CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

19 FEBRUARY 2015

REPORT OF CORPORATE MANAGEMENT TEAM

COUNCIL/CABINET DECISION

Leader of the Council – **Councillor Cook**

MEDIUM TERM FINANCIAL PLAN UPDATE AND STRATEGY

1. Summary

This is the final report in setting the Council's 2015/16 budget and Council Tax and outlining the Medium Term Financial Plan (MTFP) position to 2019.

2. Recommendations

COUNCIL DECISIONS

1. That in accordance with the Local Government Act 2003, Members note that the Section 151 Officer confirms that the following recommendations:

   a) represent a robust budget which has been prepared in line with best practice,
   b) provide adequate working balances at 3% of general fund, and
   c) that the controlled reserves and provisions are adequate for their purpose.

General Fund Budget

2. Members note the reduction in Government funding between 2010/11 and 2015/16 of £52m (approximately 43% in cash terms, 59% in real terms).

3. Approve a 2015/16 Council Tax requirement for Stockton-on-Tees Borough Council of £69,851,478.

4. Approve a 2015/16 Council Tax requirement for Stockton-on-Tees Borough Council inclusive of Parish Precepts (£xxx,xxx) of £xx,xxx,xxx.

5. Approve the 2015/16 budget and indicative 2015/19 MTFP as outlined in paragraphs 5.26 – 5.30 and the use of balances and reserves as outlined in paragraph 6.8 and 6.9.

Business Rate Relief System

6. That the proposed amendments be made to the Council's discretionary business rates discount scheme in line with Government guidance, as described in Section 8.

Taxation

SBC

7. Approve the Council Tax for Stockton-on-Tees Borough Council prior to Parish, Fire and Police Precepts be increased by 1.9%, i.e. to £1,337.60 at Band D (£891.73 at Band A).

Fire, Police & Parish

8. The Council note the Police precept of £10,771,185 which equates to a Council Tax of £206.26 at Band D (£137.51 at Band A).

9. The Council note the Fire precept of £3,674,304 which equates to a Council Tax of £70.36 at Band D (£46.91at Band A).

10. The Council note the Parish precepts as set out in paragraph 10.4 of the budget report.

Capital

11. Approve the Capital Programme attached at **Appendix A & B.**

Organisational and HR

12. The Pay Policy Statement attached at **Appendix C** to this report be approved.

Council Tax - Statutory Requirements

13. Members approve the statutory requirements for Council Tax as shown in **Appendix D**.

Treasury Management/Prudential Code

14. Approve the Treasury Management Strategy, Minimum Revenue Provision Statement, Investment Strategy and Prudential Indicators for 2015/16 – 2017/18 as set out in **Appendix E** to the report.

3. Reasons for the Recommendations/Decision

To update Members on the Council's financial position.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code**.**

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then**, in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise **(paragraph 19** of the code**)**

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code**.**

<u>Disclosable Pecuniary Interests</u>

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code).

AGENDA ITEM

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DETAIL

1. The MTFP report for 2015/16 to 2018/19 is attached. The report outlines the Council Tax proposals and budget for 2015/16 and the indicative MTFP for the next three years.

2. The report updates the position from that reported to Cabinet and Council in February 2014 and in particular reflects implications arising from the Autumn Statement and the Local Government Finance Settlement for 2015/16.

3. Members will recall that the approach to the financial position was revised in February 2013 to effectively freeze all service budgets. The approach recognised likely growth in Big Ticket spend areas with the strategy being that reviews would aim to stem their growth pressures. This report revises Big Ticket growth and savings estimates and updates Members on the progress of the Big Ticket reviews.

4. The report contains sections on:

    - Background & context (including national position)

- Financial position at 31 December 2014
- Big Ticket
- Council Tax
- Updated Medium Term Financial Plan
- One-off Resources
- Capital Programme

FINANCIAL AND LEGAL IMPLICATIONS

5. To update the MTFP position for 2015/16 – 2018/19 and recommend the budget for 2015/16.

RISK ASSESSMENT

6. This review of the MTFP and projected outturn report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

7. The report supports the Sustainable Community Strategy.

EQUALITY IMPACT ASSESSMENT

8. The report was not subject to an Equality Impact Assessment. The report does not seek approval for a new policy and an assessment was taken on the MTFP report submitted as part of the 2009/10 budget cycle.

CONSULTATION, INCLUDING WARD COUNCILLORS

9. Consultation will be undertaken as part of the lead in to setting the 2015/16 budget.

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MEDIUM TERM FINANCIAL PLAN

AND BUDGET

2015/16

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SECTION 1 - BACKGROUND AND CONTEXT

Current Approved Medium Term Financial Plan

1.1 The Medium Term Financial Plan (MTFP) report to Council on 26 February 2014 set a balanced budget for 2014/15 and can be summarised in the table below.

Agreed MTFP – February 2014	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Core Budget Gap	(7,491)	(396)	6,395	11,322
Big Ticket Pressure	6,620	8,065	8,760	10,285
Total Pressure	(871)	7,669	15,155	21,607
MS etc - Big Ticket	(2,270)	(945)		
Big Ticket Savings Identified	(3,230)	(3,760)	(4,400)	(4,790)
Overall Budget Gap	**(6,371)**	**2,964**	**10,755**	**16,817**

The position incorporating Big Ticket savings targets was as follows:

Target Savings	(1,120)	(3,360)	(4,360)	(5,495)
Budget Gap	**(7,491)**	**(396)**	**6,395**	**11,322**

1.2 The Council's approach to the MTFP over recent years has been two-fold:

a) A series of service reviews to address the Council's "core budget gap".
b) A focussed emphasis on the Big Ticket areas of expenditure of Adult Social Care, Children's Social Care and Energy and Waste to stem growth and deliver savings.

1.3 The approved plan showed that there was a surplus available of £7.5m in 2014/15 with an estimated budget gap of £16.8m by 2017/18. Members will be aware that the Council have delivered significant savings since 2010/11 and that we are currently in the advanced stages of delivering the £9.4m agreed by Council in June 2013. The impact of these savings is already included in the Plan.

1.4 The position included an estimated pressure of £5.5m in the Big Ticket areas by 2017/18.

1.5 Members agreed that the 2014/15 budget surplus to be retained to assist in managing the future years budget gap and continue to allow a managed approach to delivery of savings, particularly given the level of uncertainty around government funding following 2015/16.

National Funding Position

1.6 The financial settlement in February 2014 provided indicative funding allocations for 2015/16 and the Local Government Finance Settlement in February 2015 has updated these allocations. The details are outlined further in the report.

1.7 The Government issued a Technical Finance Consultation in the Summer of 2014. This detailed only one issue of significant note. This being a top-slice of £100,000 in respect of the Carbon Commitment Scheme. The ending of the Scheme should have resulted in a saving against the MTFP of £150,000 per annum from 2015/16.

However, this will now be largely offset by the top-slice in government funding which has been made to funding because savings have been delivered.

1.8 The Council has seen a significant reduction in all Government Funding over the past few years. Between 2010/11 and 2015/16, there will have been a total reduction of £52m which represents a 43% cash reduction (approximately 59% in real terms).

1.9 There are currently no details on funding for 2016/17 and future years and this is unlikely to be clarified until a further Spending Round in 2015 following the General Election. Based on expert advice following a review of government statements the indications are that further reductions are likely. If projections are correct, this will be an additional reduction of £15m by 2018/19, bringing the total to approximately £67m which is 56% (77% in real terms).

1.10 The current Medium Term Financial Plan is based on an assumed Council Tax increase of 1.9% per annum. Members will be aware that the decision was taken in previous years to increase Council Tax as opposed to freezing tax levels and accepting a Government grant offer which was not guaranteed for the long term. Had these decisions not been taken, the gap in 2016/17 would have been approximately £2m higher. The Finance Settlement has confirmed that there will be a grant payable, equivalent to 1%, for Councils who freeze Council Tax in 2015/16. The maximum increase permitted before a referendum will remain at 2%.

Approach to Financial Management and Savings

1.11 The Council continues to face significant financial challenges. Our approach to financial planning over the long-term allows us to plan ahead and has meant that we have been able to operate a managed approach to delivering savings and wherever possible protect front-line services. This includes opportunities for Invest to Save and exploring alternative models of service delivery and it is important that this planned and managed approach continues to allow us to meet financial challenges ahead.

1.12 The Council has a long history of providing value for money and delivering strong financial management which has again been reinforced by the External Auditor in his report to Cabinet in January 2015. As part of this approach, there is a strong track record of delivering savings and efficiencies and the Council will therefore be well prepared for the challenges ahead.

1.13 Members will be aware that following the Efficiency, Improvement and Transformation Programme, Service Reviews and Scrutiny Reviews, the current plan already includes savings of over £34m, with approximately 740 fewer staff employed.

1.14 There has been a significant focus on the Big Ticket areas of spend and this has seen significant savings delivered; the future years projections have also been reviewed and details are included in the report.

1.15 It is also worthy of note that the current strategy is for all services budgets to be frozen, with increases only allocated for pay awards. This is placing additional pressures year on year within services which are being managed.

1.16 We have strong support from our residents. Residents continue to feel satisfied with and confident in us. In Autumn 2014, Viewpoint (our adult residents' consultation panel) identified that:

- 53% of our residents agree that we provide good value for money. This is a 7% improvement on 2012.
- 62% of our residents trust us either a fair amount or a great deal.
- In 2014, 60% of residents were satisfied with how we run things and 3% fewer residents were dissatisfied in this respect in 2014 than they were in 2012.
- In 2014, 64% of residents felt informed about the services and benefits we provide. This was an 8% increase on the same score in 2013.

SECTION 2 - FINANCIAL POSITION AS AT 31 DECEMBER 2014

2.1 The table below outlines the managed surplus position of each service. Given the approach for Big Ticket areas, they are not included in these figures and are covered separately in Section 3 of the report.

Service Reserves (MS)/MC	Previously reported projection at 31/3/15 (MS)/MC's £'000's	Projected Outturn position at 31/3/15 (MS)/MC's £'000's	Projected Outturn position at 31/3/16 (MS)/MC's £'000's	Projected Outturn position at 31/3/17 (MS)/MC's £'000's
CESC	(1,433)	(2,172)	(1,412)	(738)
D&NS	(406)	(537)	0	0
RESOURCES	(838)	(925)	(388)	(205)
LAW & DEMOCRACY	(176)	(156)	(156)	(156)
TOTAL	(2,853)	(3,790)	(1,956)	(1,099)

Children, Education and Social Care

2.2 Members will note that the overall position for CESC has improved by £739,000 since the last report. The main reasons are outlined below:

- There is a small underspend on Adults of £150,000 made up of numerous minor variances.

- Childrens Social Care costs are projected now to underspend by £180,000 due to delays and difficulties in recruiting to a number of vacant posts. It is envisaged these posts will be filled in the next few months.

- There are additional savings of £70,000 arising from a reduced requirement for the Contact Service.

- There is an additional underspend of £85,000 within the Education Improvement Service due to savings being achieved in advance of the impending review.

£100,000 was expected to be utilised from managed surplus to support the work around Deprivation of Liberties Legislation. This will now be used in 2015/16.

Development & Neighbourhood Services

2.3 There has only been a minor movement in DANS position. This is mainly due to additional income associated with the delivery of additional Free School Meals.

Law & Democracy

2.4 There have been no significant movements in the projected position.

Resources

2.5 There have been no significant movements in the projected position.

General Fund Balances

2.6 The report to Cabinet in December 2014 updated members of the need to allocate £2.5m from balances to fund urgent work to the Newport Bridge and the need to replenish balances from one-off resources to the value of £1.675m. This would leave balances at the recommended 3% level.

SECTION 3 - BIG TICKET UPDATE

3.1 The Medium Term Financial Plan in 2013 agreed the strategy that the Big Ticket Reviews would aim to stem future financial pressures in the areas of Adult Social Care, Childrens Social Care and Energy and Waste through:

- Reducing Costs in the areas where possible
- Stemming Growth through examining alternative means of service delivery

3.2 The report to Cabinet in December 2014 provided Members with a comprehensive update of the position with respect to the Big Ticket Reviews. This information is summarised in the paragraphs below and the position has been further reviewed as at 31 December 2014, with the implications being incorporated below.

<u>Childrens Social Care</u>

3.3 Members will be aware from the regular Cabinet updates of increasing numbers of Looked After Children and the financial pressures this creates. The two key areas being External Residential Placements and Independent Foster Care provision.

