCIL TAX BILLS BY VALUATION BAND

	Valuation Band							
	A £ - p	B £ - p	C £ - p	D £ - p	E £ - p	F £ - p	G £ - p	H £ - p
<u>Stratton St Margaret</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Stratton St Margaret	128.68	150.14	171.58	193.03	235.92	278.82	321.71	386.06
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,226.87	1,431.36	1,635.84	1,840.32	2,249.28	2,658.25	3,067.19	3,680.64
<u>Wanborough</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Wanborough	51.64	60.25	68.85	77.46	94.67	111.88	129.10	154.92
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,149.83	1,341.47	1,533.11	1,724.75	2,108.03	2,491.31	2,874.58	3,449.50
<u>West Swindon</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
West Swindon	63.31	73.87	84.41	94.97	116.07	137.18	158.28	189.94
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,161.50	1,355.09	1,548.67	1,742.26	2,129.43	2,516.61	2,903.76	3,484.52
<u>Wroughton</u>								
Swindon 'General Expenses'	846.21	987.24	1,128.28	1,269.31	1,551.38	1,833.45	2,115.52	2,538.62
Swindon Adult Social Care precept element	64.56	75.32	86.08	96.84	118.36	139.88	161.40	193.68
Wroughton	95.96	111.95	127.94	143.94	175.93	207.91	239.90	287.88
Dorset and Wiltshire Fire and Rescue Authority	49.91	58.23	66.55	74.87	91.51	108.15	124.78	149.74
Wiltshire Police and Crime Commissioner	137.51	160.43	183.35	206.27	252.11	297.95	343.78	412.54
BILL AMOUNT	1,194.15	1,393.17	1,592.20	1,791.23	2,189.29	2,587.34	2,985.38	3,582.46

	Band D Charge 2019-20	Tax Base 2019-20	Precept 2019-20	Band D Charge 2018-19	Tax Base 2018-19	Precept 2018-19	Band D Charge Change 2018-19 to 2019-20	Precept Change 2018-19 to 2019-20		
Bishopstone	£39.08	324.8	£12,693	£39.08	321.5	£12,564	£0.00	0.0%	£129	1.0%
Blunsdon	£77.16	1,036.8	£80,000	£85.96	894.3	£76,875	£-8.80	-10.2%	£3,125	4.1%
Castle Eaton	£99.73	116.8	£11,649	£56.99	113.1	£6,446	£42.74	75.0%	£5,203	80.7%
Central Swindon North	£119.41	9,698.1	£1,158,050	£114.83	9,503.20	£1,091,252	£4.58	4.0%	£66,798	6.1%
Central Swindon South	£114.90	18,386.7	£2,112,554	£114.90	18,024.50	£2,071,000	£0.00	0.0%	£41,554	2.0%
Chiseldon	£141.09	985.2	£139,000	£135.49	996.4	£135,000	£5.60	4.1%	£4,000	3.0%
Covingham	£65.90	1,490.5	£98,230	£55.26	1,481.4	£81,858	£10.65	19.3%	£16,372	20.0%
Hannington	£64.43	120.2	£7,745	£61.76	117.3	£7,245	£2.67	4.3%	£500	6.9%
Haydon Wick	£83.67	9,017.2	£754,473	£62.59	9,021.4	£564,649	£21.08	33.7%	£189,824	33.6%
Highworth	£141.58	3,093.6	£438,000	£134.74	3,072.5	£414,000	£6.84	5.1%	£24,000	5.8%
Inglesham	£0.00	47.7	£0	£0.00	48.8	£0	£0.00	0.0%	£0	0.0%
Liddington	£58.85	173.5	£10,210	£53.74	175.3	£9,421	£5.10	9.5%	£789	8.4%
Nythe, Eldene & Liden	£49.77	3,493.1	£173,847	£48.78	3,460.1	£168,800	£0.98	2.0%	£5,047	3.0%
South Marston	£100.34	357.3	£35,851	£97.89	355.2	£34,770	£2.45	2.5%	£1,081	3.1%
St Andrews	£45.60	6,151.5	£280,500	£47.44	5,659.90	£268,500	£-1.84	-3.9%	£12,000	4.5%
Stanton Fitzwarren	£79.02	104.3	£8,242	£84.31	102.1	£8,608	£-5.29	-6.3%	£-366	-4.3%
Stratton St Margaret	£193.03	7,097.0	£1,369,964	£189.96	7,001.8	£1,330,062	£3.07	1.6%	£39,902	3.0%
Wanborough	£77.46	936.5	£72,543	£70.42	908.2	£63,956	£7.04	10.0%	£8,587	13.4%
West Swindon	£94.97	8,931.4	£848,215	£93.11	8,750.90	£814,796	£1.86	2.0%	£33,419	4.1%
Wroughton	£143.94	2,969.8	£427,479	£138.45	2,890.7	£400,228	£5.49	4.0%	£27,251	6.8%
Total	£107.86	74,532.0	£8,039,245	£103.71	72,898.6	7,560,030	£4.16	4.0%	£479,214	6.3%

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THURSDAY, 21ST FEBRUARY 2019

MINUTE FOR CONFIRMATION

CABINET

WEDNESDAY, 6 FEBRUARY 2019

59. Housing Revenue Account - Rents and Charges 2019/20

Councillor Cathy Martyn, the Cabinet Member for Housing and Public Safety, and the Corporate Director, Communities and Housing, submitted a joint report presenting to Cabinet the proposed rents, service charges, support charges for 2019/20 and proposed Housing Revenue Account (HRA) budget for 2019/20.

Resolved – That Council be recommended that:

- a) The proposed average rent for Housing Revenue Account (HRA) dwellings for 2019/20 of £78.60 per week (52 week basis), which is a decrease of 1.0%, be approved. This will be an average decrease of £0.79 per week (52 week basis). The range of decreases is shown in paragraph 3.8.
- b) The Corporate Director, Communities and Housing seek authority from the Secretary of State to extend the permission for the use of the Housing Revenue Account for payments to the Council's tenants under the Discretionary Housing Payments scheme, and provide a budget of £200k in 2019/20 as detailed at paragraph 3.22 of the report.
- c) The housing related support charges for 2019/20 and service charges for 2019/20, as outlined in Appendix 2 to the report, be approved.
- d) Leaseholder service charges are set for 2019/20, as shown in Appendix 3 to the report.
- e) Based on the proposals within this report, the Housing Revenue Account (HRA) proposed budget 2019/20, shown in Appendix 4, be approved and that the HRA Capital Budget and Funding be also approved, as shown in Appendix 5 to the report, and that, as set out in 3.17 of the report, the tenure of the final 10 properties at Sussex Place to change tenure from shared ownership to affordable rent.
- f) The draft 3 year capital projects and planned maintenance programme be approved at an indicative funding level of £15.398m (2018/19 prices) for 2019/20, as referenced in Appendix 6 to the report.
- g) Rents charged on General Fund properties are reduced in line with Government guidance on Housing Revenue Account rents by 1% for 2019/20. Service charges for General Fund properties, as shown in Appendix 7, are approved.

- h) The charges for Private Sector Leased (PSL) accommodation for those accepted as homeless outlined, as reference in Appendix 7, be approved.**
- i) Any underspend or overspend on the 2018/19 Housing Revenue Account be managed through the general revenue reserves.**

The reasons for the decision and alternative options are as set out in the report to the meeting.

Housing Revenue Account (HRA) - Rents and Charges 2019/20

Cabinet

Date: 6th February 2019

Author: Cabinet Member for Housing and Public Safety
Corporate Director, Communities and Housing

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 To present the proposed rents, service charges, support charges for 2019/20 and proposed Housing Revenue Account (HRA) budget for 2019/20.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.
- 1.3 The funding that will be provided from rents will be of direct benefit to all tenants as it contributes to the maintenance of the housing stock over both the short and long term. This will promote the Council's Corporate priorities One and Four to *"Improve Infrastructure and housing to support a growing, low-carbon economy"* and *"Help people to help themselves while always protecting our most vulnerable children and adults."*

2. Recommendations

Cabinet is invited to recommend to the Council as follows:

- 2.1 The proposed average rent for Housing Revenue Account (HRA) dwellings for 2019/20 of £78.60 per week (52 week basis), which is a decrease of 1.0%, be approved. This will be an average decrease of £0.79 per week (52 week basis). The range of decreases is shown in paragraph 3.8.
- 2.2 To authorise the Corporate Director, Communities and Housing to seek authority from the Secretary of State to extend the permission for the use of the Housing Revenue Account for payments to the Council's tenants under the Discretionary Housing Payments scheme, and provide a budget of £200k in 2019/20 as detailed at paragraphs 3.22.
- 2.3 The housing related support charges for 2019/20 and service charges for 2019/20 as outlined in Appendix 2 are approved.
- 2.4 Leaseholder service charges are set for 2019/20 as shown in Appendix 3.

Further information on the subject of this report can be obtained from Karl Read, tel: 07824 081182, ksread@swindon.gov.uk.

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- 2.5 Based on the proposals within this report, the Housing Revenue Account (HRA) proposed budget 2019/20, shown in Appendix 4, be approved and that the HRA Capital Budget and Funding be approved as shown in Appendix 5 and as set out in 3.17 the tenure of the final 10 properties at Sussex Place to change tenure from shared ownership to affordable rent.
 - 2.6 That the draft 3 year capital projects and planned maintenance programme be approved at an indicative funding level of £15.398m (2018/19 prices) for 2019/20 Appendix 6.
 - 2.7 Rents charged on General Fund properties are reduced in line with Government guidance on Housing Revenue Account rents by 1% for 2019/20. Service charges for General Fund properties, as shown in Appendix 7, are approved.
 - 2.8 The charges for Private Sector Leased (PSL) accommodation for those accepted as homeless outlined in Appendix 7 are approved.
 - 2.9 Any underspend or overspend on the 2018/19 Housing Revenue Account be managed through the general revenue reserves.

