CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM 4

REPORT TO CABINET

22 FEBRUARY 2018

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 2018/19 Budget and Council Tax and outlining the Medium Term Financial Plan (MTFP) position to 2022.

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;
   c) that the controlled reserves and provisions are adequate for their purpose.

General Fund Budget

2. Approve a 2018/19 Council Tax requirement for Stockton-on-Tees Borough Council of £85,292,114.

3. Approve a 2018/19 Council Tax requirement for Stockton-on-Tees Borough Council inclusive of Parish Precepts (£831,506) of £86,123,620.

4. Approve the 2018/19 budget and indicative 2018/22 MTFP as outlined in paragraphs 77-80 and the use of borrowing to fund the one-off pressures set out in paragraph 76.

Business Rate Relief System

5. Note the changes introduced in the 2017 Spring and Autumn budgets.

Taxation

SBC

6. Approve the Council Tax for Stockton-on-Tees Borough Council prior to Parish, Fire and Police Precepts be increased by 5.9%, which includes the Government Levy of 3% in respect of Social Care, i.e. to £1,543.88 at Band D (£1,029.26 at Band A).

Fire, Police & Parish

7. The Council note the Police precept of £12,515,270 which equates to a Council Tax of £226.54 at Band D (£151.03 at Band A).

8. The Council note the Fire precept of £4,153,341 which equates to a Council Tax of £75.18 at Band D (£50.12 at Band A).

9. The Council note the Parish precepts as set out in paragraph 100 of the budget report.

Capital

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

Organisational and HR

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

Members Allowances

12. Approve that Members allowances are frozen for 2018/19.

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, Treasury Management Practices and Prudential Indicators for 2018/19 – 2019/20 as set out in **Appendix E** to the report.

CABINET DECISIONS

15. Cabinet approve and note the Officer Appointments to Outside bodies and governing bodies at **Appendix C(1)**.

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**.**

Disclosable Pecuniary Interests

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

REPORT TO CABINET

22 FEBRUARY 2018

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COUNCIL/CABINET DECISION

Leader of the Council – **Councillor Cook**

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CABINET DECISIONS

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DETAIL

1. The MTFP report for 2018/19 to 2021/22 is attached. The report outlines the Council Tax proposals and budget for 2018/19 and the indicative MTFP for the next three years.

2. The report updates the position from that reported to Cabinet and Council in February 2017 and in particular reflects implications arising from the Spring and Autumn Budgets and the Local Government Finance Settlement for 2018/19.

3. The Provisional and Final Financial Settlements have provided indicative funding allocations for the next two years, as the final two years of the four year settlement agreed with MHCLG. They confirm further funding reductions which will make the difficult financial position faced by the Council even more challenging. The report also outlines future changes to Local Government Finance, most noticeably the proposals to move to retention of a greater proportion of business rates by Local Authorities and to introduce changes to the funding

formulae. These are potentially major changes which are likely to have an impact on council funding. This means that the position for 2020/21 onwards, outlined in the report, needs to be treat with some caution.

4. Members will be aware that the Council has a strong track record of prudent financial management and delivering savings early. This has enabled the use of reserves to support a planned and managed approach to addressing the financial challenges and this will continue.

COMMUNITY IMPACT ASSESSMENT

5. As part of the process of making changes to policy or delivery of services, we consider the impact on our communities. No changes to policy or service delivery are proposed as part of this report.

FINANCIAL AND LEGAL IMPLICATIONS

6. To update the MTFP position for 2018/19 – 2021/22 and recommend the budget for 2018/19.

RISK ASSESSMENT

7. 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.

COUNCIL PLAN POLICY PRINCIPLES AND PRIORITIES

9. Deliver a balanced and sustainable Medium Term Financial Plan.

CORPORATE PARENTING IMPLICATIONS

10. No direct implications.

CONSULTATION, INCLUDING WARD COUNCILLORS

11. Consultation will be undertaken as part of the lead in to setting the 2018/19 budget.

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MEDIUM TERM FINANCIAL PLAN

AND BUDGET

2018/19

CONTENTS

SECTION 1 - BACKGROUND AND CONTEXT

Approach to Financial Management

1. Members will be aware from previous reports of the level of Government funding reductions in recent years and the significant challenges that this presents. There has been a reduction in Government funding between 2010/11 and 2019/20 of £74m.