3.4 Pressures continue to be experienced in volume and cost within the Big Ticket area totalling £537,000 mainly in respect of fostering placements and in the costs of Through Care Services. These cost increases will be offset by savings, most notably a reduction in the requirement to fund external legal fees as highlighted in previous reports to Cabinet.

3.5 The table below demonstrates the projected position for 2014/15 compared to the budget:

	Budget	**Actual**	**Variance**
Base Budget Pressure	2,520	2,520	0
Savings Delivered	(170)	(170)	0
Pressure	2,350	2,350	0
Estimated Growth	1,120	537	(583)
Savings Target (in year)	(1,120)	(508)	612
Funding Allocated	2,350	2,379	29

This demonstrates that although the anticipated growth and savings are both below that expected savings have offset the growth in this year.

3.6 The position for future years has been reviewed. The baseline for future years reflects the current level of Looked After Children and the full year impact of the 2014/15 financial performance.

3.7 The estimates of growth and savings have also been reviewed and re-assessed. Projections for foster care and residential placements have been made based on trends of growth in previous years, including age profiles.

3.8 Members will be aware from previous reports that the Spark of Genius Joint Venture is now expected to generate savings of £600,000 per annum from 2016/17 and this is reflected in the position.

3.9 The updated projections are shown in the table below:

Children's Social Care	**2015/16 £'000**	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**
Updated Budget Pressure	2,089	343	(838)	(1,716)
Savings	(912)	(1,179)	(1,193)	(1,193)
Updated Budget Pressure	**1,177**	**(836)**	**(2,031)**	**(2,909)**
Estimated Growth	1,482	3,027	4,547	6,082
Target Saving	**2,659**	**2,191**	**2,516**	**3,173**

This demonstrates that the target saving is £2.6m in 2015/16 and rises to £3.2m in 2018/19. This is a similar position to that reported in 2014/15. The strategy remains for reviews to identify mechanisms to remove these pressures through a combination of savings and avoiding growth. There have however been delays in implementing solutions to achieve this objective. Although the Council appointed an interim manager to explore options, unfortunately he has now taken up a permanent post in Doncaster so there have been delays, in particular to assessing opportunities around foster care. We have however, increased marketing activity and will be looking for further appointments to start addressing this issue. Members will be aware of a recent report to Cabinet outlining proposals to review the senior management within Childrens Services. This will include the need to identify focussed resources to support this area.

It is unrealistic that all of the £2.6m will be delivered in 2015/16 and therefore funding will again be required to manage the transition. This is covered further in paragraph 5.18.

<u>Adult Social Care</u>

3.10 Work is progressing well on delivering the Adult Social Care Big Ticket reviews. All of the projects associated with the original EIT reviews are now complete. A couple of new projects have emerged and these are now underway. A significant number of savings are already being delivered. The overall variance in this area is estimated to be an in-year underspend of £353,000, similar to the previous reported position. The estimated growth requirement was £800,000 and this has not been required to be utilised as pressures have been managed within this area.

3.11 The focus of the Adult Social Care Big Ticket has moved to the implementation of the Care Act 2014 and the Better Care Fund. The Care Act will be implemented in two stages:

- Social Care Reform – by April 2015
- Funding Reform – by April 2016

Both of these programmes of change will be focussed on the reduction of growth, with a focus on Intervention and Prevention strategies and closer working between Health and Social Care.

3.12 The position for Adult Social Care has been assessed and is shown below. This demonstrates that the current base budget pressure can be met by the savings currently planned.

Adult Social Care	**2015/16 £'000**	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**
Updated Budget Pressure	4,130	4,130	4,130	4,130
Savings	(4,130)	(4,130)	(4,130)	(4,130)
Updated Budget Pressure	**0**	**0**	**0**	**0**
Estimated Growth	800	1,600	2,400	3,200
Target Saving	**800**	**1,600**	**2,400**	**3,200**

3.13 Despite no growth being experienced in 2014/15, there are a number of changes pending which make projecting future years budget pressures/growth extremely difficult, not least the financial implications of the Care Act. The Care Act introduces new burdens for local authorities. Some of these new burdens will be funded through additional grant, but it is unlikely that the grant will meet all the cost. It is impossible to estimate the full impact because guidance is still being produced for the Social Care Reforms and the guidance for the Funding Reform is yet to be published. The full year effect of increases in the level of fees paid in respect of domiciliary and residential care will require to be incorporated from 2015/16 onwards. Work is ongoing to refine the projections, and although growth was managed in 2014/15, it is considered prudent to include an estimate of growth.

Energy and Waste

3.14 There are no significant changes in the position since the previous report in December. This area continues to experience pressures over those reflected in the MTFP. The MTFP provided for a Growth Pressure of £280,000. The latest projections suggest that this will be exceeded by £280,000. The additional pressures largely relate to inflation and increased tonnages on the waste disposal contract and an under-recovery of income from re-cycling of waste (reduced prices and tonnages) as well as some savings in relation to utility costs.

3.15 The position for 2015/16 onwards has been reviewed and this can be demonstrated below:

Energy and Waste	**2015/16 £'000**	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**
Updated Budget Pressure	641	898	1,043	1,210
Savings	(498)	(941)	(1,327)	(1,373)
Updated Budget Pressure	**143**	**(43)**	**(284)**	**(163)**
Estimated Growth	0	0	0	0
Target Saving	**143**	**(43)**	**(284)**	**(163)**

The positive impact of the street lighting invest to save developments can be seen in the increasing levels of savings achieved in this service area.

Big Ticket Summary

3.18 The overall position for the Big Ticket areas for 2014/15, based on the position at the end of December, can be summarised as below:

	Budget £'000	Actual £'000
Children		
Estimated Growth	1,120	537
Target Saving	(1,120)	(508)
Growth Provision	0	29
Adults		
Estimated Growth	800	0
Target Saving	0	(353)
Growth Provision	800	(353)
Energy & Waste		
Estimated Growth	280	560
Target Saving	0	0
Growth Provision	280	560
Overall		
Estimated Growth	2,200	1,097
Target Saving	(1,120)	(861)
Growth Provision	1,080	236

3.19 It was expected that a sum of £1.080m would be required to fund additional growth in 2014/15. At this stage it is projected that only £236,000 will be required meaning that a sum of £844,000 is expected to be carried forward as available for use in 2015/16 and subsequent years.

3.20 The overall updated position for future years can be summarised below and this is broadly in line with that set out in the current agreed MTFP.

Overall Big Ticket	**2015/16 £'000**	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**
Updated Budget Pressure	6,860	5,371	4,335	3,624
Estimated Growth	2,282	4,627	6,947	9,282
Total Pressures/Growth	9,142	9,998	11,282	12,906
Planned Savings	(5,540)	(6,250)	(6,650)	(6,696)
Budget Gap	**3,602**	**3,748**	**4,632**	**6,210**

3.21 The 2014/15 Budget recognised that there would be timing issues with achieving the target reductions, particularly for Children's Services and funding was allocated to assist the transition in 2014/15. However, delays are still being experienced and there is therefore a need to recognise that further transition funding will be required. A sum of £945,000 was previously agreed for inclusion in the 2015/16 Budget in this respect and this can now be supplemented by the balance of the growth provision of £844,000 mentioned above. Together these give £1.79m as available in 2015/16. Given the timing issues outlined above it is suggested that £1m is allocated from the MTFP to support the pressure in 2015/16, to enable time to identify and deliver savings in subsequent years, leaving a savings target of £813,000.

SECTION 4 - 2015/16 COUNCIL TAX LEVELS

4.1 Members will be aware in previous years, the decisions taken around Council Tax increases considered the long-term impact of decisions and reflected the commitment to a planned and managed approach of the Council's financial position.

4.2 In 2011/12, 2012/13, 2013/14 and 2014/15 the Council made the decision to increase Council Tax by 3.49% in 2011/12 and 1.9% subsequently, as opposed to freezing Council Tax levels and receiving one-off grant equivalent of 1%. If these decisions had not been taken, the financial pressure facing the Council would be approximately £2m higher than that outlined in this report. Part of the reason for not accepting the grant was the uncertainty around whether this would continue into base funding, the other consideration being that this would create a further pressure on top of an ever increasing difficult financial position.

4.3 The Government have indicated that for 2015/16, should councils freeze Council Tax, grant funding equivalent to a 1% increase would be available. Although the Government have indicated that this will be included in base funding, there has been no confirmation of any Government funding from 2016/17 onwards. The Government have confirmed that the Council Tax Referendum Limit will be set at 2% for 2015/16.

4.4 The current MTFP assumes a 1.9% increase. If Members opted to freeze Council Tax for 2015/16, the impact is outlined in the table below:

	2015/16 £'000	**2016/17 £'000**	**2017/18 £'000**
Current Estimated Position (1.9%) (Based on 1.9% increase per year)	69,851	72,077	74,227
Impact of Freeze Funding			
Opening Council Tax Income	68,549	69,414	71,485
Increase at 1.9% per year from 16/17		1,319	1,358
Freeze Grant	800		
Funding for the Year	**69,349**	**70,733**	**72,847**
Pressure on MTFP	**502**	**1,344**	**1,384**

4.5 The impact on the Medium Term Financial Plan of the decision is approximately £500,000 for each year of the freeze assuming that the freeze grant continues. If the freeze grant did not continue from 2016/17 onwards, the pressure would increase to £1.3m per year.

4.6 Given the level of financial pressure facing the Council and in particular, the level of uncertainty around all future Government Funding and future Council Tax restrictions, any increase in budget pressures through accepting the freeze would make a difficult financial position even more challenging. It is therefore recommended that Council increase Council Tax by 1.9%. This would mean a 32p per week increase in Band A (48p at Band D).

SECTION 5 - MEDIUM TERM FINANCIAL PLAN 2015 - 2019

5.1 The latest Medium Term Financial Plan, approved by Council in February 2014, which reflects the savings programme and based on the 1.9% increase in council tax each year, is as follows:

Agreed MTFP – February 2014	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Core Budget Gap	(7,491)	(396)	6,395	11,322
Big Ticket Pressure	6,620	8,065	8,760	10,285
Total Pressure	(871)	7,669	15,155	21,607
MS etc - Big Ticket	(2,270)	(945)		
Big Ticket Savings Identified	(3,230)	(3,760)	(4,400)	(4,790)
Overall Budget Gap	**(6,371)**	**2,964**	**10,755**	**16,817**

The position incorporating Big Ticket savings targets was as follows:

Target Savings	(1,120)	(3,360)	(4,360)	(5,495)
Budget Gap	**(7,491)**	**(396)**	**6,395**	**11,322**

Reductions in Government Funding

5.2 The Provisional Local Government Finance Settlement (LGFS) announced in December 2014 broadly confirmed the levels of funding for 2015/16 provisionally announced with the Settlement for 2014/15. The Final Settlement was received on 3 February 2015. This confirmed the figures from December but in addition announced a further allocation of £292,000 in respect of Local Welfare Provision. This additional funding is expected to be available for 2015/16 only and its use will be considered alongside the Council's established approach to Welfare Reform. This will be the subject of a report to Cabinet.

5.3 Technical Consultation documents issued by DCLG in July 2014 detailed only one issue of significant note. This being a top-slice of £100,000 in respect of the Carbon Commitment Scheme. The ending of the Scheme should have resulted in a saving against the MTFP of £150,000 per annum from 2015/16. However, this will now be largely offset by the top-slice in government funding.

5.4 The current approved MTFP includes an additional estimated funding reduction (RSG) in 2016/17 and 2017/18. In line with our prudent approach we have rolled forward the MTFP for another year and have reflected the latest external advice and indications coming from Government. Despite this being lower than anticipated over the next few years this still results in an additional reduction of £15m. If these projections are correct, then this will take the funding reductions to an estimated £67m, 59% in cash terms, and 77% in real terms since 2010. At this stage these are still projections and the actual position will not be known until further detail is available, anticipated to be after the General Election in 2015.

5.5 Members will be aware that from 2013/14, the responsibility for Local Welfare Support transferred to the Council, along with Social Fund allocation of £887,000 per year. Despite being notionally identified in the Council's funding allocation, the funding has in fact stopped going forward.

5.6 As reported to Cabinet in September 2014, the DfE will reduce the value of the Education Services grant by approximately 25% in 2015/16. This will compound the loss of grant already experienced due to academy conversions. Services funded from the ESG have been reviewed and covered in the recent Cabinet report around Children's Services Management Structure Review.