3. Detail

- 3.1 The Housing Revenue Account (HRA) is a statutory account set up in accordance with the Local Government and Housing Act 1989. This is a significant budget for the Council amounting to £48.8m of Gross Income in 2019/20 (a budget overview is provided at Appendix 1). The account is ring fenced and cannot be subsidised by the General Fund or vice versa.
- 3.2 The HRA contains all expenditure relating to the Council's landlord function of circa 10,329 dwellings, supported housing schemes, sheltered schemes and, commercial premises. Income is generated through rents, charges and interest received on balances.

Housing Revenue Account (HRA) Rents and Charges

- 3.3 Swindon's Housing Revenue Account (HRA) receives the majority of its income from the charges it levies upon its tenants. Tenants can pay up to 3 elements for their homes:
 - 3.3.1 **Rent** - a charge for the occupation of a dwelling. Rents pay for the management and maintenance of the properties.
 - 3.3.2 **Service charge** - additional services which may not be provided to every tenant, or which may be connected with communal facilities e.g. a caretaker service.

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3.3.3 **Support charge** - additional services to help tenants maintain their tenancies i.e. the Sheltered Housing Officer service in sheltered accommodation and the Homeline alarm system.

Government Rent Policy and Capital Investment

- 3.4 Following the introduction of the Welfare Reform and Work Act 2016, the Government introduced a requirement for Council rents to be reduced by 1% per annum for each year from 2016/17 through to 2019/20. Therefore, 2019/20 will be the last year of the required 1% rent reductions. This policy also changed the ability to re-let properties at the higher “target” rent, originally brought in to help align local authority and housing association rents. Figures used in this report therefore assume target rents will also be reduced by 1%. These are used when re-letting property. The Government have stated that rent policy from 2020/21 will revert to the previous system where rents can rise up to a cap of CPI + 1%.
- 3.5 Whilst the final year of the social rent policy represents lower rent payments for tenants, it also represents a real, and significant, loss of rental income to the Housing Revenue Account. Rent income in 2019/20 is therefore approximately £7m less than forecast before the rent reductions were introduced.
- 3.6 The level of rent directly affects the amount of funding available to run the housing landlord function and service the debt, but also importantly for capital investment. This becomes increasingly important because of the much needed investment required in the Council’s non-traditionally built homes and upgrades required to the sheltered housing stock.

Housing Revenue Account Budget 2019/20

- 3.7 Given the Government’s rent policies provide for a continued annual reduction of 1% per annum, rents for 2019/20 have been prepared on this basis.
- 3.8 Table 1 shows the rent decrease by property size and the range of decreases within that band. The historical rent calculation formula means that there is no “average” property within the stock as the rent for each property is based on a combination of the number of bedrooms and the 1999 property value. Government policy assumes that all properties will move to their target rent when they become void which is why rent for new tenants remain at a higher rate. As a result of a significant amount of the HRA stock not reaching their target rents there is still a wide range of actual rents being paid.
- 3.9 The table excludes the “affordable rent” properties whose rents are calculated on a different basis to social housing rents as they are a product of the housing development programme. There are currently approximately 375 affordable rented properties within the HRA stock.
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Table 1 Average and range of rent by property size (52 week basis)

No. of properties at Dec 2018	No. of Bedrooms	Final rents at year end 2018/19	Rent for existing tenants for 2019/20	Net Change %	Rent for new tenants for 2019/20	Lowest rent per week	Highest rent per week
276	Bedsits	62.36	61.74	-1.0%	65.98	59.32	71.22
3,213	1	72.01	71.29	-1.0%	74.46	61.72	86.25
2,709	2	79.94	79.14	-1.0%	81.39	69.86	95.01
3,573	3	85.89	85.03	-1.0%	88.99	77.04	114.99
187	4	98.66	97.67	-1.0%	102.97	83.76	132.00
4	5	104.32	103.28	-1.0%	110.65	81.90	114.18
0	5>						
9,962	Overall	79.39	78.6	-1.0%	81.92		

- 3.10 The HRA budget for 2019/20 is dependent upon the decisions Members make around changes to rents, service charges, support charges, and capital investment.
- 3.11 Appendix 2 provides a high level budget and Appendix 4 shows the HRA budget in more detail. The following paragraphs outline the major movements (key variances) from the 2018/19 base budget to the proposed 2019/20 budget. This section will also bring to Members' attention the short and medium term financial implications and challenges facing Swindon's HRA.
- 3.12 The current HRA debt will stand at £109.015 million on 1 April 2019 and the average interest rate for this is 3.32%. Although a policy of debt reduction in recent years has reduced the Council's HRA debt the interest payments on the remaining debt are still significant, and for 2019/20 the interest payment will be £3.619m (item 26, Appendix 4).
- 3.13 The budgeted cost of revenue repairs (item 3 & 4, Appendix 4) has increased slightly from the £11.627m budget in 2018/19 to £11.851m, reflecting the interim costs of the additional direct labour force delivering the repairs. This was a result of taking more housing voids work in-house. There is potential to deliver savings on the new voids contract when let in 2019/20.
- 3.14 The proposed budget includes a bad debt provision of £620k for 2019/20. This reflects the ongoing challenge of the phased introduction of Universal Credit for tenants. It is standard practice to make an allowance for bad debts, officers will

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continue to make inroads to keeping amounts owed as low as possible. Excellent work has been done to stabilise rent loss by ensuring a high collection rate (as at December 2018 this stood at 96.79% which is above the December 2017 performance. The allowance is included in item 11, Appendix 4.

Capital Programme

3.15 The HRA Capital Improvement Programme covers 3 major areas, these are:

- Capital projects e.g. kitchens & bathrooms, insulation improvements
- Planned maintenance programme e.g. fencing, paths, electrical maintenance, heating
- Regeneration, acquisition and new build programme.

3.16 The capital projects and planned maintenance programme has been set at £15.398m for 2019/20 (Item 6, Appendix 4). This is slightly less than the 2018/19 funding level of £15.5m. Appendix 5 items 17-20 provide a summary of the retained Right-to-buy (RTB) income that is available for investment in new build programmes.

3.17 Any other new build and major regeneration programmes will be brought to Cabinet for separate approval and will take account of the Housing Strategy. Following the removal of the borrowing cap at the end of October 2018, regeneration and new build opportunities can take advantage of additional borrowing where required as well as, capital receipts from Right-to-buy sales, Section 106 funding for affordable housing and Government funding from Homes England (HE). Appendix 5 line 4 identifies an anticipated spend on the Housing Development Programme of £6.78m. This includes final payments for schemes such as at Penhill Drive, Cranmore Avenue and Sussex Place. On the latter in order to complete the development, subject to Cabinet approval, the final 10 units originally envisaged as shared ownership properties will be converted to affordable rented units due to the Council's preferred partner withdrawing from the scheme due to market conditions. These units have already been funded from reserves, and whilst no capital receipts will be received in respect of the planned sale, there are no additional financial implications as grant funding will be available from Homes England.

3.18 A draft 5-year capital programme is attached at Appendix 6. The purpose of recommending a 5-year programme rather than for just 1 year is to enable better forward planning and provide certainty. The programme will be kept under review as the Government develops its rent policies. It is recommended that the indicative level of spend outlined in Appendix 6 be approved.

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General Fund Rents and Service Charges

- 3.19 Rent charges for the residential properties owned by the General Fund (including the David Murray John Tower - DMJ) have followed the same rent setting approach as used for HRA properties. Service charges for these properties have been reviewed for 2019/20 and aligned with the latest cost of service provision resulting in charges as outlined in Appendix 7 and it is recommended that the charges for the General Fund properties be approved.

Homelessness Contributions

- 3.20 The level of homelessness contributions for private accommodation is linked to the Local Housing Allowance (LHA) that is payable for each size of property. This enables a degree of affordability for tenants whilst also reducing costs on the homelessness budget. The Government changed funding arrangements for homelessness accommodation in 2017/18 and introduced a Flexible Homeless Support Grant that is not ring-fenced to homelessness. However, the Grant has been allocated to the temporary accommodation budget since 2017/18 to help mitigate costs and develop a new model of temporary accommodation. At the moment, there is no certainty on future grant allocations beyond 2019/20. The Government determined LHA rates have only had small increases in recent years, with the resulting charges shown in Appendix 7.

Affordable Rents

- 3.21 There are different guidelines that cover affordable rent properties and the current stock of these properties is circa 375. However, affordable rents are subject to the same restrictions as social rents in terms of the Government imposed rent decreases and therefore the budget has been prepared on the basis of a 1% reduction from the 2018/19 rent.

Discretionary Housing Payments Fund (DHP)

- 3.22 Following a ground breaking initiative achieved by the Council a specific Secretary of State approval has been rolled out nationally allowing all local authority HRAs to provide a Discretionary Housing Payments Fund (DHP) for tenants struggling with specific Welfare Reforms. For 2019/20 it is proposed to set this at £200k subject to Secretary of State Consent.

Support and Service Charges

- 3.23 There are no significant pressures on service charges. However, there are some increase due to the expectation of rising utility costs, in contrast to previous years where these costs have fallen. As a result, some service charges have therefore risen for 2019/20. Where reserves exist due to over-recovery in previous years,

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some of these reserves have been used to mitigate any increased charges. Full details of all service charges can be found in Appendix 2.

Leaseholder Service Charges

- 3.24 Leaseholders are recharged the full cost of providing services. The charges proposed for leaseholders are shown in Appendix 3.
- 3.25 Administration charges to cover the costs involved in the resale of leases is proposed to increase by 3.2% in line the Consumer Prices Index (CPI) +1% from £169.26 to £174.68 per transaction as shown in Appendix 3.

Garage Rents and Parking Charges

- 3.26 Garage rents are now held within the General Fund and all garage charges for 2019/20 are increasing by 5% in line with Council policy on fees and charges. Details are shown in Appendix 2. Cross over spaces linked to properties are increasing by 3.2% in line with CPI + 1%.

Provisional Budget for 2019/20

- 3.27 A summary of the budget proposals contained in this report is provided in Appendix 1. This demonstrates the budget is balanced with the operating surplus being used to fund Capital Expenditure without the need to draw on reserves.