2. The Council has recognised for a number of years the financial challenges and the need to prepare well in advance. Our approach to financial planning over the long-term has allowed us to plan ahead and has meant that we have been able to operate a managed approach to delivering savings. This includes opportunities for Invest to Save and exploring alternative models of service delivery.

3. 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 December 2017 which stated:

   "The Council manages its finances carefully to balance service needs and available resources in the short and medium term. The Council's most recent Medium Term Financial Plan recognises the ongoing financial constraints and the need to continue to review services to identify cost efficiencies."

   As part of this approach, there is a strong track record of delivering savings and efficiencies and the Council remains well prepared for the challenges ahead.

4. The approach has meant that savings have been delivered in a planned and managed way, most recently through a series of reviews approved by Council in September 2015 as part of the Big Picture Programme. Incorporating that programme, the Council will have delivered savings of around £45m by 2019/20. The Council has tried to protect front line services wherever possible and significant elements of the programme have been delivered through a series of reviews, freezing budgets and innovative changes to delivery models.

5. The delivery of savings becomes increasingly difficult and the Council is again challenging and thinking about how we can work smarter through our Smarter Working in Stockton Programme (SWIS). We will consider how we can improve through:

   - Provide digital access to our services
   - Use existing and new technologies to help us work differently
   - Make optimum use of the places where we work
   - Ensure that our policies, processes and procedures are as efficient and productive as they can be.

SECTION 2 – NATIONAL CHANGES

Government Funding – Provisional Settlement

6. The Provisional Local Government Finance Settlement was announced on 19 December 2017 and the key issues which impact on the Council's financial position are outlined below.

   New Homes Bonus – the 2018/19 allocations were announced (previously only indicative figures were available) and it is clear that we will still need to grow our taxbase above the 0.4% threshold.

Council Tax Referendum Threshold – There has been an increase to the referendum limit for Council Tax from 2% to 3%. The Government's published data on Spending Power assumes a 3% increase in Council Tax. The implications are discussed further in Section 4**.**

NNDR Revaluation 2017 – Within the business rates retention system, the NNDR baseline and top up/tariff amounts have been amended to reflect the 2017 Revaluation.

Public Health Grant – No significant changes were announced.

Better Care Fund – No significant changes were announced.

Social Care Funding (Adults and Children) - Despite continued lobbying from within the Local Government Sector around pressures relating to Social Care, again no long term additional funding has been identified by Government to support these pressures.

Local Government Funding Reform – The Government has published the consultation paper "Fair funding review: a review of relative needs and resources" and has announced that the results of the review will be introduced in 2020/21. The Secretary of State also confirmed that there will be a business rates baseline reset in 2020/21 and, from 2020/21, business rates retention will be at 75% (with existing grants, including RSG, and Public Health Grant incorporated into business rates retention).

Government Funding – Final Settlement

7. On 6 February 2018 the Government presented the Final Local Government Finance Settlement. This confirms the information from the provisional settlement and also included the announcement of an Adult Social Care Support Grant for 2018/19 only. The allocation to Stockton is £528,000.

SECTION 3 - FINANCIAL POSITION TO 31 DECEMBER 2017

DIRECTORATE POSITION

8. The following table details the projected budget outturn position for each directorate in 2017/18, based on information to 31 December 2017. The reasons for any significant movements in variances from the last reported position (in excess of £100,000) are set out for each directorate below. Officers will continue to manage budgets carefully and explore opportunities to reduce the projected pressure. This projected in-year pressure will require to be funded within the MTFP and this is addressed at paragraphs 22 and 48.

Directorate	Annual Budget (Q3) £'000	Projected Outturn at Q3 £'000	Projected Variance at Q3 Over/(Under) £'000	Projected Variance at Q2 Over/(Under) £'000	Movement between Q2 and Q3 £'000
Children's Services	35,163	36,991	1,828	1,607	221
Adults and Health	69,336	68,971	(365)	128	(493)
Community Services	24,765	25,024	259	(168)	427
Economic Growth & Development	8,767	9,154	387	485	(98)
Culture, Leisure and Events	7,780	7,971	191	149	42
Finance & Business Services	8,259	7,850	(409)	(427)	18
HR, Legal and Communications	4,046	4,158	112	55	57
Corporate Areas	1,575	1,304	(271)	(271)	(0)
Admin/Democratic Services & Xentrall	6,146	6,166	20	20	0
Total	**165,838**	**167,589**	**1,751**	**1,578**	**173**

Children's Services

9. Despite being successful in recruiting social workers, continuing workload pressures have meant that we have had to retain a level of agency staff (£214,000).