Levels of Council Tax and NNDR Collection

5.7 2014/15 was the second year of the new Localisation of Business Rates scheme which introduced the retention by Local Authorities of an element of business rates. The estimates and calculations have been made even more complicated following recent Government announcements around additional rebates and the level of annual increases. Section 8 outlines the changes required to the Council's scheme to reflect these latest announcements.

5.8 Members will also be aware that the Council will benefit by retaining 50% of any growth (excluding inflationary increase), but would also bear the risk of reductions. The position for 2014/15 is that overall, despite an element of growth, the business rate yield has remained broadly static due to changes to the valuation list following appeals which are outside of the control of the Council, which is just one of the complexities and difficulties of the new system. The projections going forward have been updated to reflect this position. It is also worthy of note that recent National Press has indicated that there are likely to be more appeals. Supermarkets in particular are looking at this area and this could have a significant negative impact on the Council.

5.9 The level of the Council Tax base and the impact of the Local Council Tax Support Scheme have been reviewed and it is projected that there will be a positive impact on Council Tax income and New Homes Bonus. This is reflected in the revised MTFP.

Other amendments to the Medium Term Financial Plan

<u>Impact of National Changes</u>

5.10 Inflationary pressures on Concessionary Fares are projected to increase the sums required to support the scheme by £150,000 per annum. The pressures in 2014/15 have been addressed by utilising managed surplus within the DANS Service, but this is not sustainable and requires to be funded in the revised MTFP and will amount to £300,000 in 2015/16, increasing to £750,000 in 2018/19.

5.11 It had originally been expected that funding to local authorities with respect to the Independent Living Fund (ILF) would cease in 2015/16. However, the latest available information is that the service will now be funded from a S31 grant in 2015/16 and this grant is now incorporated into the MTFP. The position beyond 2015/16 remains unclear.

5.12 The Local Government Pay Award for NJC Staff will have an impact on the MTFP. Additional costs amounting to an estimated £64,000 in 2015/16 and rising to £208,000 in 2018/19 will now be incorporated into the updated MTFP. Additional funding to support the implementation of the Living Wage was previously incorporated into the MTFP for 2014/15 and onwards. In addition, it is now clear that agency staff will also be entitled to the same pay award as the rest of the Council workforce and the additional costs are £50,000 in 2015/16 rising to £191,000 in 2018/19.

<u>Other Updates to the MTFP</u>

5.13 Savings on Street Lighting Maintenance have been delivered earlier than originally projected. These savings had originally been incorporated into the MTFP from 2017/18. They can now be incorporated into the MTFP from 2015/16 at £400,000 per annum.

5.14 The projected levels of interest paid on borrowing and received on balances invested have been re-assessed. The impact will have a positive effect on the MTFP in the short to medium term. However, latest indications on the future level of interest rates are that rates will increase at a slower rate than that anticipated in the current MTFP. This means that an additional funding pressure is now anticipated in later years (2017/18 and 2018/19).

5.15 The Review of the Children's Services Management Structure will result in additional costs of £300,000 in 2015/16, rising to £350,000 per annum subsequently.

5.16 A report to Cabinet on 12 February 2015 considered the implications of Recording and Web Broadcasting of Council meetings. Subject to a decision of Council on 4 March 2015, a provisional sum of £10,000 per annum is allocated.

5.17 The savings review programme, approved by Council in June 2013, set out target savings of £9.4m to be delivered over the period 2013/14 to 2016/17. These savings were incorporated into the MTFP. Of this sum a total of approximately £8.2m will be delivered by 2016/17. As reported to Cabinet in September 2014 a small number of reviews, with associated savings targets of £1.2m have been delayed because of capacity issues. These savings are now expected to be delivered in 2017/18. The impact for 2015/16 and 2016/17 is now incorporated into the updated MTFP.

5.18 The updated position for the Big Ticket areas is set out in paragraphs 3.1 to 3.21 above, and summarised in the table at paragraph 3.20. Funding of £945,000 is already incorporated into the MTFP for that year and this could be supplemented by unused growth provision from 2014/15 of £844,000, giving a total of £1.79m. It is recommended that a further sum of £1m be allocated from the MTFP to fund the 2015/16 pressure and support the transition.

5.19 The revised MTFP position based on the information set out above can be summarised as follows:

	2015/16 £'000	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**
Approved Core MTFP Position at February 2014	(396)	6,395	11,322	N/A
Core Budget Gap estimated for 2018/19				16,885
National Funding Changes confirmed				
Carbon Reduction/RSG Top-Slice	(50)	(50)	(50)	(50)
Independent Living Fund	(653)	(108)	(108)	(108)
Additional Local Welfare Needs	(292)			
Other Government Funding Reductions	28	68	58	50
National Funding Changes estimated	**(967)**	**(90)**	**(100)**	**(108)**
Re-assessment of SUFA-RSG impact		(2,652)	(4,147)	(5,300)
Council Tax/NNDR				
Council Tax	(647)	(1,226)	(1,695)	(2,041)
NNDR	110	(347)	(319)	(310)
Changes in Spending Plans				
Concessionary Fares	300	450	600	750
New Homes Bonus	(69)	(138)	(207)	(276)
Pay Award	114	200	299	399
Slippage on Savings Programme	1,419	1,169		
Street Lighting Savings	(400)	(400)		
AMRA	(361)	(379)	571	182

Children's Management Structure Review	300	350	350	350
Other Adjustments	952	532	621	648
	2,255	1,784	2,234	2,053
Big Ticket Transition	1,000			
Revised Core Budget Gap	**1,355**	**3,864**	**7,295**	**11,179**

The position incorporating the Big Ticket areas can be shown below:

	2015/16 £'000	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**
Budget Gap	1,355	3,864	7,295	11,179
Big Ticket Pressure	813	3,748	4,632	6,210
Overall Budget Gap	2,168	7,612	11,927	17,389
Target Big Ticket Savings	(813)	(3,748)	(4,632)	(6,210)
Core Gap	1,355	3,864	7,295	11,179

5.21 In line with the agreed approach to the MTFP, it will be proposed that the 2015/16 budget gap is funded from the £7.5m from 2014/15 to ensure a balanced position, with the remainder retained to manage the transition in delivering further savings in the context of the uncertainty regarding future funding allocations prior to the General Election.

Better Care Fund / Care Act

5.22 The Care Act 2014 introduces major returns to the legal framework for adult social care, to the funding system and to the duties of local authorities and rights of those in need of social care. As set out in the report to Cabinet on 12 February 2015, the potential impact on local authorities working practices and finances is significant.

Provisional funding allocations were announced as part of the Local Government Finance Settlement. It is anticipated that a total of £1.932m will be available in 2015/16 to meet additional duties. The funding will be received via a number of sources as set out in the table below:

5.23 This funding will be utilised to fund the new requirements of the Care Act in 2015/16. Further major changes are expected from April 2016 associated with eligibility and charging arrangements and we are awaiting publication of details. No further information is available relating to the funding associated with the changes in 2016.

5.24 The plan associated with the Better Care Fund has been approved and work is now progressing on implementation. It is too early in the process to understand the financial implications however, and this will continually be reassessed.

5.25 Responsibility for Public Health for children aged 0-5 will transfer to local authorities during 2015/16 (part year). Funding of £1.4m will transfer from the NHS in 2015/16 (£2.8m in a full financial year). The Council's MTFP will be updated to reflect this additional expenditure and income.

Updated Medium Term Financial Plan

5.26 The following table shows a summary of all of the changes to the MTFP as well as the updated budget gap/(surplus), assuming a 1.9% increase in Council Tax.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Approved Position (Feb 2014)	(396)	6,395	11,322	16,885
Amendments to the Plan :				
Government Funding confirmed	(967)	(90)	(100)	(108)
Government Funding estimated		(2,652)	(4,147)	(5,300)
Council Tax Collection	(647)	(1,226)	(1,695)	(2,041)
NNDR	110	(347)	(319)	(310)
Changes to Expenditure Plans	2,255	1,784	2,234	2,053
Big Ticket Transition	1,000			
Updated Budget Gap	**1,355**	**3,864**	**7,295**	**11,179**

5.27 The overall position including Big Ticket pressures and savings outlined in Section 3 is outlined below:

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Core Budget Gap	1,355	3,864	7,295	11,179
Big Ticket Pressure	9,142	9,998	11,282	12,906
Total Pressure	10,497	13,862	18,577	24,085
Big Ticket one-off	(2,789)	0		
Big Ticket Savings Identified	(5,540)	(6,250)	(6,650)	(6,696)
Overall Budget Gap	**2,168**	**7,612**	**11,927**	**17,389**
Target Savings	(813)	(3,748)	(4,632)	(6,210)
Budget Gap	**1,355**	**3,864**	**7,295**	**11,179**

5.28 Members will note that there will be a budget gap of £1.355m in 2015/16 assuming savings in the Big Ticket areas of £813,000. The estimated position for future years is a significant budget gap estimated at £17.4m by 2018/19, however the real extent of this gap will not be known until after the General Election in 2015 and any subsequent spending review.

5.29 There will inevitably be the need for further savings to meet these pressures however it is recommended that the budget gap in 2015/16 is funded from the balance of the £7.5m reserves brought forward from 2014/15 (identified in the 2014 Budget Report to be used for this purpose). Given the timing of funding announcements it is envisaged that the balance of the reserve will be required to support the 2016/17 gap. This allows the Council to continue the managed approach to delivering savings.

Review of the Medium Term Financial Plan

5.30 The updated Medium Term Financial Plan can be represented as follows:

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Income				
RSG (Inc LCTS Funding)	30,146	23,135	16,674	10,479
Retained NNDR (less Tariff)	39,119	40,467	41,619	43,021
Council Tax	69,851	72,077	74,227	76,295
New Homes Bonus	3,871	4,662	4,682	4,923
Social Care Reform	1,051	1,051	1,051	1,051
Better Care Fund	4,615	4,615	4,615	4,615
Public Health	14,470	15,873	15,873	15,873

TOTAL RESOURCES	**163,123**	**161,880**	**158,741**	**156,257**
Expenditure				
Service Spend	164,478	165,744	166,036	167,436
Total Expenditure	**164,478**	**165,744**	**166,036**	**167,436**
ESTIMATED BUDGET GAP	**1,355**	**3,864**	**7,295**	**11,179**

SECTION 6 – RESERVES AND ONE OFF RESOURCES

One-off Resources

6.1 Members were provided with a summary of the position with regard to reserves, balances and one-off resources in the report to Cabinet in December 2014. This information, updated for the current position is set out below.

6.2 The Council has generated £500,000 from Asset Disposals. Following agreement at Cabinet, a number of other disposals are planned in the next few years, such as the Education Centre site and a prudent estimate of such receipts of £1.5m could therefore be included in the Councils one off resources.

6.3 Members will be aware that as part of the 2014/15 budget report, investment of £14m in Street Lighting across the Borough was approved and this would result in annual revenue savings of £1.7m. The scheme is progressing and following initial procurement activity, the costs have been reviewed and it is now expected that the requirement will be £12.3m, releasing one-off resources of £1.7m.

6.4 As part of the transfer of the Housing Stock to Tristar (now Thirteen Group), the Council entered into a VAT share agreement, which means that as the investment in stock progresses, the Council benefits from a saving in VAT. The budget report in 2012/13 approved the use of £10.3m of one off resources to support cash flow issues to enable Town Centre and Housing Regeneration schemes to progress in advance of receiving the VAT shelter income. The investment programme is progressing well and the Council are now starting to receive payments which can replenish the one off resources. £800,000 has been received to date this year with a further £2m expected before the end of the 2015/16 financial year. Further resources are expected in subsequent years, estimated at £1.2m by 2018/19 and this means that £4m can therefore now be considered as one off resources to be allocated.

6.5 Paragraph 5.8 outlines the complexity and uncertainty around business rates. The balance of the collection fund at the end of the financial year is expected to result in a small surplus of £51,000 (Stockton share). It should be noted that the positive impact of any growth is offset by the impact of losses on appeal and the requirement to maintain an adequate appeals provision.