HRA Business Plan 2019/20 – 2022/23

- 3.28 Appendix 8 shows the estimated impact of the 1% annual reduction in rents on the funding available for investment through to 2022/23, compared with the previous business plan. The overall change in funding available for capital investment is an increase of £0.7m from £64.8m to £65.5m. This increase is the result of rising income as rents begin to rise by CPI +1% from 2020/21 combined with operational savings. The key business plan assumptions are set out below.
- 3.29 CPI and RPI estimates are based on Treasury and ONS (Office of National statistics) data available at September 2018. Void allowances, which represent lost rent when properties are vacant between tenancies, rose significantly during 2017/18 and following targeted improvement action have fallen during 2018/19 as the backlog caused by the previous contractor failure has been addressed through a combination of in-house support to the void programme and closer management of the interim external contractors. Consequently, the void rate has been decreased slightly to reflect an anticipated increase in performance from 1.4% to 1.21%, the budget being reduced from £600k to £500k. Also included in the Business Plan assumptions is a bad debt allowance referred to in para 3.14 of £620k, or 1.49% of rents. All of these assumptions will be reviewed as and when the business plan is updated to reflect the latest information and therefore

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this is only indicative of the potential position in 2019/20. A full and updated HRA Medium Term Resource Plan will be presented to Cabinet early in the new financial year to reflect current performance.

Investment requirements

- 3.30 A budget of £8.4 million has been allocated to replace components such as roof coverings, doors and windows, electrical wiring and central heating etc. in order to maintain homes to the Decent Homes Standard, which is in line with the recommendations of the 2016 Stock Condition Survey. A budget of £550k has been set aside for contingency works which includes safety measures, structural and specialist repairs and fire safety works. The investment for extensive refurbishment works to the high-rise blocks of flats has been deferred by a year, whilst options on whether to refurbish or regenerate are being finalised. However, a budget of £600k has been allocated for water suppressive systems (sprinklers or misting systems) to further enhance fire safety to the high-rise blocks of flats and reassure residents that their homes are safe to live in. The investment to the non-traditional housing stock is to be prioritised for 2020/21 in conjunction with the need to refurbish or regenerate the high-rise blocks of flats. Periodic checks are to be undertaken to ensure that the long-term structural integrity and viability of the non-traditional housing stock is not put at risk. A budget of £2m has been allocated to deliver external planned maintenance to ensure that homes continue to be maintained to a good standard. A budget of £1.55m has been allocated to meet the increasing demand for major adaptations to allow residents with any special needs to live independently. The investment has increased to £500k to replace the vehicles for our in-house workforce due to the existing vans no longer being economical to repair which will also help to reduce the need to hire vehicles. These are summarised in Appendix 6

Consultation

- 3.31 The rent setting presentations to tenants and leaseholders explained the revised Government policies for 2019/20 and beyond and the impact on the funding available for investment in HRA stock. Following work with officers to deliver operational savings, and increased rentals from new builds and acquisitions, the budget for 2019/20 has been balanced without a requirement to draw on reserves or repay less debt. As such, no decisions were required for a formal consultation, but presentations were made during December, where the assumptions and details around the budget and charges were presented and made available to Council tenants and leaseholders. Attendance at the events were relatively low however the presentations were made available online and through social media.
- 3.32 A briefing paper on the Cabinet Report will be discussed at the Housing Management CMAG on the 30th January.

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4. Alternative Options

- 4.1 The parameters for setting local authority rents are largely controlled by Central Government who have provided guidance that rents should be reduced by 1% per annum from 2016/17 through to 2019/20. Local authorities could reduce by more than this, but after 2019/20, local authorities gain more discretion as the Government have stated they can set rents with increases up to CPI + 1%.
- 4.2 The setting of service charges is a local decision. Service charges should generally be set at a level that recovers the cost of providing those services, but does not make a profit. Should service charges be set lower than at a level that recovers costs, then the deficit will be funded through general rent income and result in less funding available to support capital investment.
- 4.3 The current policy is to repay £5m of HRA debt per annum, which reduces the following year's annual interest payments by £166,000. Cabinet could decide not to repay either some or all of this, which would increase the funding available for capital investment, but would incur additional debt interest charges. Appendix 8 shows how changes in the 2019/20 budget have impacted on the previous business plan through to 2022/23. Given the current capital programme includes a substantial amount of backlog from previous years, there would however be significant resource implications around the ability of officers in delivering a further £5m of capital investment in 2019/20 over and above that currently planned.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 These have been reflected in the body of the report.

Legal and Human Rights Implications

- 5.2 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 There are no such direct implications.

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Diversity Impact Assessment

- 5.4 A thorough Diversity Impact Assessment was carried out in support of the HRA Business Plan in 2012 and this has been updated based on the narrative in 5.5.1. A specific DIA has not been completed for this report.
- 5.5 Based on the information contained in this report the following considerations have been made
- 5.5.1 Setting of local authority rents is subject to Government guidance, which will require a year on year reduction of 1% up to and including 2019/20, although this will not apply to service charges which are still required to cover their costs. A careful balance needs to be struck between affordability and tenants being able to benefit from warmer and healthier homes. For those on the lowest incomes there will be no impact as their rents are covered by Housing Benefit or the Housing element in their Universal Credit claim, and they will continue to be able to claim their full entitlement under the respective national scheme. Support to enable them to do this is provided both by housing officers and benefits advisers. Housing officers are aware that a large proportion of employed Council tenants are on low incomes and that these decreases should benefit these tenants in some cases. Any tenants who feel that proposed increases in service charges and support costs will cause them hardship will be able to seek advice from their local Neighbourhood Housing Officers as well as from the Citizens Advice Bureau.
- 5.5.2 The Discretionary Housing Payment scheme funded by both the General Fund and the Housing Revenue Account, subject to Ministerial consent and set criteria, will continue to be available to alleviate hardship by meeting gaps in benefit previously received.
- 5.5.3 Information regarding Housing Benefit and the support available from Housing Services will continue to be provided to all tenants when they receive notification of new rents for 2019/20. Tenants who fall into rent arrears will be managed according to the Council's Rent Arrears Policy for which a Diversity Impact Assessment has also been completed.
- 5.5.4 The impact of the loss of rental income due to the 1% rent decrease has largely been mitigated in 2019/20 by efficiency savings identified within the Housing Teams, the completion of new housing properties which are let at affordable rent levels, the acquisition of properties as part of the £17m acquisition programme and the inclusion of 53 weeks rent in 2019/20. This will ensure for the coming year that the housing stock is maintained in the short term.

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Risk Management

- 5.6 Failure to raise enough revenue through rents to fund a capital programme that secures the long-term future of the council's housing stock is an important consideration that is part of the rent setting process. The implications of the Government's proposed 1% rent decrease are set out in Appendix 8.

6. Consultees

- 6.1 The Director of Finance (Section 151 Officer) and the Interim Director of Law (Monitoring Officer) are consulted in respect of all Cabinet reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Proposed HRA Budget Overview 2019/20.
- 8.2 Appendix 2 – Service charges for 2019/20
- 8.3 Appendix 3 – Leaseholder charges for 2019/20
- 8.4 Appendix 4 – Detailed HRA Budget 2019/20
- 8.5 Appendix 5 – Proposed HRA Capital Budget 2019/20
- 8.6 Appendix 6 – Proposed HRA 3 year Capital Programme
- 8.7 Appendix 7 – Proposed HGF Rents & Service Charges 2019/20
- 8.8 Appendix 8 – Comparison of Business Plans showing the impact of proposed budget changes.

9. Key Decision/Decision in Cabinet Work Programme

- 9.1 This item is included in the Cabinet Work Programme for February 2019. This is not a key decision to be made by Cabinet because the final decisions are to be made by full Council on 21st February 2019.

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Appendix 1 – Overview of HRA Revenue Budget

	2018/19 Budget	2019/20 Proposed Budget
	£	£
Expenditure		
Management (staff, overheads and service charge costs)	12,459,500	12,756,000
Repairs (incl. staff costs)	11,627,200	11,851,900
Discretionary Housing Payments	200,000	200,000
Rent, Rates & Taxes	68,500	68,500
Debt Management fees and Debt Rescheduling Premium	60,000	60,000
Gross Expenditure	24,415,200	24,936,400
Income		
Rents	(43,355,500)	(43,767,300)
Voids and Bad debts	1,220,300	1,120,300
Service Charges	(3,745,900)	(3,628,700)
Other Income (garages, commercial property, Homeline)	(2,653,400)	(2,566,600)
Gross Income	(48,534,500)	(48,842,300)
Net Cost of Services	(24,119,300)	(23,905,900)
Net Interest costs (after interest receivable has been deducted)	3,581,300	3,507,900
Contribution to Capital Expenditure and loan repayment	5,000,000	5,000,000
Contribution from General Reserves	0	0
Projected (surplus) / deficit for the year	(15,538,000)	(15,398,000)
Use of operating Surplus with £5m Loan Repayment		
Funding available for Capital Investment	15,538,000	15,398,000
Use of Operating Surplus	15,538,000	15,398,000

Appendix 2 – Service charges for 2019/20

	Current Charge 2018/19	Proposed Charge 2019/20
	£	£
<u>Flats (Communal entrance)</u>		
Service Charge - Staircase Lighting	0.74	0.75
Multi Storey service charge	13.80	10.52
Neighbourhood Wardens Low & medium rise blocks service charge	1.90	1.87
Neighbourhood Wardens General stock service charge	1.07	1.00
Townsend House	9.86	9.86
<u>Sheltered Housing</u>		
Sheltered service charge	25.85	26.68
Heating charge - private use	5.24	6.50
Heating charge - communal use	2.51	2.54
Water charge	4.32	4.39
Extra Care (Newburgh House)	2.97	3.25
Guest room charge	14.00	16.00
Guest flat charge	16.00	18.00
<u>Other</u>		
Cable TV charge	2.04	2.04
Communal TV aerials	1.13	1.17
Grass Cutting	3.00	4.00
Hedge	1.44	2.00
Furniture Charge - Full Flat	5.00	5.00
Emergency Room Service Charge	17.43	17.61
<u>Support Charges</u>		
Sheltered housing support charge	3.13	3.13
Sheltered transitional protection	-1.67	-1.67
Homeline Charge	4.62	4.77
Homeline transitional protection	-0.30	-0.30
Homeline Charge - private tenants	7.25	7.48
Homeline Plus level 1	13.36	13.79
Homeline Plus level 2	14.87	15.35
Homeline Plus level 3	16.87	17.41