6.6 Members will be aware of the recent changes to Council Tax through the introduction of the Local Council Tax Benefit Scheme and also changes to discounts and allowances. Following the changes we have based our income on collection levels of 97%, and we also hold a provision for non-payment. As outlined in the December Cabinet report, it is timely to review this provision. When combined with positive projections on the level of Council Tax collection in 2014/15, and the additional carry forward from 2013/14, it is anticipated that a sum of £3.735m in one off resources will be available.

6.7 The overall position on available capital and one-off resources can be summarised as follows:

	£'000
Capital Receipts	500
Planned Capital Receipts	1,500
Street Lighting Programme Saving	1,700
VAT Shelter - Repay corporate resources	4,000
NNDR Collection Fund	51
CTax Collection Fund	3,735
TOTAL	**11,486**
Replenish Corporate Balances	1,675
Resources Available	**9,810**

The above table demonstrates that after replenishing working balances, there will be £9.8m in one off resources to be considered as part of the 2015/16 budget.

Calls on One-Off Resources

6.8 The report to Cabinet in December 2014 identified a number of emerging calls on one-off resources. These are summarised below.

Leisure Facility Ingleby Barwick - Members will be aware of the feasibility work approved to consider a leisure facility in Ingleby Barwick. Cabinet have committed in principle to £3m of the infrastructure reserve with the overall costs and resource requirements considered as part of the budget report. The feasibility work is progressing and the Council will explore external funding opportunities to enhance the resources available. It is likely however, there will be a requirement for additional one-off resources of £7m to develop the facilities.

Town Centres - Extension of the Business Rates Discount Scheme and marketing of events to support the opening of the new town centre in Stockton as well as increased community safety activity, is estimated at £495,000.

Exploration of options for the Billingham District Heating System Building - £20,000.

Arts Council – The Arts Council are looking to increase their funding to the North of England. Stockton has an excellent reputation and relationship with the Arts Council and are well placed to access this additional funding. This would contribute to supporting and developing our successful events programme which support and develop the economy of the Borough. This will require an element of match funding and £200,000 is expected to lever in £500,000 to the Borough.

In addition to the above, there are a number of other projects which Members may wish to support as part of the budget setting process.

Community Transport/Fleet – Members will be aware of the successful operation of the fleet reserve for Direct Services vehicles. There is a need to either renew leases or purchase community transport vehicles, with acquisition the best option financially. This would cost £1.2m, however £600,000 could be funded from the reserve. This would then allow the operation of a replacement fund for Community Transport vehicles.

Strategic Property Acquisition – The Council recently acquired the former Glam nightclub and Post Office under urgency powers. This enhances the strategic control over the town centre and opens up future potential development opportunities. It is suggested that £500,000 is earmarked for further acquisition of this nature.

Townscape Heritage Initiative Schemes – Members will be aware of the significant successful work carried out on Town Centre properties through accessing previous rounds of Townscape Heritage funding. There is a further round of funding available and investment of £500,000 would lever in funding of £2m to enable significant further investment.

Mental Capacity Act – Deprivation of Liberty Safeguards – Members will be aware from the report to Cabinet on 12 February 2015 of the revised legal framework and the need for one-off resources in 2015/16 to implement the legislation and this will require £470,000 of one-off resources. Any ongoing resource requirement will be assessed as part of this work.

Stockton – Darlington Railway Celebration - A sum of £25,000 is allocated towards the development of plans for events in 2025 related to passenger rail. Stockton Borough Council is working with Darlington Borough Council and Durham County Council on plans for the celebration of the bi-centenary of the first passenger rail journey. It is envisaged that the anniversary would be marked by a number of large scale events, reflecting the global importance of rail transport. As a basis for further planning, we have agreed to produce a conservation management plan of the S&D line, as at 1825, and to look at the combined collections of our museums, and those of relevant national institutions, to see what objects or artefacts we might consider borrowing or bringing together to mark the bicentenary. The intention is to jointly fund these preparatory works with DBC and DCC.

6.9 If Members were to agree to the above, this could be summarised as follows:

	£'000
Available Resources	9,810
Approved in Principal	
Town Centre Developments	515
SIRF/Arts Council Match Funding	200
Ingleby Barwick Leisure Facility	7,000
New Projects/Requirements	
THI Match Funding	500
Community Transport Fleet Fund	600
Strategic Property Acquisitions	500
Deprivation of Liberty legislation	470
Stockton & Darlington Railway Celebrations	25
TOTAL	**9,810**

SECTION 7 – CAPITAL PROGRAMME

2014/15 Programme

7.1 The current Capital Programme as at 31 December 2014 is shown at **Appendix A** and summarised below:

CAPITAL PROGRAMME 2012-2018	Current Approved Programme	Programme Revisions	Revised Programme
	£'000	£'000	£'000
Schools Capital	48,928	-	48,928
Regeneration (including Housing)	58,388	629	59,017
Transportation	22,760	633	23,393
Other Schemes	34,433	(1,356)	33,077
Total Approved Capital MTFP	**164,509**	**(94)**	**164,415**

Reasons for Movements over £100k

New Schemes

£2,000,000 from the unallocated basic need provision will fund a scheme to increase pupil places at Ash Trees School to include the refurbishment of the former Rievaulx site as a separate annex to the school.

A scheme for acquisition of Stockton Town Centre Properties has been added to the capital programme for £620,000. The acquisition of 90 High Street and the adjoining property were approved under an urgency decision and funded via the infrastructure reserve.

A new scheme has been added to the programme for highways improvements associated with a development at Teesside Emulsion Polymer Plant. This costs £143,000 and is funded by developer contributions.

Accommodation works to Stockton Sixth Form College and Our Lady and St Bede School for the relocation of staff and training facilities from the Education Centre are added to the capital programme (£175,000), funded by future capital receipts.

Additional Funding

Additional elements were added into the design of the alterations to Quarry Farm roundabout including improved pedestrian crossing facilities (£490,000). This is funded by a contribution from the developer.

Cost Variances

The requirement of one-off resources for the Major Street Lighting Investment has reduced by £1,700,000 as reported to Cabinet in December.

2015 – 2019 Capital Programme

7.2 The Capital Programme has now been updated to reflect the above amendments, the additional government allocations received and the Capital Schemes included in the recommended use of one-off Resources. The Government allocations are shown below:

Department	2015/16	2016/17	2017/18
Dept for Transport - Highways Maintenance Block	2,580,000	2,365,000	2,293,000

7.3 The updated Capital Programme is shown at **Appendix B**.

Local Growth Fund

7.4 A report was taken to Cabinet on 9 October 2014 (Min Ref 80/14) on the successful Local Growth Fund bid relating to three highway infrastructure projects (at Wynyard, Ingleby Barwick and Teesside Park) and the further work required in developing the business cases for the 'Due Diligence' process.

The DfT requirement for publication of the project business cases for a period of 3 months prior to any funding decisions meant that the publication period has been set to end on 16 March with any comments received discussed at the 24 March TVU Investment Panel meeting when final funding allocations will be confirmed. Provisional allocations are for £3.9m for the three infrastructure projects in 2015/16 with a further £2.3m in 2016/17.

Members should also note that the Growth Deal has recently been increased from £90.3m to £104.2m and that £1.0m of the additional funding is provisionally allocated to site clearance and preparation work at Billingham House in 2017/18.

SECTION 8 – BUSINESS RATE RELIEF SCHEME

8.1 The 2015 Autumn Statement introduced some additional changes to business rates which will affect the Council's income during 2015/16. These changes include:

- An extension to the doubling up of the small business rate relief scheme until March 2016;
- The RPI increase in the multiplier has again been capped at 2%;
- The retail relief of up to £1,000 that was introduced for 2014/15, has been increased to £1,500 for 2015/16;
- An extension to the transitional arrangements for smaller properties with a rateable value of £50,000 or less that would otherwise have faced an increase in their rates bill for 2015/16 and 2016/17 due to the ending of the transitional rate relief scheme.

The Council's Discretionary Rate Relief Government Funded Scheme has been amended to reflect the minor changes and has been approved under the Council's Scheme of delegation.

SECTION 9 – ORGANISATIONAL CAPACITY

Pay Policy Statement

9.1 The Localism Act requires all Councils to produce and approve a Pay Policy Statement. The statement for Stockton is shown attached at **Appendix C**.

SECTION 10 – PRECEPT LEVELS

Stockton Precept

10.1 Stockton's current tax level for 2014/15 at Band A (the biggest percentage of its properties) is £875.11 (£16.78 per week).

	Band A £	Band D £
2014/15	875.11	1,312.66
2015/16	891.73	1,337.60

Police Precept

10.2 The Police & Crime Commissioner has indicated a Council Tax Increase of 1.99%

	Band A £	Band D £
2014/15	134.83	202.24
2015/16	137.51	206.26

Fire Authority

10.3 The Fire Authority are expected to set the following Council Tax levels on 13 February 2015

	Band A £	Band D £
2014/15	46.03	69.05
2015/16	46.91	70.36

Parishes

10.4 Details of the Parish precepts are given below:

(Add table)

Overall Tax Position

10.5 Stockton Borough Council is required to collect tax on behalf of 4 independent organisations:

The Council
Police
Fire
Parishes

The position assuming Stockton Borough Council sets its Council Tax requirement at £69,851,478 is given below:

Tax 2015/16			
	Current 2014/15 (Band A) £	Proposed 2015/16 (Band A) £	Increase %
Police	134.83	137.51	1.99
Fire	46.03	46.91	1.90
Stockton BC	875.11	891.73	1.90

Formal Tax Recommendations

10.6 The Council must approve precept/tax in line with statutory guidelines. These are contained at **Appendix D**.

SECTION 11 – TREASURY MANAGEMENT

11.1 The Treasury Management Strategy is set out at **Appendix E** for Council Approval.

Appendix A

Capital Programme – December 2014

CAPITAL PROGRAMME 2012-2018	Current Approved Programme	Programme Revisions	Revised Programme	Expenditure April 2012 - December 2014
SCHOOL CAPITAL				
School Investment Programme	28,195,675	0	28,195,675	12,651,102
Academies	20,732,631	0	20,732,631	20,732,630
SCHOOLS CAPITAL	**48,928,306**	**0**	**48,928,306**	**33,383,731**
HOUSING REGENERATION & TOWN CENTRES SCHEMES				
Housing Regeneration	10,865,402	0	10,865,402	7,156,582
Stockton Town Centre Schemes	34,884,562	629,000	35,513,562	26,205,610
Billingham Town Centre Schemes	5,286,300	0	5,286,300	4,973,583
Yarm Town Centre Schemes	1,173,927	0	1,173,927	869,989
Other Regeneration Schemes	6,178,008	0	6,178,008	1,912,555
HOUSING REGENERATION & TOWN CENTRES SCHEMES	**58,388,199**	**629,000**	**59,017,199**	**41,118,320**
TRANSPORTATION				
Local Transport Plans	7,672,289	0	7,672,289	2,088,282
Other Transport Schemes	11,007,347	0	11,007,347	5,195,653
Developer Agreements	2,491,129	632,500	3,123,629	2,646,646
Tees Valley Bus Network Initiative	1,589,615	0	1,589,615	744,649
TRANSPORTATION	**22,760,380**	**632,500**	**23,392,880**	**10,675,231**
OTHER SCHEMES				
Private Sector Housing	3,358,715	75,000	3,433,715	1,113,704
Building Management & Asset Review	4,061,000	175,000	4,236,000	2,194,375
ICT & Infrastructure	561,515	0	561,515	119,258
Parks, Museums & Cemeteries	3,838,516	0	3,838,516	3,299,465
Energy Efficiency Schemes	15,429,480	(1,700,000)	13,729,480	1,398,416
Other CESC Schemes	4,989,846	43,630	5,033,476	2,793,464
Other Schemes	2,194,196	50,000	2,244,196	871,294
OTHER SCHEMES	**34,433,269**	**(1,356,370)**	**33,076,899**	**11,789,976**
Total Approved Capital MTFP	**164,510,154**	**(94,870)**	**164,415,284**	**96,967,257**

Appendix B

Capital Programme – New Approvals

CAPITAL PROGRAMME 2012-2018	Current Approved Programme	New Approvals (Part of Report)	Total
SCHOOL CAPITAL			
School Investment Programme			
Planned Maintenance	4,099,320		4,099,320
St Marks Primary	887,765		887,765
Barley Fields Primary	1,146,554		1,146,554
Christ The King Primary	735,517		735,517
Junction Farm Primary	2,299,946		2,299,946
St Francis Of Assisi Primary	2,045,000		2,045,000
Rosebrook School	603,000		603,000
Northfield School	3,670,202		3,670,202
Ash Trees School	2,000,000		2,000,000
Mill Lane School - Additional Teaching Space	179,500		179,500
School Kitchen Improvements	472,951		472,951
Extended Schools Programme	1,818		1,818
Unallocated Basic Need Capital Funding	8,460,147		8,460,147
	26,601,720	**0**	**26,601,720**
Post 16 Education			
16 – 19 Provision, Marsh House Avenue Site	1,593,955		1,593,955
	1,593,955	**0**	**1,593,955**
Academies			
Northshore Academy	15,369,484		15,369,484
Thornaby Academy	5,363,147		5,363,147
	20,732,631	**0**	**20,732,631**
SCHOOLS CAPITAL	**48,928,306**	**0**	**48,928,306**
HOUSING REGENERATION & TOWN CENTRES SCHEMES			
Housing Regeneration			
Mandale Regeneration	3,682,883		3,682,883
Victoria Estate Regeneration	3,097,462		3,097,462
Parkfield Regeneration	2,598,113		2,598,113
Swainby Road Regeneration	1,380,555		1,380,555
Hardwick Regeneration	106,389		106,389
	10,865,402	**0**	**10,865,402**
Stockton Town Centre			
Stockton Town Centre - Infrastructure Projects	24,433,452	495,000	24,928,452
St Johns Crossing	6,158,660		6,158,660
Townscape Heritage Initiative	2,034,783		2,034,783
THI Match Funding	0	500,000	500,000
Globe Theatre Refurbishment	1,150,000		1,150,000
Stockton Heritage in Partnership (SHiP)	116,667		116,667
Courtyard Improvements	1,000,000		1,000,000
Acquisition of Town Centre Properties	620,000		620,000
	35,513,562	**995,000**	**36,508,562**

Billingham Town Centre Schemes			
Billingham Town Centre - Public Realm	1,901,500		1,901,500
Billingham Library & Contact Facility	2,776,800		2,776,800
Billingham Extra Care Scheme - Car Park	400,000		400,000
Billingham House Demolition	0		0
Extension of gym - Billingham Forum	208,000		208,000
	5,286,300	**0**	**5,286,300**
Yarm Town Centre Schemes			
Yarm Car Parking	571,427		571,427
Yarm Public Realm	602,500		602,500
	1,173,927	**0**	**1,173,927**
Other Regeneration Schemes			
Northshore Innovation Centre	6,178,008		6,178,008
Strategic Acquisitions	0	500,000	500,000
	6,178,008	**500,000**	**6,678,008**
HOUSING REGENERATION & TOWN CENTRES SCHEMES	**59,017,199**	**1,495,000**	**60,512,199**
TRANSPORTATION			
LTP - Integrated Transport	5,349,124		5,349,124
LTP - Structural Maintenance	2,323,165	7,238,000	9,561,165
Blakeston Lane / Junction Rd Improvements	767,021		767,021
Talbot Street Road Works	616,355		616,355
Thornaby Station - Footbridge	1,136,033		1,136,033
Preston Park Additional Car Parking	800,000		800,000
Teesdale Improvements	186,938		186,938
Congestion Relief, A174/A1044 Thornaby Road	3,315,000		3,315,000
Newport Bridge - Repainting	4,186,000		4,186,000
Developer Agreements	3,123,629		3,123,629
Tees Valley Bus Network Initiative	1,589,615		1,589,615
TRANSPORTATION	**23,392,880**	**7,238,000**	**30,630,880**
OTHER SCHEMES			
Private Sector Housing			
Disabled Adaptations	2,636,715		2,636,715
Regional Loan Scheme	239,000		239,000
Empty Properties (EDM Orders)	58,000		58,000
Empty Homes - Regional Scheme	500,000		500,000
	3,433,715	**0**	**3,433,715**
Building Management & Asset Review			
Building Maintenance Programme	333,000		333,000
Wrensfield / PRU	225,000		225,000
Asset Review	843,000		843,000
Blakeston School Site	731,953		731,953
Billingham Campus - Site Improvements	452,783		452,783
Delivery of Playing Pitch Strategy	1,475,264		1,475,264
SSFC / OL&SB Accommodation	175,000		175,000
	4,236,000	**0**	**4,236,000**

Resources / ICT & Infrastructure			
A2S: ICT Cost	166,515		166,515
Broadband Infrastructure	315,000		315,000
Replacement Equipment	80,000		80,000
	561,515	**0**	**561,515**
Parks, Museums & Cemeteries			
Preston Hall - Museum Project	1,426,187		1,426,187
Parks Improvement Programme	1,717,531		1,717,531
Cemeteries	694,798		694,798
	3,838,516	**0**	**3,838,516**
Energy Efficiency Schemes			
Street Lighting Scheme	889,480		889,480
District Heating Schemes	340,000		340,000
Major Street Lighting Investment	12,500,000		12,500,000
	13,729,480	**0**	**13,729,480**
Other CESC Schemes			
Funding Early Education for Two Year Olds	426,129		426,129
Short Breaks for Disabled Children	193,838		193,838
Community Capacity Projects	1,381,229		1,381,229
King Edwin Developments	2,750,000		2,750,000
School Pitches	128,000		128,000
Foster Carer Adaptations	43,650		43,650
Increasing the Capacity of the Sunrise Children's Centre	75,130		75,130
Autism Capital Grant	18,500		18,500
Property Adaptations	17,000		17,000
	5,033,476	**0**	**5,033,476**
Other Schemes			
Vehicle Replacement Fund	1,019,196	600,000	1,619,196
Flood Support - Repair and Renewal Grant Scheme	175,000		175,000
Tees Active - High Rope Course	1,000,000		1,000,000
Leisure Facility Ingleby Barwick	0	10,000,000	10,000,000
Ingleby Barwick Community Centre Contribution	50,000		50,000
	2,244,196	**10,600,000**	**12,844,196**
OTHER SCHEMES	**33,076,899**	**10,600,000**	**43,676,899**
Total Approved Capital MTFP	**164,415,284**	**19,333,000**	**183,748,284**

CAPITAL PROGRAMME 2012-2018	**Current Approved Programme**	**New Approvals (Part of Report)**	**TOTAL**
Government Support	71,208,105	7,238,000	78,446,105
Earmarked Resources / Receipts	15,851,141	0	15,851,141
Earmarked Housing Regeneration Receipts	6,990,308	0	6,990,308
Prudential Borrowing	1,214,068	0	1,214,068
Other Contributions	12,454,594	0	12,454,594
Corporate One-Off Resources	56,697,068	12,095,000	68,792,068
Total Approved Funding Capital MTFP	**164,415,284**	**19,333,000**	**183,748,284**

STOCKTON ON TEES BOROUGH COUNCIL
PAY POLICY STATEMENT
(Section 38, Localism Act 2011)

This Pay Policy Statement applies to the financial year 2015/16.

1. INTRODUCTION

1.1. This document sets out the Council's Pay Policy in relation to the remuneration of its staff in accordance with section 38 of the Localism Act 2011. The policy is subject to annual review which must be approved by Full Council before 31st March each year. Any amendments during the course of the year must also be considered and approved by Full Council. The policy will be published on the Council's website as soon as reasonably practicable after approval or amendment.

1.2. The arrangements set out within this document do not extend to those members of staff who are directly employed by the Governing Body of a school.

1.3. The Council is committed to ensuring fairness, transparency and equality of pay in the remuneration of its employees. The Council aims to deliver high quality services to residents of the Borough and in this regard aims to be an employer of choice recruiting and retaining high quality employees who are valued by their employer.

2. DEFINITIONS

2.1. The following definitions will apply throughout this policy statement.

2.2. **'Lowest-paid employees'**

Those staff who are employed in jobs which are paid Grade A (spinal column point 5) are deemed as being the lowest paid employees other than apprentices.

The salaries attributable to apprentices depend on age and are those set out within the National Minimum Wage legislation. Given the specific nature of these appointments, apprentices have not been included within the definition of lowest paid employees for the purposes of this policy statement.

2.3. **'Chief Officer'**

The Localism Act defines the following Chief Officer posts:
Head of Paid Service designated under section 4(1) of the Local Government and Housing Act 1989;
Monitoring officer designated under section 5(1) of that Act;
Any statutory chief officer mentioned in section 2(6) of that Act;
Any non-statutory chief officer mentioned in section 2(7) of that Act;
Any deputy chief officer mentioned in section 2(8) of that Act.

3.	**CHIEF OFFICERS**
3.1.	**Remuneration of Chief Officers** The following principles will apply: The salaries set out within this Pay Policy Statement will be published as at 31 December of the relevant year. The grades and salary ranges of chief officers are detailed below, with actual salary information available on the Council's website. **Job** — **Salary range** Chief Executive — £165,191 Corporate Director — £123,912 to £128,523 Director of Public Health — £105,123 Head of Service Level 1 — £91,182 to £94,254 Head of Service Level 2 — £77,505 to £80,577 Head of Service Level 3 — £63,519 to £66,594
3.2.	Joint National Conditions of service (JNC) are incorporated into all Chief Officers' contracts of employment.
3.3.	The salaries for Chief Officers have been determined through independent analysis and benchmarking and reflect rates which are reasonably sufficient to recruit and retain senior officers taking into account market conditions. The grades attributable to Senior Officer posts are subject to job evaluation and based on: o clear salary differentials which reflect the level of responsibility attached to any particular role; and o increments which are paid annually up to the maximum of the salary range in accordance with the Council's policy
3.4.	Chief officers do not receive bonus payments or performance related pay nor do they receive any benefits in kind paid for by the employer. Where a chief officer meets the criteria for entitlement to expenses these are paid in accordance with the Council's Single Status Agreement. Increases in pay for Chief Officers will occur only as a result of: o pay awards agreed by way of national/local collective pay bargaining arrangements; or o significant changes to a Chief Officer's role which result in a higher salary being appropriate as confirmed by the outcome of an appropriate job-evaluation process. o Recruitment and/or retention payments which, in all the given circumstances at the relevant time, are deemed necessary in the best interests of the Council and which are determined under the relevant policy relating to such payments.
3.5.	It is expected that senior officers will perform to the highest level and performance related pay does not, therefore, form part of current remuneration arrangements. This position will be reviewed if legislation and/or guidance relating to senior posts is changed.

3.6.	As service reviews are undertaken a rationalisation of the number of Chief Officers will be sought, where this is practicable to do so.
3.7.	In accordance with the requirements of the Localism Act 2011, in respect of new appointments, an offer of a salary package of £100,000 or higher will not be made in respect of any post without the prior approval of the Council.
3.8.	**Election Duties undertaken by Chief Officers** Fees for election duties undertaken by chief officers are not included in their salaries. For Parliamentary elections the Council receive a Parliamentary Election Order form central government which has already set the fee for each constituency. In respect of local elections fees are determined separately in consultation with the other Tees Valley Councils. For contested elections the fees are based on an agreed sum for the first 1000 electors and a further sum for each additional 1000 electors or fraction thereof, and a set agreed sum for uncontested elections
3.9.	**Remuneration on appointment** Chief Officers are recruited in accordance with the Council's Constitution and associated Scheme of Delegation to the minimum of the grade unless there are exceptional circumstances which would warrant appointment above the minimum.
3.10.	**Payments to Chief Officers upon termination of their employment** Chief Officers who cease to hold office or be employed by the Council will receive payments calculated using the same principles as any other member of staff, based on entitlement within their contract of employment, their general terms and conditions, and existing policies.
3.11.	In the case of termination of employment by way of early retirement, redundancy (voluntary or otherwise) or on the grounds of efficiency of the service, the Council's Pensions and Retirement Policy sets out provisions which apply to all staff regardless of their level of seniority.
3.12.	The Council's Pensions and Retirement Policy also sets out the applicable provisions in respect of awarding additional pension entitlement by way of augmentation or otherwise.
3.13.	Where a severance package is to be paid, where taken as a whole, has a cost to the authority of £100,000 or more (subject to section 3.14 below), the Council will be given an opportunity to vote before the package is approved.
3.14.	Employees who would be contractually entitled to payments in excess of £100,000 where there is no discretion and a failure to comply would place the Council in breach of contract and leave it exposed to litigation would be exempt from the requirement of such a vote.