Appendix 2 – Service charges for 2019/20 (continued)

	Current Charge 2018/19	Proposed Charge 2019/20
	£	£
<u>Garage / Parking Charges</u>		
Garage rent	8.28	8.69
Account Garage + VAT	9.16	9.62
Parking space	2.80	2.94
Cross over - existing tenants	2.51	2.59
Cross over - new tenants	4.91	5.07
Cross over - new build properties (2 spaces)	9.82	10.14
Account parking space + VAT	3.12	3.28
Premium Garage + VAT	10.98	11.53
Premium parking space + VAT	6.87	7.21
<u>Supported Housing</u>		
Service Charge	43.21	44.59
Heating charge - private use	5.78	5.87
Heating charge - communal use	2.03	2.06
Water charge	5.47	5.56
Electricity	6.18	6.18
<u>Small Housing Schemes</u>		
Service charge - Moredon Road	35.26	35.26
Service charge - William Robins Court - LD clients	22.45	22.45
Service charge - William Robins Court - General needs	12.28	12.28
Service charge - Baileys Farm Gardens - General needs	14.44	14.58
Service charge - Baileys Farm Gardens - General needs water	4.34	4.34
Service charge - Marlowe Avenue	24.36	24.36
Service charge - Twyford Close	8.92	9.21
Service charge - Evelyn House (SBC element)	24.63	25.42
Service charge - Tyndale Gardens (SBC element)	30.06	30.94
Service charge - Kimmerfield Court (SBC element)	6.20	6.20
Service charge - Kimmerfield Court - Private heating charge	3.99	3.99
Service charge - Kimmerfield Court - Communal heating charge	1.74	1.74
Service charge - Sussex Place	1.37	1.37

Appendix 3 - Leaseholder Charges

	Current Charge 2018/19	Proposed Charge 2019/20
	£	£
Ground Rent - Annual Charge	10.00	10.00
Leaseholder management charge - all properties	167.79	173.16
Leaseholder management charge - properties with communal areas	200.93	207.36
Service Charge - Staircase Lighting adjusted to actual charge during annual review	34.87	34.89
Multi Storey service charge	588.66	443.95
Administration charge dealing with the re-sale of leasehold interest	169.26	174.68

In addition leaseholders pay property insurance based on the insured value of their property and a contribution to any repairs carried out on their block of flats

Appendix 4 - Detailed HRA Budget 2019/20

Item		2018/19 Budget	2019/20 Proposed Budget
		£	£
	<u>EXPENDITURE</u>		
1	S&M General	6,575,500	6,792,800
2	S&M Special	5,884,000	5,963,200
3	Repairs Administration	1,233,900	1,175,200
4	Contribution to Repairs Account	10,393,300	10,676,700
5	Rent, Rates & Taxes	68,500	68,500
	<u>Capital Financing</u>		
6	Funding available for Capital Investment	15,538,000	15,398,000
7	Debt Management	60,000	60,000
8	Discretionary Housing Payments	200,000	200,000
9	<u>TOTAL EXPENDITURE</u>	39,953,200	40,334,400
	<u>INCOME</u>		
	<u>Rent income</u>		
10	Dwellings	(43,355,500)	(43,767,300)
11	Provision for Bad Debts	620,300	620,300
12	Less voids	600,000	500,000
13	Garages	(160,800)	(215,000)
14	Shops / Commercial	(68,400)	(76,000)
15	Support charges - Sheltered	(216,000)	(216,000)
16	Sheltered Housing Service Charges	(2,556,600)	(2,269,000)
17	Supported Housing Service Charge	(447,100)	(453,300)
		(45,584,100)	(45,876,300)
18	Miscellaneous Properties Rent	(80,000)	(95,000)
19	Service Charges - Flats	(78,600)	(92,800)
20	Sheltered Housing Heating Charges	(447,600)	(597,600)
21	Homeline	(985,200)	(1,019,400)
22	Other Service Charges / Other income	(1,359,000)	(1,161,200)
23	Contribution from General Reserves	0	0
		(2,950,400)	(2,966,000)
24	<u>TOTAL INCOME</u>	(48,534,500)	(48,842,300)
25	<u>NET COST OF SERVICES</u>	(8,581,300)	(8,507,900)
26	Loan Charges - Interest	3,785,300	3,619,300
27	Interest on balances (interest receivable)	(204,000)	(111,400)
28	Right to buy mortgage interest (interest receivable)	0	0
29	<u>NET OPERATING EXPENDITURE</u>	(5,000,000)	(5,000,000)
30	Loan repayments	5,000,000	5,000,000
31	<u>PROJECTED (SURPLUS) / DEFICIT FOR THE YEAR</u>	0	0

Appendix 5 - Proposed HRA Capital Budget 2019/20

Item		2018/19 Budget	2019/20 Proposed Budget
		£	£
	<u>HRA Capital Schemes</u>		
1	Capital Projects (including vehicle replacement) and Planned Maintenance Programme	13,542,000	15,398,000
2	Carried forward from previous year's Programme	0	2,000,000
3	Anticipated spend on Acquisition Programme (Budget £17m)	5,000,000	5,100,000
4	Anticipated spend on Housing Development Programme	5,000,000	6,780,000
5	Total Capital Programme	23,542,000	29,278,000
	HRA Capital Funding Applied		
6	Funding available for Capital Investment - transfer to MRR	15,542,000	15,398,000
7	In year Capital receipts	0	0
8	S106 Funding	0	1,800,000
9	In year resources available	15,542,000	17,198,000
	HRA Capital Reserves		
10	Usable Capital Receipts		
11	Prudential Borrowing		
12	HCA Funding	530,000	3,900,000
13	RTB Funding Used	1,500,000	1,530,000
14	HRA Capital Reserves	6,372,000	2,402,000
15	In year resources available	8,402,000	7,832,000
16	Total HRA Capital Funding	23,944,000	25,030,000
	<u>RTB retained funding</u>		
17	Brought forward	3,708,600	4,908,600
18	Used in year	(1,500,000)	(1,530,000)
19	Additional funding from in year sales	2,700,000	2,700,000
20	Resources carried forward	4,908,600	6,078,600

The HRA Business Plan assumes that any shortfall in funding would be met initially from General Reserves before any additional borrowing is required.

Appendix 6 - Proposed 5 year Capital Programme

Element	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's
Components #	8,410	7,336	6,973	6,512	6,404
Vehicle Replacement Programme	500	500	250	-	-
EWI/Refurbishment/Regeneration of High-Rise Blocks	-	3,100	4,000	5,000	5,400
Contingent Major Repairs	550	300	300	300	300
Cyclical Planned Maintenance	2,030	2,030	2,030	2,030	2,030
Major Adaptations	1,550	1,500	1,500	1,500	1,500
Improvements	2,358	900	900	900	900
Grand Total	15,398	15,666	15,953	16,242	16,534

- Components typically cover the replacement of kitchens, bathrooms, roofs, windows, doors, boilers, central heating, rewiring etc

All budgets are shown at 2018/19 prices.

Any shortfall between the Capital Programme planned expenditure shown above and the funding available as indicated in the business plan at Appendix 8, will be addressed as part of budget setting at the start of each year.

Appendix 7 - Proposed HGF Rents & Service Charges **2019/20**

	Current Charge 2018/19	Proposed Charge 2019/20
<u>Christopher House, Marlowe Avenue</u>		
Service Charge	11.74	12.06
<u>David Murray John Building</u>		
Service charge - 1 bed property	19.71	18.09
Service charge - 2 bed property	23.19	21.28
<u>PSL rents</u>		
1 Bed	106.54	109.74
2 Bed	127.51	131.34
3 Bed	157.56	162.29
4 Bed	198.11	204.05
<p>Private Sector Landlord Rents have been reduced in response to Government removing the previous weekly management fee. The fee has been replaced by the Flexible Homeless Support Grant that is not ring-fenced to Homelessness and has so far only been made confirmed up to and including 2019/20.</p>		

Appendix 8 - Comparison of Business Plans showing the impact of changes made as part of the budget setting for 2019/20 over the next 4 years

Current 18/19 HRA Business Plan											
Income						Expenditure		Net Available for Investment			
Year	Rental Income	Voids & Bad Debts	Net Rental Income	Other income	Total Income	Total expenses	Debt Interest	Net Operating Expenditure	Debt Repayment	Available for Capex	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	
1 2019.20	42,111	(1,227)	40,884	7,979	48,863	(24,542)	(3,679)	20,642	(5,000)	15,642	
2 2020.21	42,351	(1,234)	41,117	8,200	49,318	(25,212)	(3,513)	20,592	(5,000)	15,592	
3 2021.22	43,405	(1,264)	42,141	8,492	50,632	(25,901)	(3,347)	21,384	(5,000)	16,384	
4 2022.23	44,480	(1,296)	43,184	8,798	51,982	(26,608)	(3,181)	22,192	(5,000)	17,192	
Totals	172,347	(5,021)	167,326	33,469	200,795	(102,263)	(13,721)	84,811	(20,000)	64,811	
Revised 19/20 HRA Business Plan											
Income						Expenditure		Net Available for Investment			
Year	Rental Income	Voids & Bad Debts	Net Rental Income	Other income	Total Income	Total expenses	Debt Interest	Net Operating Expenditure	Debt Repayment	Available for Capex	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	
1 2019.20	41,653	(1,120)	40,533	8,371	48,904	(24,820)	(3,679)	20,405	(5,000)	15,405	
2 2020.21	42,206	(1,129)	41,077	8,587	49,664	(25,404)	(3,555)	20,705	(5,000)	15,705	
3 2021.22	43,394	(1,160)	42,234	8,778	51,012	(26,028)	(3,384)	21,600	(5,000)	16,600	
4 2022.23	44,917	(1,191)	43,726	8,994	52,720	(26,665)	(3,231)	22,824	(5,000)	17,824	
Totals	172,170	(4,600)	167,570	34,730	202,300	(102,917)	(13,849)	85,534	(20,000)	65,534	
Business Plan Variations											
Income						Expenditure		Net Available for Investment			
Year	Rental Income	Voids & Bad Debts	Net Rental Income	Other income	Total Income	Total expenses	Debt Interest	Net Operating Expenditure	Debt Repayment	Available for Capex	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	
1 2019.20	-458	107	(351)	392	41	(278)	0	(237)	0	(237)	
2 2020.21	-145	105	(40)	387	346	(192)	(42)	113	0	113	
3 2021.22	-11	104	93	286	380	(127)	(37)	216	0	216	
4 2022.23	437	105	542	196	738	(57)	(50)	632	0	632	
Totals	(177)	421	244	1,261	1,505	(654)	(128)	723	0	723	

The "Available for Capex" figures include an element earmarked for depreciation charges on vehicles

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THURSDAY, 21ST FEBRUARY 2019

MINUTE FOR CONFIRMATION

CABINET

WEDNESDAY, 6 FEBRUARY 2019

60. Swindon Pay Policy Statement 2019

Councillor Keith Williams, the Cabinet Member for Corporate and Customer Services, and the Director of Performance, Organisational Improvement and Communications, submitted a joint report setting out the Council's Pay Policy Statement for 2019 / 2020 for consideration by Cabinet, prior to referral to Full Council for approval.

It was noted that the Localism Act 2011 requires local authorities to agree and publish a Pay Policy Statement by 1st April each year.

Councillor Williams, supported by the Corporate Director, Corporate Director Communities and Housing, responded to a matter raised by Councillor Bob Wright regarding an apparent disparity in the levels of remuneration in some service areas, when compared with neighbouring authorities, and the difficulties that this can present when recruiting to vacant posts.\

Resolved – That Council be recommended to approve the Pay Policy Statement, and, if approved, to authorise the Director of Performance, Organisational Improvement and Communications to update the salary information on 1st April 2019 prior to publication.

The reasons for the decision and alternative options are as set out in the report to the meeting.

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Pay Policy Statement: 2019 / 2020

Cabinet

Date: 6th February 2019

Author: Cabinet Member for Corporate and Customer Services
Director of Performance, Organisational Improvement and Communications

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 The Localism Act 2011 requires local authorities to agree and publish a Pay Policy Statement by 1st April each year. This report sets out the Council's Pay Policy Statement for 2019 / 2020 for consideration by Cabinet, prior to referral to Full Council for approval.
- 1.2 The Council's policies in respect of pay and terms and conditions support the Council's strategic objectives as part of ensuring that services to the community can be delivered to the required standards and with due regards to economy, efficiency and effectiveness.

2. Recommendations

Cabinet is recommended to:

- 2.1 Review the Council's Pay Policy Statement for 2019 / 2020, as set out in Appendix 1 to the report.
- 2.2 Recommend the Pay Policy Statement to the Council for approval, and, if approved, authorise the Director of Performance, Organisational Improvement and Communications to update the salary information on 1st April 2019 prior to publication.

3. Detail

- 3.1 Section 38 of the Localism Act 2011 placed a requirement on local authorities to prepare a Pay Policy Statement for each new financial year. The Pay Policy Statement for 2018 / 2019 has been updated for 2019 / 2020 and must be approved by Full Council before 31st March 2019. It must be published as soon as is reasonably practicable after approval and this must include publication on the authority's website. The Statement must set out the Council's policies relating to the following:
 - 3.1.1 Remuneration of its Chief Officers;
 - 3.1.2 Remuneration of its lowest paid employees; and
 - 3.1.3 The relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers.

Further information on the subject of this report can be obtained from Sam Mowbray, Direct Dial Telephone Number: 07823 525337, E-mail: smowbray@swindon.gov.uk.

Pay Policy Statement: 2019 / 2020

Cabinet

Date: 6th February 2019

- 3.2 The Pay Policy Statement does not cover or include school employees and is not required to do so.
- 3.3 Each Council is an individual employer in its own right and has the autonomy to make decisions on pay that are appropriate to local circumstances and which deliver value for money for tax payers. The provisions of the Localism Act do not seek to change this or determine what decisions on pay should be taken. They do, however, require Councils to be open about their policies in relation to pay and how decisions are made.
- 3.4 The proposed Swindon Pay Policy Statement has been put together, taking into account the relevant sections within Chapter 8 “Pay Accountability” of the Localism Act 2011. In its development, considerations has also been given to the guidance produced by the Department for Communities and Local Government – Openness and Accountability in Local Pay (February 2012) – guidance under Section 40 of the Localism Act” and the Code of Recommended Practice for Local Authorities on Data Transparency.
- 3.5 The Pay Policy Statement is broadly the same as that published for 2018 / 2019 with the following changes and updates having been made:
- 3.5.1 **Pages 3 – 6: Structure Overview** – this section has been amended to reflect the changes to the organisation.
- 3.5.2 **Page 9: Highest to Lowest Paid Employees** - this section has been amended to reflect the changes in the ratios. The main change is the ratio of highest to lowest paid employees. In April 2018 it was 1:10.9 and for October 2018 it is 1:10.1.
- 3.6 The proposed Pay Policy Statement 2019 – 2020 is attached at Appendix A. The Statement sets out the Council’s policies in relation to pay of its workforce, particularly its Chief Officers. The figures are based as at 1st October 2018, but will be amended on 1st April 2019 prior to the Statement being published on the internet.
- 3.7 The Statement aims to ensure the Council’s approach to pay and reward attracts and retains a high performing workforce whilst ensuring value for money. The Council has previously published information on pay as part of its responsibilities under the Code of Practice for Local Authorities on Data Transparency.
- 3.8 The Council is required to approve the Statement before 31st March each year and as soon as possible publish it on its website demonstrating an open and transparent approach to pay. The Statement may be amended by resolution of Full Council during the year to which it relates.
-

Further information on the subject of this report can be obtained from Sam Mowbray, Direct Dial Telephone Number: 07823 525337, E-mail: smowbray@swindon.gov.uk.

Pay Policy Statement: 2019 / 2020

Cabinet

Date: 6th February 2019

- 3.9 The Pay Policy Statement references a number of existing policies and other information that will be linked to the Statement on the Council's website. These links will be made available as soon as the Statement is made available on the Council's website in April. The majority of these are already available to Members and employees on the intranet.

4. Alternative Options

- 4.1 As this is a requirement under the Localism Act, there are no alternative options being put forward.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 There are no direct financial implications arising from this report as the Pay Policy Statement sets out the Council's policies relating to remuneration. It does not serve to set or agree specific rates or numerical amounts.

Legal and Human Rights Implications

- 5.2 The attached Pay Policy Statement complies with Section 38 – 43 of the Localism Act 2011. All other legal and human rights implications have been considered in the preparation of this report. It is considered that the report and its recommendations are compatible with Convention Rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 There are no other implications arising from this report.

Diversity Impact Assessment

- 5.4 The Pay Policy Statement is not a policy in its own right but brings together and references existing policies. All these existing policies have all been through the DIA process and have not identified any adverse equality impact for existing or future employees.

Risk Management

- 5.5 No other risks have been identified other than those mentioned in the body of the report.

6. Consultees

- 6.1 The Director of Finance (Section 151 Officer) and the Interim Director of Law (Monitoring Officer) are consulted in respect of all Cabinet reports.

Further information on the subject of this report can be obtained from Sam Mowbray, Direct Dial Telephone Number: 07823 525337, E-mail: smowbray@swindon.gov.uk.

Pay Policy Statement: 2019 / 2020

Cabinet

Date: 6th February 2019

- 6.2 the Director of Performance, Organisational Improvement and Communications are consulted in respect of all reports.

7. Background Papers

- 7.1 LGA and ALACE Pay Policy Statement Guidance including Supplementary Note 1 and Note 2.

8. Appendices

- 8.1 Appendix 1: Pay Policy Statement

9. Key Decision/Decision in Cabinet Work Programme and Forward Plan

- 9.1 This is not a Key Decision and is included in the Cabinet Work Programme and Forward Plan for January 2019.

Swindon Borough Council

Pay Policy Statement: April 2019

This statement sets out the Council's policies in relation to the pay of its workforce (excluding schools), particularly its Chief Officers, in line with Section 38 of the Localism Act 2011. The statement is approved by Full Council each year and published on the Council's website demonstrating an open and transparent approach to pay policy.

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Introduction

This statement draws together the Council's policies relating to the payment of the workforce particularly

- Chief Officers;
- Its lowest paid employees; and
- The relationship between the pay of Chief Officers and the pay of other employees.

This statement sets out the Council's key policy principles in relation to pay evidencing a transparent and open process. It does not supersede the responsibilities and duties placed on the Council in its role as an employer and under employment law. These responsibilities and duties have been considered when formulating the statement.

This statement aims to ensure the Council's approach to pay attracts and retains a high performing workforce whilst ensuring value for money. The Council's aims are to ensure that remuneration policies are fair to staff, across all posts, and that they comply with all legal obligations, such as the Equality Act 2010. It sits alongside the information on pay that the Council already publishes as part of its responsibilities under the Code of Practice for Local Authorities on Data Transparency. Further details on this information can be found on the Council's website under [Senior Council Officers](#).

Transparency and Autonomy

The Council recognises and welcomes the aim behind this pay policy statement to ensure that its approach to pay is accessible for all and to enable local people to take an informed view of whether local decisions on all aspects of remuneration are fair and make the best use of public funds.

It also welcomes the Government's recognition that each local authority remains an individual employer in its own right and, as such, has the autonomy to make decisions on pay that are appropriate to local circumstances and deliver value for money for local taxpayers.