4.	**EMPLOYMENT OF INDIVIDUALS ALREADY IN RECEIPT OF A LOCAL GOVERNMENT PENSION**
4.1.	The approach to the employment of individuals already in receipt of a local government pension is set by the Teesside Pension Fund. The Fund has resolved not to abate pensions on re-employment, having regard to the enactment of regulations introducing flexible retirement, unless an enhanced ill-health retirement has been awarded.
5.	**EMPLOYMENT OF EX EMPLOYEES AS CHIEF OFFICERS UNDER A CONTRACT FOR SERVICES**
5.1.	The Council does not generally support the employment of ex employees as Chief Officers under a contract for services. However there may be circumstances where the employment of an ex-employee under these terms is the most effective and efficient way of meeting the Council's needs. If this situation applies formal approval will be sought from the Chief Executive in his role as head of the paid service.
6.	**REMUNERATION OF LOWEST PAID EMPLOYEES**
6.1.	The Council introduced its Single Status Agreement on 1st April 2008. The lowest paid employees within the Council are appointed to jobs which have been evaluated using the NJC Job Evaluation Scheme and are remunerated accordingly. The Council is committed to ensuring that pay and rewards policies are fair and that the needs of the lowest paid staff are properly considered, which includes working towards paying the living wage. As part of this commitment the Council agreed to delete spinal column points (scp) 5, 6 and 7 with effect from 1st April 2014 therefore the Council's pay and grading structure starts with grade C at scp 8 with incremental progression to scp 10.
7.	**RELATIONSHIP BETWEEN CHIEF OFFICER AND NON-CHIEF OFFICER REMUNERATION**
7.1.	The 'pay multiple' for the Council is determined by comparing the pay of the highest paid employee against the average pay, using hourly rates as at 31st December, for employees within the scope of this statement.
7.2.	The Council will aim to maintain a pay multiple of less than 10.
7.3.	The Council's current Median Average Hourly rate is £10.27 and the pay multiple based on this is 8.34 The Council's current Mean Average Salary is £11.94 and the pay multiple based on this is 7.17
8.	**GENERAL PRINCIPLES REGARDING THE REMUNERATION OF STAFF**
8.1.	The Council have established pay and grading structures, founded on evaluation of job roles using job evaluation, which ensures a fair and transparent approach to pay and the same grading of jobs which are rated as equivalent. The Single Status Agreement was subject to an equality impact assessment by the Council as well as being approved by the respective trade unions equal pay units. All employees are recruited in accordance with the Council's Recruitment Policy and

	are appointed on the minimum of the grade unless there are exceptional circumstances which would warrant appointment above the minimum of the grade. However, where an employee is redeployed because of redundancy or ill health into a lower graded job they will generally be appointed to the highest spinal column point of the lower grade, where appropriate, with salary protection to minimise the financial loss. Where an employee has secured promotion into a higher-graded job and there is an overlap of spinal column points between their current and new job, and the employee is already on the maximum of their current grade they will generally commence on the second spinal column point of the new grade.
9.	**PUBLICATION OF AND ACCESS TO INFORMATION RELATING TO REMUNERATION OF CHIEF OFFICERS**
9.1.	The Council will publish their Pay Policy Statement, following approval of Full Council, on the Council's website. In addition remuneration related data associated with the Pay Policy Statement and Code of Recommended Practice for Local Authorities on Data Transparency will be published on the Council's website no later than 31st March and information related to the public sector equality duty no later than 30th June.

Appendix D
(to follow)

Formal Council Tax Resolution

Appendix E

PRUDENTIAL CODE AND TREASURY MANAGEMENT STRATEGY 2015/16– 2017/18

Introduction

1. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected activity or introduces limits upon the activity, reflecting the outcome of the Council's underlying capital appraisal systems. This report updates currently approved indicators, and introduces new indicators for 2017/18.
2. Within this overall prudential framework there is a clear impact on the Council's treasury management activity, as it will directly impact on borrowing or investment activity. As a consequence the Treasury Management Strategy for 2015/16 to 2017/18 is included in this report to complement these indicators. The production of a Treasury Management Strategy is a requirement of the CIPFA Code of Practice on Treasury Management. Compliance with this Code is a requirement of the Prudential Code.

The Council's Capital Prudential Indicators 2015/16 – 2017/18

3. The Council's capital expenditure plans are a key driver of treasury management activity. The output of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members overview and confirm capital expenditure plans.
4. The Council is recommended to approve the summary capital expenditure and financing projections below; service details are shown in the main budget report. This forms the first prudential indicator:

	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Capital Expenditure				
Non-HRA	63,940	26,715	20,803	4,104
Total Financing				
Government Support excluding Credit Approvals	14,701	8,619	7,488	3,524
Other Grants	10,258	1,310	233	-
Earmarked Capital Resources/Receipts	34,841	15,908	12,570	549
Earmarked Housing Regeneration Receipts	792	53	481	-
Capital Contributions	2,913	490	31	31
Net financing need (borrowing) for the year (of which Prudential Borrowing)	435	335	-	-

Other long term liabilities – The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

The Council's Borrowing Need (the Capital Financing Requirement)

5. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. The capital expenditure above which has not immediately been paid for will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

6. The CFR includes any other long term liabilities (e.g. PFI schemes and finance leases) brought onto the balance sheet. Whilst these increase the CFR, and therefore the Council's borrowing

requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £8.3million of such schemes within the CFR.

7. The Council is recommended to approve the CFR projections below:

	2013/14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Capital Financing Requirement					
General Fund	114,065	109,396	104,849	100,459	96,206
PFI & Finance Leases	8,274	7,354	6,709	6,165	5,807
Total	**122,339**	**116,750**	**111,558**	**106,624**	**102,013**
Movement in CFR	(5,599)	(5,589)	(5,192)	(4,934)	(4,611)

Movement in CFR represented by:					
Net financing need for the year	185	51	-	-	-
MRP/VRP and other financing movements	(5,784)	(5,640)	(5,192)	(4,934)	(4,611)
Movement in CFR	(5,599)	(5,589)	(5,192)	(4,934)	(4,611)

MRP Policy Statement

8. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments (Voluntary Revenue Provision - VRP).

9. The Department of Communities & Local Government regulations require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision.

10. The Council is recommended to approve the following MRP Statement:-

For capital expenditure incurred before 1 April 2008 or which in future will be Supported Capital Expenditure, the MRP policy will be:

- MRP will follow the existing practice outlined in former CLG Regulations;

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and Finance Leases) the MRP policy will be:

- Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Directive);

This option provides for a reduction in the borrowing need over approximately the asset's life.

Repayments included in annual PFI or finance leases are applied as MRP.

Affordability Prudential Indicators

11. The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework 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 on the Council's overall finances. The Council is recommended to approve the following indicators:

12. **Actual and Estimates of the ratio of financing costs to net revenue stream –** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The Council has taken the net revenue stream for the General Fund as being the total of Net Budget Requirement and Dedicated Schools Grant.

	2013/14 Actual %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
General Fund	1.0	0.9	0.8	0.8	0.8

13. The estimates of financing costs include current commitments and the proposals in this budget report.

14. **Estimates of the incremental impact of capital investment decisions on the Council Tax –** This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The 2014/15 report stated the intention to refinance an £8m loan that was repaid on 10th December 2014. The loan attracted interest at 8.87%. It is now planned to replace this loan in 2017/18 at an anticipated rate of 4.5% and therefore there will be a saving to the General Fund and a consequent impact on Band D Council Tax shown in the table below. Other than this refinancing there are no plans to use borrowing in the next three years and prudential borrowing is being financed from savings in services, there is no impact on future Council Tax levels.

15. Incremental impact of capital investment decisions on the Band D Council Tax

	2015/16 Forward Projection £	2016/17 Forward Projection £	2017/18 Forward Projection £
Council Tax - Band D	(13.59)	(13.42)	(6.53)

TREASURY MANAGEMENT STRATEGY 2015/16 – 2017/18

16. The capital expenditure plans set out above provide details of the service activity of the Council. 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. 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.

Current Treasury position and forward projections

17. The Council's treasury portfolio position at 31 March 2014, with forward projections are summarised below. The table shows the actual external debt (the treasury management

operations), against the underlying capital borrowing need (the Capital Financing Requirement-CFR), highlighting any over or under borrowing.

	2013/14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
External Debt					
Debt at 1 April	56,265	56,236	48,044	47,854	55,681
Maturing Debt	(29)	(8,192)	(190)	(173)	(267)
New Debt taken/to be taken out	-	-	-	8,000	-
Gross Debt at 31 March	**56,236**	**48,044**	**47,854**	**55,681**	**55,414**
The Capital Financing Requirement (ex PFI & FL)	114,065	109,396	104,849	100,459	96,206
(Under)/over borrowed	(57,829)	(61,352)	(56,995)	(44,778)	(40,792)
Total Investments at 31 March	97,500	80,000	80,000	80,000	80,000
Investment change	(5,918)	(17,500)	-	-	-
Net Debt at 31st March	**41,264**	**31,956**	**32,146**	**24,319**	**24,586**

Limits to Borrowing Activity

18. Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well-defined limits.

19. For the first of these 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 2015/16 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 purposes.

20. The Corporate Director of Resources 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.

21. A further two prudential indicators control or anticipate the overall level of borrowing. These are:

    The Authorised Limit for External Debt – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by 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 Operational Boundary for External Debt –This indicator is based on the expected maximum external debt during the course of the year; it is not a limit. Actual borrowing could vary around this boundary for short periods during the year. It acts as a monitoring indicator to ensure the Authorised Limit is not breached.

22. The Council is recommended to approve the following Authorised Limit and Operational Boundary:

Authorised Limit	2014/15 Estimate £'000	2015/16 Estimated £'000	2016/17 Estimated £'000	2017/18 Estimated £'000
Borrowing	130,196	135,649	131,259	127,006
Other long term liabilities	8,354	8,209	8,165	8,307
Total	**138,550**	**143,858**	**139,424**	**135,313**
Operational Boundary				
Borrowing	109,396	114,849	110,459	106,206
Other long term liabilities	8,354	8,209	8,165	8,307
Total	**119,241**	**123,177**	**118,679**	**114,534**

The Prospects for Interest Rates

23. The Council uses Capita Asset Services as its treasury advisor. The following table gives their central view of interest rate movements.

	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
December 2014	0.50	1.99	3.30	3.29
March 2015	0.50	2.20	3.40	3.40
June 2015	0.50	2.20	3.50	3.50
September 2015	0.50	2.30	3.70	3.70
December 2015	0.75	2.50	3.80	3.80
March 2016	0.75	2.60	4.00	4.00
June 2016	1.00	2.80	4.20	4.20
September 2016	1.00	2.90	4.30	4.30
December 2016	1.25	3.00	4.40	4.40
March 2017	1.25	3.20	4.50	4.50
June 2017	1.50	3.30	4.60	4.60
September 2017	1.75	3.40	4.70	4.70
December 2017	1.75	3.50	4.70	4.70
March 2018	2.00	3.60	4.80	4.80

24. UK GDP growth surged during 2013 and the first half of 2014. Since then it appears to have subsided somewhat but still remains strong by UK standards and is expected to continue likewise into 2015 and 2016. There needs to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this recovery to become more firmly established. One drag on the economy has been that wage inflation has only recently started to exceed CPI inflation, so enabling disposable income and living standards to start improving. The plunge in the price of oil brought CPI inflation down to a low of 1.0% in November, the lowest rate since September 2002. Inflation is expected to stay around or below 1.0% for the best part of a year; this will help improve consumer disposable income and so underpin economic growth during 2015. However, labour productivity needs to improve substantially to enable wage rates to increase and further support consumer disposable income and economic growth. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen early in 2015.

25. The US, the biggest world economy, has generated stunning growth rates of 4.6% (annualised) in Q2 2014 and 5.0% in Q3. This is hugely promising for the outlook for strong growth going forwards and it very much looks as if the US is now firmly on the path of full recovery from the financial crisis of 2008. Consequently, it is now confidently expected that the US will be the first major western economy to start on central rate increases by mid-2015.