The Council is under statutory duty to appoint on merit and has to ensure that it complies with all appropriate employment and equalities legislation e.g. The Equalities Act. The Council will always seek to appoint the best available candidate to a post who has the skills, knowledge, experience, abilities and qualities needed for the post. The Council will therefore consider all applications to try to ensure the best available candidate is appointed.

If a candidate is a former employee in receipt of a Local Government Pension Scheme pension or a redundancy payment this will not rule them out from being re-employed by the Council. Clearly where a former employee left the Council on redundancy terms then the old post has been deleted and the individual cannot return to the post as it will not exist.

The Council will apply the provisions of the Redundancy Payments Modification Order regarding the recovery of redundancy payment if this is relevant. Pensions Regulations also have provisions to reduce pension payment in certain circumstances to those who return to work within the local government service.

Amendments to the Pay Policy Statement

This pay policy statement relates to the financial year 2019/20. Information on the Council's workforce will be published after 1st April 2019 for the financial year.

The statement will be updated annually but may be amended during the year, with agreement by Full Council, if the need arises.

Publication of and Access to Information

The Council will publish this pay policy statement on its website at http://www.swindon.gov.uk/info/20028/open_data_and_transparency/401/senior_council_officers as soon as is reasonably practicable after it has been approved by Full Council. Any subsequent amendments to this pay policy statement made during the financial year to which it relates will also be similarly published.

For further information about this pay policy statement please contact the Council's Director of Performance, Organisational Improvement and Communications at smowbray@swindon.gov.uk.

Structure Overview

As of 1st October 2019 the Council employs **2660** employees (excluding schools) and provides a wide range of functions.

TUPE

The following TUPE (Transfer of Undertakings (Protection of Employment) Regulations) have taken place since 1st April 2018:

- **15th November 2018:** Forward Swindon transferred to the Council
- **30th November 2018:** 4 employees from the Swindon Music Service transferred out of the Council to become an independent charity.

All staff who transferred to the Council were integrated into various areas of the Council according to their roles and responsibilities.

Service areas

The Council's service areas are gathered together in the following groupings:

Chief Executive

The Council appointed a new Chief Executive on 12th July 2018. The Chief Executive's key responsibilities are to:

- Be the lead policy advisor to the Council and to support Councillors to make decisions on behalf of the community, and to develop plans for the future of Swindon
- Take responsibility for the performance of 2660 staff (as at 1 October 2018 – this figure does not include school staff or casual workers), ensuring they deliver services in line with Council priorities and statutory requirements
- Develop partnership working with other public, private and voluntary organisations to achieve improved outcomes and better public services for local people
- Ensure the proper use of council resources to deliver value for money for the community across a wide range of services from child adoption to looking after older people
- Raise the profile of Swindon at a regional and national level so that Swindon is able to influence national thinking and to secure additional funding for Swindon priorities
- Work with Councillors to ensure the ethical standards, probity and integrity of decision making in the Council are of the highest order.

Resources & Growth report directly to the Chief Executive. Further information about the [Chief Executive](#) can be found on the Council's website.

Communities & Housing

Communities & Housing is accountable for joined-up delivery across all service areas, partners and providers leading to effective delivery of statutory, support and commercial services to agreed outcomes.

The service areas that support Communities & Housing include StreetSmart, Planning, Regulatory Services & Heritage, Housing, Highways and Design & Architecture.

Resources & Growth

Resources & Growth are the enabling function of the Council with overall responsibility for the Council's support services functions and is managed by the Chief Executive.

Economy & Regeneration also forms part of this structure and focuses on the delivery of the Council's ambition to be one of the UK's most successful economies. Economy & Regeneration are responsible for translating that ambition into defined and measurable outcomes and procuring services from internal and external providers to realise the vision across the borough.

The service areas within Resources & Growth are Law, Democratic Services, Election Services, Finance, Human Resources & Organisational Development, Economy &

Regeneration, Performance Communications, IT and Digital Services, Corporate Programmes, Customer Services and Business Support.

Adult Services

One of Swindon Borough Council's four strategic priorities is to help people to help themselves while protecting our most vulnerable children and adults. Adult Services are responsible for implementing the wide programme of services, commissioning and quality assurance which sit underneath this priority whilst meeting statutory obligations.

Public Health supports Adult Services

The Director of Adult Services holds the statutory obligation for the Director for Adult Social Services (DASS).

Children's Services

One of Council's four strategic priorities is to help people to help themselves while protecting our most vulnerable children and adults. Children's Services are responsible for implementing the wide programme of services, commissioning and quality assurance which sit underneath this priority whilst meeting statutory obligations.

The service areas that support Children's Services include Education Services, Children, Families & Community Health and Routes to Employment.

The Director of Children's Services holds the statutory obligation for the Director of Children's Services (DCS).

The Council's [organisation chart](#) can be found on the Council's website.

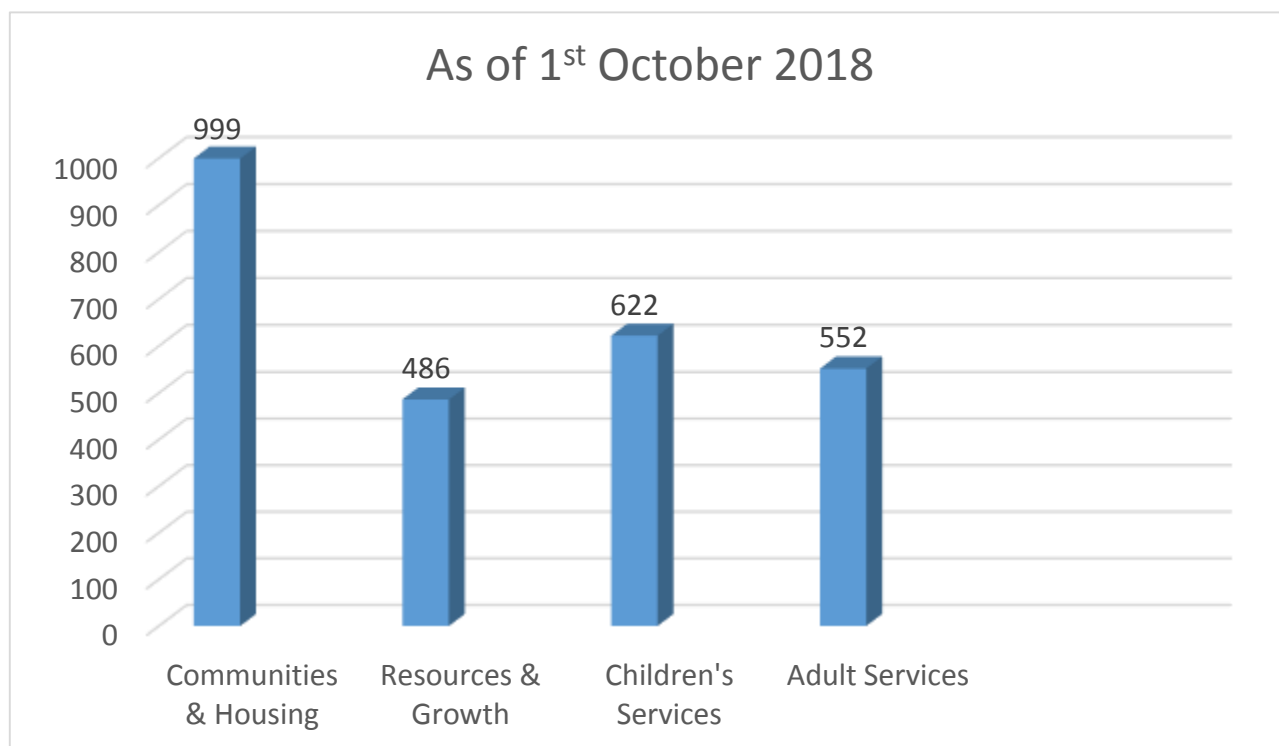


Figure 1: Number of staff in each directorate (excluding the Chief Executive)

As a team member of Corporate Management Team, the Board Directors have a shared responsibility for delivering the organisational strategic direction, agreeing priorities and driving their successful achievement.

Senior Officers

This section provides information on the Council's Senior Officers.

- Definition
- New Appointments and Pay
- Terms and Conditions

Definition

Senior Officers have been defined as the posts of:

- Chief Executive – Head of Paid Service
- Statutory and non-statutory Chief Officers (a person for whom the Head of Paid Service has direct responsibility), i.e.:
 - Corporate Director – Communities & Housing
 - Director of Finance (section 151 Officer)
 - Corporate Director - Children's Services (DCS)
 - Corporate Director - Adult Social Services (DASS)
- All Deputy Chief Officers (a person who reports directly to or is directly accountable to one or more of the statutory or non-statutory Chief Officers), i.e.:
 - All Tier 2 posts at Head of Service Level

Identified Senior Officer roles and salaries can be found on the Council's website under [Open Data and Transparency](#).

New Appointments and Pay

In relation to Senior Officers, legislation requires the Full Council or a meeting of Members to be offered the opportunity to vote before large salary packages are offered in respect of a new appointment.

For this purpose, salary packages should include salary, any bonuses, fees or allowances routinely payable to the appointee to which the officer is entitled as a result of their employment.

The Secretary of State considers that £100,000 is the right level for that threshold to be set.

In Swindon, this approach will be applied for all roles graded at Director 5 and above.

There are 5 levels in Swindon's Executive pay structure as detailed below (as of 1st April 2018):

Level	Salary Range	
	From	To
CEO	£153,370	£191,140
Board Director	£119,866	£143,589
Director 5	£100,931	£118,513
Director 4	£83,314	£99,763
Director 3	£68,880	£82,464

This applies to the Chief Executive and all Board Directors for new appointments made after 1st April 2012.

The Council's Special Committee has delegated powers to make decisions on behalf of the Full Council, on the advice of the Chief Executive, on any policy or particular matters that are urgent and considered necessary in the best interests of the Council.