26. The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Greece: the general election on 25 January 2015 brought a political party to power which is anti EU and anti-austerity. If this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti-austerity political parties throughout the EU is much more difficult to quantify;
- As for the Eurozone in general, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, Middle East and Ebola, have led to a resurgence of those concerns as risks increase that it could be heading into deflation and prolonged very weak growth. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2015/16 and beyond;
- Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. The closing weeks of 2014 saw gilt yields dip to historically remarkably low levels after inflation plunged, a flight to quality from equities (especially in the oil sector), and from the debt and equities of oil producing emerging market countries, and an increase in the likelihood that the ECB will commence quantitative easing (purchase of EZ government debt) in early 2015. 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 later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

Borrowing Strategy

27. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

28. Against this background and the risks within the economic forecast, caution will be adopted with the 2015/16 treasury operations. The Corporate Director of Resources 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 from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the borrowing portfolio will be re-appraised with the likely action that fixed rate borrowing will be undertaken whilst interest rates are still lower than they will be in the next few years.

Treasury Management Limits on Activity

29. 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 rates 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;
    - Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

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

	2015/16	2016/17	2017/18
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates:- • Debt only • Investments only	100% 100%	100% 100%	100% 100%
Limits on variable interest rates:- • Debt only • Investments only	100% 100%	100% 100%	100% 100%

Maturity Structure of fixed interest rate borrowing 2015/16		
	Lower	Upper
Under 12 months	0%	15%
12 months to 2 years	0%	20%
2 years to 5 years	0%	55%
5 years to 10 years	0%	75%
10 years and above	0%	100%

Policy on Borrowing in Advance of Need

31. 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. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the quarterly or annual reporting mechanism.

Debt Rescheduling

32. As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, given the Council's loan portfolio consists mainly of market rather than PWLB debt, any opportunities for rescheduling will be very limited. Consequently, any savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

33. 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;
- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

34. The option of postponing borrowing and running down investment balances even further will also be considered. This would reduce counter-party risk and also mitigate against any expected fall in future investment returns as short term rates on investments are likely to be lower than rates paid on current debt.

Annual Investment Strategy

Investment Policy

35. The Council's investment policy has regard to CLG's Guidance on Local Government Investments and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes. The Council's investment priorities (in order) are:-
    1) safeguarding the re-payment of the principal and interest of its investments on time;
    2) ensuring adequate liquidity, and finally
    3) the investment return.

    Following the economic background set out above, the current investment climate has one over-riding risk consideration that of counter-party security risk.

36. In accordance with the above, and in order to minimise the risk to investments, the Council has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list accounts for the ratings and watches published by all three rating agencies. The Council's Treasury Management advisors, Capita Asset Services, notify the Council of any changes to counterparty ratings.

37. The Council's officers recognise that ratings are not the sole determinant of the quality of an institution and that it is important to 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. To this end the Council will also take into account other information such as Credit Default Swap pricing, articles in the financial press, share prices and any other information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of investment counterparties.

38. In 2013/14, the Council made a change to its Investment Strategy by identifying call accounts that have 24 hour withdrawal facilities and imposing an investment limit of £20 million on each of them. This had a number of benefits. It allowed the Council to have funds returned quickly should one of those institutions encounter viability issues; allowed more flexibility in placing funds; and gave the opportunity for enhanced returns. This change has proved beneficial to the Council because a side effect of the Funding for Lending Scheme has meant that returns from

call accounts currently exceed that of term deposits. It is proposed to continue with this policy in 2015/16.

39. Where term investments do take place these will be subject to the time and limit restrictions that are required in the counterparty assessments, as outlined in the Strategy.

40. Investment instruments identified for use in the financial year are listed in Annex A under the “Specified” and “Non-Specified” Investment categories. Counterparty limits will be as set through the Council’s Treasury Management Practices-Schedules.

Creditworthiness policy

41. The Council applies the approach suggested by CIPFA of using the lowest rating from all three rating agencies together with sources of information outlined in paragraph 41 above to determine the creditworthiness of counterparties. The minimum ratings the Council will use are a short term rating of F2 (Fitch), P2 (Moody’s), and A-2 (Standard & Poors).

42. Credit ratings are monitored daily as the Council is alerted to changes to ratings by its advisor, Capita Asset Services. If a downgrade results in the counterparty/investment scheme no longer meeting the Council’s minimum criteria, its further use for new investment will be withdrawn immediately. Sole reliance will not be placed on ratings. The Council will use a variety of information, such as Credit Default Swap prices, financial data, information on government support for banks and the credit ratings of that government support when coming to any judgement on creditworthiness.

Country limits

43. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign rating of AA from Fitch or equivalent.

Investment Counter-party Selection Criteria

44. The primary principle governing the Council’s investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:-

   - It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counter-parties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
   - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council’s prudential indicators covering the maximum principal sums invested.

45. The Corporate Director of Resources will maintain a counter-party list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines Specified and Non-Specified investments as it provides an overall pool of counter-parties considered high quality the Council may use, rather than defining what types of investment instruments are to be used.

46. The rating criteria use the lowest common denominator method of selecting counter-parties and applying limits. This means that the application of the Council’s minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council’s criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

47. Credit rating information is supplied by our treasury consultants on all active counter-parties that comply with the criteria below. Any counter-party failing to meet the criteria would be omitted from the counter-party (dealing) list. Any rating changes, rating watches (notifications of a likely change), rating outlooks (notification of a possible longer term change) are supplied almost immediately after they occur.

48. The criteria for providing a pool of high quality investment counter-parties (both Specified and Non-specified investments) is:-

- **Banks 1** - **Good Credit Quality** - the Council will only use banks which:
    - Are UK banks: and/or
    - Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AA

  And have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
    - Short Term – F2/P2/A-2
    - Long Term – AA-/Aa3/AA-
- **Banks 2 - Part nationalised UK banks** – Lloyds Banking Group and Royal Bank of Scotland Group. These banks can be included if they continue to be part nationalised or they meet the ratings criteria in Banks 1 above.
- **Banks 3** - The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- **Bank Subsidiary and Treasury Operations** - the Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- **Building Societies** - the Council will use all Societies which;-
    a) meet the ratings for banks outlined above, or
    b) have assets in excess of £2 billion,
- **Money Market Funds –** currently the Council does not use any money market funds. The position will be kept under review and if circumstances change a report will be prepared to consider their use.
- **UK Government** (including the Debt Management Office) - unlimited
- **Local Authorities, Police & Fire Authorities** - limit £10m each

49. **Country and sector considerations** - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above. In addition:

- No more than £60m will be placed with any non-UK country at any time,
- Limits in place above will apply to Group companies,
- Sector limits will be monitored regularly for appropriateness.

50. **Use of additional information other than credit ratings** - Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counter-parties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counter-parties. This additional market information, for example Credit Default Swaps, negative rating

watches/outlooks, annual reports, will be applied to compare the relative security of differing investment counter-parties.

51. **Time and Monetary Limits applying to Investments** -The time and monetary limits for institutions on the Council's Counter-party List are as follows:

	Fitch	Moody's	Standard & Poors	Money Limit	Time Limit
Upper Limit Category (long term)	AA-	Aa3	AA-	£30m Each	1-3 years
Middle Limit Category (short term)	F2	P2	A-2	£15m Each	Up to and including 364 days
Part-nationalised UK Banks:					
Lloyds Bank Group	-	-	-	£15m	Up to and including 364 days
RBS Group	-	-	-	£15m	Up to and including 364 days
Upper Limit & Middle Limit Categories	For those banks that meet the above rating criteria, additional sums of up to £20m each can be placed in accounts that can be withdrawn within 24 hours.				
Lower Limit Category	Unrated Building Societies with assets in excess of £2 billion			£7m Each	Up to and including 364 days
Other Institutions					
Money Market Funds	AAA	AAA	AAA	Currently not used	Up to and including 364 days
UK Government	-	-	-	unlimited	unlimited
Local Authorities Police and Fire Authorities	-	-	-	£10m Each	Up to and including 364 days

(The Upper and Middle Limit categories will include banks and building societies. The Lower Limit Category will normally just be used for un-rated subsidiaries and un-rated building societies. The Other Institution Limit will be for other local authorities, the Debt Management Account Deposit Facility (DMADF), Money Market Funds. These are all considered high quality names – although not always rated).

52. The proposed criteria for Specified and Non-Specified investments are shown in Annex A for approval.

53. In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short-term investments.

54. The use of longer-term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the longer-term investment limits.

Investment Strategy

55. Investments will be made with reference to cash flow requirements and the outlook for interest rates up to 3 years.

56. Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2015. Bank Rate forecasts for financial year ends (March) are:

- 2015/16 0.75%
- 2016/17 1.25%
- 2017/18 2.00%

57. There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

58. The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next eight years are as follows:

- 2015/16 0.60%
- 2016/17 1.25%
- 2017/18 1.75%
- 2018/19 2.25%
- 2019/20 2.75%
- 2020/21 3.00%
- 2021/22 3.25%
- 2022/23 3.25%
- Later years 3.50%

Investment treasury indicator and limit

59. This sets a limit on the total principal invested for periods greater than 364 days. The limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

60. The Council is asked to approve the following limits:

	2015/16	2016/17	2017/18
Maximum principal sums invested > 364 days			
Principal sums invested > 364 days	£m 60	£m 60	£m 60

Performance Indicators

61. The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking.

62. The following indicators will be reported in the annual report on treasury management activity for 2015/16:-

- Debt – Borrowing - Average rate of borrowing for the year compared to average available
- Debt – Average rate movement year on year
- Investments – Internal returns above the 7 day LIBID rate

63. The Council uses Capita Asset Services as its treasury management consultants. The company provides credit ratings and a market information service comprising the three main credit rating agencies. A three year contract with Capita Asset Services commenced on 1st January 2013.

64. Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council.

Member and Officer Training

65. The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. This important issue has been addressed by providing regular updates and reports on the treasury management function to the Council's Audit Committee. Officer training is provided by Capita Asset Services, the Council's advisers, who organise regular seminars and also produce regular newsletters and papers on treasury management issues.

Management Structure

66. The management arrangements for dealing with Treasury Management (Treasury Management Practice Note 5) have been revised following the retirement of the Financial Planning and Audit Manager. These are shown, for information at Annex B.

TREASURY MANAGEMENT PRACTICE (TMP) 1 (5)

Credit and Counterparty Risk Management

The Department of Communities and Local Government issued Investment Guidance in 2010, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

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 the 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 6th March 2002 and will apply its principles to all investment activity. In accordance with the Code, the Corporate Director of Resources has produced its treasury management practices (TMP's). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

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 the 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 the Council will use. These are high security (i.e. high credit rating, the credit ratings to be used have to be determined by the Council as 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.

The investment policy proposed for the Council is as follows:

Strategy Guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

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:

1. The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity) – unlimited
2. Supranational bonds of less than one year's duration- limit £0
3. A local authority, police or fire authority limit £10m each
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating (AAA) by a credit rating agency-no accounts are currently open.
5. A body that is considered a high credit quality (such as a bank or building society).

Category 4 covers investments in money market funds. These are rated AAA by the rating agencies (the highest security rating possible). The Council had approved the use of one fund, Standard Life, but in recent times investment returns from money market funds in general has been poor and consequently our account with Standard Life has been closed. Investment returns from money market funds will continue to be monitored and should returns improve then a report will be prepared to consider their use.

Category 5 covers bodies with a minimum rating of F2/P2/A-2 as rated by Fitch, Moody's and Standard & Poors. 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. This criteria is:

<table>
<tr><th></th><th>Fitch</th><th>Moody's</th><th>Standard & Poors</th><th>Money Limit</th><th>Time Limit</th></tr>
<tr><td rowspan="2">Middle Limit Category</td><td rowspan="2">F2</td><td rowspan="2">P2</td><td rowspan="2">A-2</td><td>£15m</td><td>Up to and including 364 days</td></tr>
<tr><td colspan="2">In addition, up to a further £20m can be invested in each bank that operates call accounts that can be withdrawn within 24 hours notice.</td></tr>
</table>

Non-Specified Investments – Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	Non Specified Investment Category	**Limit (£ or %)**
a.	**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 (e.g. European Investment Bank etc.). **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. The Guaranteed Export Finance Company {GEFCO}) The security of interest and principal on maturity is on a par with the Government and so very secure, and 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.	£0 £0
b.	**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.	£0
c.	The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£15m
d.	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	£7m

	similarly sized societies with ratings. The council may use such building societies which have the following criteria:- Building Societies with an asset base in excess of £2 billion (restricted to up to and including 364 days)	each
e.	Any bank or building society that has the following rating:- Upper Limit Category (restricted to 1-3 years) for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment). In addition, up to a further £20m can be invested in each bank that operates call accounts that can be withdrawn with up to 24 hours notice.	£30m each up to an additional £20m
f.	Any non rated subsidiary of a credit rated institution included in the specified investment category.	£0
g.	**Share capital or loan 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.	£0
h.	**Pooled property or bond funds.** The use of these instruments will normally be deemed to be capital expenditure, and as such will be an application of capital resources.	£0

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 its advisers, Sector, as and when ratings change, and, counter-parties 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 by the Corporate Director of Resources, and if required new counterparties which meet the criteria will be added to the list.

Annex B

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

INDEX OF SCHEDULES

5.1 Limits to responsibilities/discretion at committee/executive levels

5.2 Principles and practices concerning segregation of duties

5.3 Treasury management organisation chart

5.4 Statement of duties/responsibilities of each treasury post

5.5 Absence cover arrangements

5.6 Dealing limits

5.7 List of approved brokers

5.8 Policy on brokers' services

5.9 Policy on taping of conversations

5.10 Direct dealing practices

5.11 Settlement transmission procedures

5.12 Documentation requirements

5.13 Arrangements concerning the management of third-party funds

5.1 LIMITS TO RESPONSIBILITIES/DISCRETION AT COMMITTEE/EXECUTIVE LEVELS

5.1.1 Delegation of Powers

a) Council
- The limits required by Housing & Finance Act 1989
- Approval of Treasury Management Policy Statement
- Approval of Treasury Management Strategy
- Approval of Annual Report
- The Cabinet recommend to Council the above

b) Cabinet
- Division of responsibilities

5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

The Corporate Director of Resources will ensure there is always adequate segregation of duties in all transactions, with a minimum of 2 officers required to make payments, and Head of Finance/Senior Finance Managers to release payments.

5.3 TREASURY MANAGEMENT ORGANISATION CHART

Corporate Director of Resources
Head of Finance, Governance and Assets
Senior Finance Managers
Finance Manager – Corporate (Chief Accountant)
Senior Finance Technician (Treasury Management)

5.4 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST

5.4.1 Corporate Director of Resources

1. The Corporate Director of Resources will:

   a) Recommend clauses, treasury management policy/practices for approval, reviewing the same regularly and monitor compliance
   b) Submit reports as and when required by Council
   c) Authorise and maintain TMPs and Schedules
   d) Set submit and monitor budgets
   e) Review the performance of the treasury management function and promote best value reviews
   f) Ensure the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function
   g) Ensure the adequacy of internal audit and liase with external audit
   h) Recommend the appointment of external service providers where appropriate
   i) Approve treasury payments

2. The Corporate Director of Resources has delegated powers to take the most appropriate form of borrowing from the approved sources and to take the most appropriate form of investments in approved instruments.

3. The Corporate Director of Resources may delegate her power to borrow and invest to members of her staff to conduct all dealing transactions. All

transactions must be authorised by at least two specified named officers. Alternatively staff can be authorised to act as temporary cover for leave/sickness.

5.4.2 Head of Finance, Governance & Assets, Head of Customer Services and Taxation & Senior Finance Managers.

1. Approve payments
2. Close investment deals
3. Make Chaps payments

5.4.3 Finance Manager – Corporate (Chief Accountant)

The treasury responsibilities of this post will be:-

- To assist Corporate Director of Resources/Head of Finance, Governance & Assets in the formation of the Treasury Strategy.
- Identify and recommend opportunities for improved practices
- Supervise Treasury Management staff
- Monitor performance
- Review the performance of treasury management functions and promote best value reviews
- Implement Treasury Management Strategy
- Close investment deals
- Check interest calculations
- Arrange rescheduling or premature repayment of existing borrowings.

5.4.4 Senior Finance Technician

Responsibilities:-

- Calculate daily cash balances
- Enter transmission of monies via Nat West Web Banking system
- Select Brokers from approved list
- Adhere to agreed policies and practices on a day to day basis
- Submit management information reports
- Maintain cash flow projections
- Third party loan confirmation
- Ensure counter party limits are not exceeded
- Ensure there is a clear segregation between officers for negotiating/ approving and closing deals.

5.5 <u>ABSENCE COVER ARRANGEMENTS</u>

The authority will ensure that there is adequate cover for all absences.

5.6 <u>DEALING LIMITS</u>

Dealings can be carried out providing that transactions are within limits determined by the council and the Corporate Director of Resources.

5.7 <u>LIST OF APPROVED BROKERS</u>

Prebon Brokers (UK) plc
Sterling International Brokers Ltd
Garbon Intercapital Brokers Ltd
Tradition Brokers

Martin Brokers
MPC Treasury Services

5.8 POLICY ON BROKERS' SERVICES

The authority will use brokers for its temporary transactions. The Finance Manager – Corporate (Chief Accountant) will evaluate the services provided by Brokers.

5.9 POLICY ON TAPING OF CONVERSATIONS

The authority will not tape telephone conversations

5.10 DIRECT DEALING PRACTICES

All deals are carried out with brokers with the exception of Bank of England and Nat West overnight deposit account.

5.11 SETTLEMENT TRANSMISSION PROCEDURES

All payments and repayments resulting from the treasury management function will be made via the authority's bank account using the electronic payment facility (with Nat West Web Banking system). Only authorised officers can transmit, approve or release payments, protected by appropriate passwords and card operated pin number. A manual back up facility will be in place to cover system failure.

5.12 DOCUMENTATION REQUIREMENTS

Cash Dealing sheet
Cashflow summary
Loan Record
Dealing sheet
Brokers confirmation
Counter party confirmation
Invoice signed/coded to budget
Nat West Bankline confirmation sheet

5.13 ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS

The authority does not manage third party funds.

Annex C

Debt Outstanding at 31 March 2015

Loan	Lender	Start	Maturity	Interest	Outstanding Debt
12 months and under					
467057	PWLB	10-Jul-1989	31-Jul-2015	9.625	142,107.88
476058	PWLB	01-Jan-2004	31-Dec-2015	8	26,716.74
466492	PWLB	01-Jan-2004	31-Mar-2016	9.25	21,373.39
					190,198.01
1 year to 5 years					
467058	PWLB	10-Jul-1989	31-Jul-2016	9.625	142,107.88
471705	PWLB	01-Jan-2004	30-Sep-2016	9.875	4,809.01
471706	PWLB	01-Jan-2004	30-Sep-2016	9.875	9,885.19
466493	PWLB	01-Jan-2004	31-Mar-2017	9.25	16,030.04
480866	PWLB	01-Jan-2004	30-Jun-2017	5.75	26,716.74
463966	PWLB	08-Feb-1988	31-Jan-2018	9.5	213,161.82
464618	PWLB	01-Jan-2004	31-Mar-2018	9.25	26,716.74
467059	PWLB	10-Jul-1989	31-Jul-2018	9.625	142,107.88
467066	PWLB	01-Jan-2004	31-Mar-2019	9.625	14,138.05
467574	PWLB	10-Oct-1989	31-Jul-2019	9.75	71,053.94
					666,727.29
5 years to 10 years					
	Scottish Provident	04-Feb-1986	04-Feb-2021	11.5	2,000,000.00
467526	PWLB	01-Jan-2004	31-Mar-2021	9.75	8,492.19
484303	PWLB	01-Jan-2004	30-Jun-2021	5.75	808.18
479996	PWLB	01-Jan-2004	31-Dec-2021	6.375	16,030.04
479482	PWLB	01-Jan-2004	30-Jun-2022	7.125	26,716.74
-	Barclays	01-Jan-2004	03-Nov-2022	8.99	4,000,000.00
480389	PWLB	01-Jan-2004	31-Mar-2025	6.25	16,030.04
					6,068,077.19
10 years and above					
-	Depfa	26-Jun-2001	26-Jun-2026	5.03	5,000,000.00
478327	PWLB	01-Jan-2004	31-Dec-2026	7.875	26,716.74
486677	PWLB	01-Jan-2004	31-Dec-2026	5.25	16,030.04
465102	PWLB	18-Aug-1988	31-Jul-2028	9.375	177,634.85
473557	PWLB	01-Jan-2004	30-Sep-2028	7.875	10,686.70
481266	PWLB	01-Jan-2004	31-Dec-2028	5.375	16,030.04
402348	PWLB	15-Sep-1969	31-Jul-2029	9.375	490.10
402349	PWLB	15-Sep-1969	31-Jul-2029	9.375	299.66
466016	PWLB	24-Jan-1989	31-Jul-2033	9.25	39,696.96
-	Dexia	17-Jul-2002	17-Jul-2042	4.7	5,000,000.00
-	Dexia	12-Dec-2005	12-Dec-2042	4.875	6,000,000.00
491100	PWLB	23-Jan-2006	31-Mar-2051	3.7	284,215.76
491979	PWLB	24-Aug-2006	31-Jan-2052	4.25	177,634.85
491981	PWLB	24-Aug-2006	31-Mar-2052	4.25	177,634.85
491982	PWLB	24-Aug-2006	30-Sep-2052	4.25	177,634.85
493326	PWLB	30-May-2007	31-Mar-2053	4.6	177,634.85
492196	PWLB	28-Sep-2006	30-Sep-2053	4.05	106,580.91
493327	PWLB	30-May-2007	30-Sep-2053	4.6	177,634.85
492197	PWLB	28-Sep-2006	31-Mar-2054	4.05	106,580.91
493328	PWLB	30-May-2007	31-Mar-2054	4.6	177,634.85
493329	PWLB	30-May-2007	30-Sep-2054	4.6	177,634.85
493330	PWLB	30-May-2007	31-Mar-2055	4.6	177,634.85

492919	PWLB	15-Feb-2007	30-Sep-2055	4.4	177,634.85
492920	PWLB	15-Feb-2007	30-Sep-2055	4.4	177,634.85
493331	PWLB	30-May-2007	30-Sep-2055	4.6	177,634.85
492921	PWLB	15-Feb-2007	31-Mar-2056	4.4	177,634.85
492922	PWLB	15-Feb-2007	31-Mar-2056	4.4	177,634.85
493332	PWLB	30-May-2007	31-Mar-2056	4.6	172,424.39
492923	PWLB	15-Feb-2007	30-Sep-2056	4.4	177,634.85
492924	PWLB	15-Feb-2007	30-Sep-2056	4.4	177,634.85
492925	PWLB	15-Feb-2007	31-Jan-2057	4.4	177,634.85
492926	PWLB	15-Feb-2007	31-Jan-2057	4.4	177,634.85
494748	PWLB	15-Aug-2008	31-Mar-2058	4.39	142,107.88
-	Depfa	06-Mar-2007	07-Mar-2077	4.81	6,000,000.00
-	Depfa	06-Mar-2007	07-Mar-2077	4.71	15,000,000.00
					41,119,287.39
	Grand Total				**48,044,289.88**

Annex D

INVESTMENT COUNTERPARTY LIMITS

COUNTERPARTY	Money	Time	Bank Call Accounts Returned within 24hrs
	£m		£m
Bank of England (guaranteed by HM Government equivalent to a sovereign triple A rating)			
Debt Management Account Deposit Facility	unlimited	unlimited	unlimited
UPPER LIMIT/LONG TERM			
Clearing Banks with at least AA- Fitch, Aa3 Moody's or AA- S & P Rating			
HSBC Group	30	3 years	20
Svenska Handelsbanken	30	3 years	20
National Australia Bank Group	30	3 years	20
European Investment Bank	30	3 years	20
MIDDLE LIMIT/SHORT TERM			
Clearing Banks with at least F2 Fitch, P2 Moody's or A-2 S & P Rating			
Barclays Bank	15	364 days	20
Close Brothers Ltd	15	364 days	20
Clydesdale Bank (part of National Australia Group)	15	364 days	20
Goldman Sachs International Bank	15	364 days	20
Lloyds Banking Group	15	364 days	20
Virgin Money	15	364 days	20
RBS Group	15	364 days	20
Santander UK Group	15	364 days	20
Clearing Building Societies with at least F2 Fitch, P2 Moody's or A-2 S & P Rating			
Coventry	15	364 days	
Leeds	15	364 days	
Nationwide	15	364 days	
Nottingham	15	364 days	
Yorkshire	15	364 days	
LOWER LIMIT			
Building Societies with an asset base of £2 billion +			
Newcastle	7	364 days	
Principality	7	364 days	
Skipton	7	364 days	
West Bromwich	7	364 days	
Local Authorities	10	364 days	
Money Market Funds	Under review		