Process for Setting Pay

As agreed by Full Council in June 2005 and updated by the Special Committee in November 2013, pay for Senior Officers is set in line with the [Executive Pay Strategy](#). A copy of this can be found on the Council's website.

In addition, any new appointments at Level Director 5 and above, from 1st April 2012, will have their salaries agreed by Members.

Pay Relationships

This section provides information on the following:

- [Gender Ratio](#)
- [Salary band by Ethnic group](#)
- [Lowest Paid Employees](#)
- [Highest to Lowest Paid Employees](#)
- [Pay Increases and Pay Progression](#)
- [Terms and Conditions](#)
- [Job Evaluation](#)

Gender Ratio (as of 1st October 2018)

The table below reflects the Council's male / female ratio per salary band. Please note that this does not reflect our grading structure as we have staff who are not yet harmonised on our grading structure.

Salary (FTE)	Male	Female	Total	Total % of workforce
£0 - £15,000	8	7	15	0.56%
£15,001 - £20,000	328	586	914	34.36%
£20,001 - £25,000	185	322	507	19.06%
£25,001 - £30,000	158	233	391	14.70%
£30,001 - £40,000	158	357	515	19.36%
£40,001 - £50,000	79	144	223	8.38%
£50,001 - £60,000	23	35	58	2.18%
£60,001 - £70,000	11	12	23	0.86%
£70,001 - £80,000	0	0	0	0%
£80,001 - £90,000	3	1	4	0.15%
£90,001 - £100,000	2	3	5	0.19%
£100,001 - £120,000	1	0	1	0.04%
Over £120,000	2	2	4	0.15%
Total	958	1702	2660	100%

Staff who are earning below £15,000 are on apprenticeship contracts of employment. All other employees are earning above the National Living Wage.

Salary Band by Ethnic Group (as of 1st October 2018)

The table below reflects the Council's ethnic ratio per salary band. Please note that this does not reflect our grading structure as we have employees who are not yet harmonised on our grading structure.

Salary (FTE)	BME	White British	Not Stated	Total
£0 - £15,000	2	13	0	15
£15,001 - £20,000	116	633	165	914
£20,001 - £25,000	58	390	59	507
£25,001 - £30,000	41	292	58	391
£30,001 - £40,000	54	395	66	515
£40,001 - £50,000	19	184	20	223
£50,001 - £60,000	6	47	5	58
£60,001 - £70,000	0	20	3	23
£70,001 - £80,000	0	0	0	0
£80,001 - £90,000	1	2	1	4
£90,001 - £100,000	0	3	2	5
£100,001 - £120,000	0	0	1	1
Over £120,000	1	2	1	4
Total	298	1981	381	2660

Lowest Paid Employees

For the purpose of this pay policy statement, the definition of the lowest-paid employees adopted by the Council for the purposes of this statement is as follows:

“The lowest paid employees with the Council are those substantive employees who are paid on the minimum salary of the Council’s substantive pay structure equating to J1, £16,486 pa (£8.55 per hour) based on a 37 hour standard working week”.

The Council considers this to be the most appropriate definition as this is the lowest pay point and pay level on its substantive pay structure and which normally applies to new entrants to the lowest graded jobs within the organisation. The exception is employees who are employed on a Government sponsored apprenticeship programme that allows for them to be paid at nationally agreed apprenticeship rates.

A copy of the Council’s pay scales can be found at the end of this statement.

National Living Wage

As of 1st April 2016 the Council has adopted the National Living Wage for all employees, regardless of age, excluding those who are on apprenticeship contracts of employment.

Apprentices

An apprentice’s rate of pay is applied by age. The Council will no longer pay the minimum statutory rate of pay for most new apprentices. Apprentices will be paid according to their age when they start employment with the Council.

Age	Hourly rate of pay (as of 1 st April 2018)
16 – 18 *	£3.70 per hour
19 – 24	£7.38 per hour
Over 25	£7.83 per hour

*Once these apprentices have completed their first year, they will be moved to the rate of pay for 19 – 24 year olds.

Apprentices over the age of 25 will receive the current National Living Wage rate of pay.

Highest to Lowest Paid Employees

The tables below indicate the relationship between the highest and lowest paid employees.

Highest Pay	£167,000
Mean Pay	£27,293
Median Pay	£23,473
Lowest Pay	£16,486
Ratio of Mean to Highest	1: 6.1
Ratio of Median to Highest	1: 7.1
Ratio of Lowest to Highest	1: 10.1

Definitions:

Mean	Total pay for substantive employees divided by the number of substantive employees.
Median	The middle amount of pay of Swindon Borough Council (between the highest and lowest amounts).

The above rates of pay do not include any pension contributions. Information about the [pension schemes](#) and contribution rates can be found on pages 14 -16.

The recommendation of the Hutton Report into “Fair Pay in the Public Sector”, as recognised by the Government in the Code of Recommended Practice for Local Authorities on Data Transparency, was that a pay ratio of the salary of the Chief Executive compared to the median average salary in the organisation should be published.

The ratio between the highest paid salary and median average salary, the ‘pay multiple’ is 1:7.1. The Council does not have a policy on maintaining or reaching a specific ‘pay multiple’. However, the Council is conscious of the need to ensure that the salary of the highest paid employee is not excessive but is consistent with the needs of the Council as expressed in this policy statement.

The Hutton Review raised concerns about multiples in the order of 1:20 or higher, between the lowest and the highest paid employees in local authorities. The Council’s current ratio of lowest to highest is 1:10.1 and so is well below that level.

Pay Increases and Pay Progression

Where it has been recognised that a role has changed due to responsibilities, job content, redesign of the post, for example, a revised role profile will be submitted for re-evaluation in accordance with the Council’s approved job evaluation schemes. Further information about the Council’s approved [job evaluation](#) schemes can be found on page 11.

National Pay

The Council will apply any annual pay increases that are agreed by relevant national negotiating bodies.

Local Pay

Due to financial constraints, the Council is mindful not to offer any additional pay increases for the 2019 / 2020 financial year.

Executive Contracts

There is no automatic right to salary progression based on time served for employees on Executive Contracts. Further information is outlined in the [Executive Pay Strategy](#).

Terms and Conditions

The Council reviewed its employees' pay, grading and terms and conditions when it implemented a new pay structure in 2010. The Council wanted to ensure that the new pay structure and terms and conditions were modern, fair and compliant with equal pay legislation. It was applied to all groups of employees, with the exception of:

- Chief Executive, Board Directors and Directors
- Staff employed on Soulbury Evaluation Scheme terms and conditions
- Youth workers on Joint Negotiating Committee (JNC) for Youth and Community Workers terms and conditions
- Teachers

All other groups of employees are covered by separate national terms and conditions of employment.

Job Evaluation

The Council's approach to pay is that pay related to a job grade which will be determined using a recognised job evaluation scheme. Jobs evaluated using either the Hay Evaluation Scheme or the National Joint Council (NJC) job evaluation scheme.

In the sections below, it indicates the differences between these two schemes and in what circumstances they are used.

Hay

The Hay Job Evaluation Scheme is widely used in both public and private sectors, primarily for managerial, administrative and clerical roles, but in some cases for all jobs within user organisations.

Jobs have been evaluated by trained assessors. A trained evaluation panel evaluates jobs against each of the elements within the scheme using detailed role profiles. The outcome of the evaluation assigns a profile and points score that shows the total size of the job.

All jobs from Q Grade and above, including Chief Officers, are graded using the Hay Job Evaluation scheme.

National Joint Council (NJC) Evaluation Scheme

The NJC scheme comprises thirteen factors of various weightings. The scheme was jointly developed and agreed between the local authority employers and the trade unions. A trained evaluation panel evaluates jobs against each of the elements of the scheme using detailed job descriptions. The outcome of the evaluation assigns a point's score that shows the total size of the job. The points score enables jobs to be placed in a rank order with other jobs in the organisation. All jobs from grade N and below are graded using the NJC Evaluation Scheme.

All roles are evaluated using either scheme; however the Council sets its own pay line. A copy of the Council's pay scales can be found at the end of this statement.

Pay Policies and Processes

The following section provides information on the pay policies and procedures that the council have in place. This includes the following:

- [Allowances](#)
- [Reimbursement of Subsistence or other Expenses](#)
- [Flexible Retirement, Early Retirement and Redundancy Payments Policy](#)
- [Termination Payments](#)
- [Relocation Expenses](#)
- [Honorariums and Acting-up Pay](#)
- [Election Payments](#)
- [Market Factor Supplements](#)

Allowances

An allowance is a payment made to staff by the Council that is not part of the basic contracted salary. Allowances are subject to taxation rules provided by the Inland Revenue and some are pensionable.

As part of the new pay and grading structure that was implemented in April 2010, allowances paid to employees were also reviewed and a new allowance structure was put into place.

In early 2017 the Council consulted with all employees on mileage rates. It was agreed that the Council's mileage rates will be paid in accordance with HMRC guidelines with effect from 23rd July 2017. Employees who use their car for business purposes can claim mileage using the current HMRC rates.

A copy of the [Allowances Guidance](#) can be found on the Council's website.

Reimbursement of Subsistence or Other Expenses

In accordance with the requirements of the National Conditions of Service, the Council makes provision for the reimbursement of approved expenses. The Council has produced guidance for employees on travel and subsistence and this applies equally to all staff, irrespective of grade.

A copy of the [Travel and Expenses Policy](#) can be found on the Council's website.

Flexible Retirement, Early Retirement and Redundancy Payments Policy

On termination, redundancy payments and any discretion exercised in relation to retirement or redundancy will be paid in line with the Council's Policy on [Flexible Retirement, Early Retirement and Redundancy Payments Policy](#). A copy of which can be found on the Council's website.

The Council may, in certain circumstances, also apply its discretionary powers in relation to premature retirements and redundancies for Chief Officers. This approach is in line with Part 4 paragraph 85 of the Chief Officers of Local Authorities, Constitution Conditions of Service Salaries which states that “Authorities should bear in mind the possible application of discretionary powers of premature retirement and permissible enhancements of benefits or redundancy payments”.

Termination Payments

The Council does not provide any further payment to employees leaving the Council’s employment other than in respect of payment for accrued leave, if agreed that it is not possible to take this leave before the date of leaving. Any other payments that are agreed or negotiated will be done so in line with current employment law practices.

Relocation Expenses

The aim of the scheme is to provide financial recompense to employees who need to move their main residence to take up an appointment with the Council. This scheme does not cover the purchase of a second property. Eligibility criteria will also apply, including the decision to offer relocation will be made prior to the post being advertised. Relocation expenses can be claimed up to £8,000. The Council’s policy requires repayment in part or in full if the employee leaves within 3 years of appointment.

A copy of the [Relocation Policy](#) can be found on the Council’s website.

Honorariums and Acting-up Pay

Employees on any grade may be awarded an honorarium payment or a higher duty allowance if they meet the criteria for either payment. The Council has a policy covering [Honorariums and Acting-up Pay](#). This does not apply to Chief Officers.

A copy of this policy can be found on the Council’s website.

Election Payments

Payments made to employees (including the Returning Officer and the Deputy Returning Officer) working during local, parliamentary or European elections or referenda are made in line with either the statutory fees or a local scale of fees agreed in consultation with Wiltshire Council. This could apply to Chief Officers.

Market Factor Supplements

All employees are appointed to posts, which have been evaluated and graded through either the NJC or Hay job evaluation schemes. Salaries are linked to the grading structure.

External labour market conditions can produce a situation in which staff with scarce skills and expertise can command higher salaries than the maximum provided under the current grading mechanism for that post. In these circumstances, based on evidence from the relevant labour market, it may be deemed appropriate to pay an additional Market Factor Supplement in addition to basic pay.

The relevant labour market may include another local authority or elsewhere in the public or private sectors. Market factor supplements are not linked to an individual's actual or anticipated performance within the role. They are linked to the difficulty in recruiting to certain posts requiring specific skills or qualifications. The Council has produced guidance for employees on [Market Factor](#) Supplements which can be found on the Council's website. The policy is not applicable to Chief Officers.

Pensions

This section includes information the following:

- [Auto-Enrolment](#)
- [Local Government Pension Scheme \(LGPS\)](#)
- [Changes to the Local Government Pension Scheme \(LGPS\)](#)
- [National Health Service \(NHS\) Pension Scheme.](#)

Auto Enrolment

Due to legislation ([The Pensions Act 2011](#)) there is a requirement for all employers in the UK to automatically enrol their workers into a qualifying pension scheme where they are not currently a member. Employees, who meet the criteria below (as of 1st April 2018) and are currently not in a workplace pension, will automatically be enrolled into the [Local Government Pension Scheme \(LGPS\)](#) or [Teacher's Pension Scheme \(TPS\)](#):

- Earn over £10,000 per year (or pro-rata pay period) (April 2018);
- Are age 22 or over; and
- Are under State Pension Age.

The aim of the legislation is to encourage people to save towards their retirement and have enough income to enjoy it. Employees can still opt to join the relevant pension scheme at any time. This has been clearly communicated to employees.

Local Government Pension Scheme (LGPS)

The Council offers all its employees access to the [Local Government Pension Scheme \(LGPS\)](#), in accordance with the statutory provisions of the scheme.

Any pension payments made on termination of employment either on grounds of redundancy, in the interests of the efficiency of the service or on grounds of ill health will be made within the statutory terms of the LGPS.

The discretions which the Council is able to apply under the scheme upon termination of employment are the same for senior employees as for all other employees who are LGPS members.

Changes to the Local Government Pension Scheme (LGPS)

With effect from 1st April 2014 the Local Government Pension Scheme changed.

The table below shows the main provisions of the new 2014 scheme compared with the 2008 scheme.

	LGPS 2008	LGPS 2014																																										
Basis of pension	Final salary	Career Average Revalued Earnings (CARE)																																										
Accrual rate	1/60 th	1/49 th																																										
Pensionable pay	Pay excluding non-contractual overtime and non-pensionable additional hours.	Pay including non-contractual overtime and additional hours for part time staff.																																										
Contribution flexibility	No	Yes, members can pay 50% contributions for 50% of the pension benefit.																																										
Normal pension age	65	Equal to the individual member’s State Pension Age.																																										
Qualifying period for benefits	3 months	2 years																																										
Contribution rates	<table><tr><td rowspan="10">Please note: 2008 contribution rates are based on whole-time equivalent pay whereas the 2014 contribution pay bands will be based on actual salary.</td><td>Pay Bands</td><td>Contribution rates</td><td>Pay Bands 2018 / 2019</td><td>Contribution Rates</td></tr><tr><td>£0 to £13,500</td><td>5.5%</td><td>Up to £14,100</td><td>5.5%</td></tr><tr><td>£13,501 - £15,800</td><td>5.8%</td><td>£14,001 - £22,000</td><td>5.8%</td></tr><tr><td>£15,801 - £20,400</td><td>5.9%</td><td>£22,001 - £35,700</td><td>6.5%</td></tr><tr><td>£20,401 - £34,000</td><td>6.5%</td><td>£35,701 - £45,200</td><td>6.8%</td></tr><tr><td>£34,001 - £45,500</td><td>6.8%</td><td>£45,201 - £63,100</td><td>8.5%</td></tr><tr><td>£45,501 - £85,300</td><td>7.2%</td><td>£63,101 - £89,400</td><td>9.9%</td></tr><tr><td>Above £85,300</td><td>7.5%</td><td>£89,401 - £105,200</td><td>10.5%</td></tr><tr><td></td><td></td><td>£105,201 - £157,800</td><td>11.4%</td></tr><tr><td></td><td></td><td>More than £157,801</td><td>12.5%</td></tr></table>			Please note: 2008 contribution rates are based on whole-time equivalent pay whereas the 2014 contribution pay bands will be based on actual salary.	Pay Bands	Contribution rates	Pay Bands 2018 / 2019	Contribution Rates	£0 to £13,500	5.5%	Up to £14,100	5.5%	£13,501 - £15,800	5.8%	£14,001 - £22,000	5.8%	£15,801 - £20,400	5.9%	£22,001 - £35,700	6.5%	£20,401 - £34,000	6.5%	£35,701 - £45,200	6.8%	£34,001 - £45,500	6.8%	£45,201 - £63,100	8.5%	£45,501 - £85,300	7.2%	£63,101 - £89,400	9.9%	Above £85,300	7.5%	£89,401 - £105,200	10.5%			£105,201 - £157,800	11.4%			More than £157,801	12.5%
Please note: 2008 contribution rates are based on whole-time equivalent pay whereas the 2014 contribution pay bands will be based on actual salary.	Pay Bands	Contribution rates	Pay Bands 2018 / 2019		Contribution Rates																																							
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			£105,201 - £157,800		11.4%																																							
			More than £157,801	12.5%																																								
Lump sum option	Trade £1 of pension for £12 tax-free lump sum	Trade £1 of pension for £12 tax-free lump sum																																										
Death in service lump sum	3 x pensionable pay	3 x pensionable pay																																										
Death in service survivor benefits	1/160 th accrual based on Tier 1 health pension enhancement	1/160 th accrual based on Tier 1 ill health provision enhancement.																																										
Ill health provision	Immediate access to benefits depending on severity of the condition.	Immediate access to benefits depending on severity of the condition.																																										

These changes only apply to England and Wales. All Local Government Pension Scheme pensions built up before 1st April 2014 will be protected. Further information about the changes can be found on the [Local Government Pension Scheme website](#).

NHS Pension Scheme

The Council have employees who were transferred from the NHS. As part of the transfer agreement (TUPE), these employees were able to keep their NHS pension scheme and continue to contribute into that scheme.

The NHS Pension Scheme has undergone significant changes that became effective on 1 April 2008. [Members Guide \(PDF\)](#) provides further information on this.

Further information about the [NHS Pension Scheme](#) can be found on their website.

Pay Scales April 2018

NJC Pay Grades			New Rate (FTE)	Hourly Rate
Grade	Point	Payroll Point		
J	1	1	16,486	8.55
	2	2	16,707	8.66
	3	3	16,898	8.76
K	1	4	17,114	8.87
	2	5	17,303	8.97
	3	6	17,552	9.10
	4	7	17,815	9.23
	5	8	18,217	9.44
	6	9	18,439	9.56
	7	10	18,820	9.75
L	1	11	19,092	9.90
	2	12	19,385	10.05
	3	13	19,534	10.12
	4	14	19,847	10.29
	5	15	20,409	10.58
	6	16	20,736	10.75
	7	17	21,626	11.21
	8	18	22,161	11.49
M	1	19	22,563	11.70
	2	20	22,925	11.88
	3	21	23,473	12.17
	4	22	23,848	12.36
	5	23	24,380	12.64
	6	24	24,770	12.84
	7	25	25,288	13.11
	8	26	25,693	13.32
	9	27	26,198	13.58
N	1	28	26,684	13.83
	2	29	27,112	14.05
	3	30	27,607	14.31
	4	31	28,050	14.54
	5	32	28,529	14.79
	6	33	28,987	15.02
	7	34	29,451	15.27
	8	35	29,923	15.51
	9	36	30,373	15.74

Hay Grades		New Rate (FTE)	Hourly Rate
Grade			
Q		£30,151	£15.63
	Midpoint	£35,017	£18.15
		£39,882	£20.67
R		£34,061	£17.65
	Midpoint	£39,781	£20.62
		£45,499	£23.58
S		£38,711	£20.07
	Midpoint	£45,273	£23.47
		£51,834	£26.87
T		£45,217	£23.44
	Midpoint	£51,865	£26.88
		£58,511	£30.33
U		£50,898	£26.38
	Midpoint	£59,197	£30.68
		£67,495	£34.98

Executive Pay Scales

Level	Salary Range	
	From	To
CEO	153,370	191,140
Board Director	119,866	143,589
Director 5	100,931	118,513
Director 4	83,314	99,763
Director 3	68,880	82,464

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