Adults and Health

10. The MTFP for 2017/18 assumed that any growth pressures would be offset by savings and current indications are that growth will be managed within the service.

11. Savings on BCF funded schemes are anticipated relating to staffing savings in the Multi-Disciplinary Service and to savings on communications and contracts budgets (£120,000). Lower than expected activity on drugs dispensing will result in a lower than projected charge from the NHS (£140,000).

Community Services

12. The budgets for this Directorate were reconfigured in the updated MTFP agreed in February 2017, with additional resource allocated to Community Transport, Waste Disposal and Infrastructure maintenance. The service has successfully delivered a wide range of external contract work. This is becoming increasingly challenging to achieve, placing pressure on budgets particularly in HVE and Highways. The position will be monitored closely and reviewed over the next financial year.

13. Additional costs associated with the temporary shutdown of the Waste Recycling Facility amount to £240,000.

Economic Growth and Development

14. No significant variances from the previously reported position

Culture, Leisure and Events

15. No significant variances from the previously reported position. However, it should be noted that a reduction in income for the Learning & Skills service means that the service will need to draw down funding from their reserve at the year-end. The main cause is government

delays in the allocation of contracts for providing the new Apprenticeship programme. A review of this service, taking account of this changing landscape, is in progress.

Finance & Business Services

16. No significant variances from the previously reported position.

HR, Legal and Communications

17. No significant variances from the previously reported position.

Corporate Areas

18. No significant variances from the previously reported position.

Administration, Democratic Services and Xentrall

19. No significant variances from the previously reported position.

Managed Surplus

20. As previously reported, a small unallocated balance of £81,000 is currently available. It is recommended that this is utilised to offset the impact of the financial pressures in 2017/18, as set out below.

OVERALL REVENUE POSITION/GENERAL FUND BALANCES

21. This report documents evidence of a number of financial pressures in 2017/18. Within the overall figures there has been an increase in the hourly rate paid to personal assistants for Direct Payments to reflect the local employment market and minimum wage, which should encourage future take up in this area. There is a cost associated with this which is approximately £600,000 and it is proposed that this is funded from the new improved Better Care Fund (iBCF) given it meets that criteria. Paragraph 61 outlines the planned approach to IBCF and this would benefit the in-year position by £600,000 when agreed and will reduce the overall overspend to £1,151,000. The position is subject to rigorous management review and mitigating actions are being taken wherever possible. However, it is prudent to set out how such pressures would be funded and this is addressed below.

22. The Council aims to retain General Fund balances at a prudent level, currently £7,905,000. As reported to Cabinet previously, the level of balances currently exceeds that recommended level by £79,000. If the projected overspend of £1,151,000 materialises there will be a call on balances to fund this pressure. Given the reduction in funding and spend, we have reassessed the level of required balances and £7,400,000 is required. Based on current projections this would mean that £247,000 would be required to replenish the balances as set out in the table below:

	£'000
Current General Fund Balances	7,984
Projected Overspend in 2017/18	(1,151)
Managed Surplus	81
Additional S31 Grant re Business Rates	239
	7,153
Required Level of Balances	7,400
Shortfall	**247**

This balance will be funded within the MTFP (paragraph 48).

SECTION 4 - 2018/19 COUNCIL TAX LEVELS INCLUDING ADULT SOCIAL CARE LEVY

Core Council Tax

23. 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.

24. In previous years the Council has made decisions to increase Council Tax as opposed to freezing Council Tax levels. If these decisions had not been taken, the financial pressure facing the Council would be approximately £5m per annum higher than that outlined in this report.

25. As highlighted at paragraph 6, the Government have announced an increase in the Council Tax Referendum Threshold from 2% to 3% for both 2018/19 and 2019/20 and has assumed this level of increase in their spending power calculation. The current MTFP assumes a 1.9% increase in 2018/19. An additional 1% would generate £800,000 in 2018/19 and £1.7m on the base from 2019/20.

26. Given the scale of the financial pressures facing the Council over the medium term it is recommended that the Council increase the core Council Tax by 2.9% for 2018/19 and for planning purposes for 2019/20.

Council Tax Levy for Social Care

27. Members will be aware that in 2016/17 the Council reluctantly implemented the Government's Adult Social Care levy of 2% to fund the growing demands and pressures in Social Care. For 2017/18 to 2019/20 the Government altered the terms of the levy to allow an option for a levy of 3% in both 2017/18 and 2018/19, with 0% in 2019/20. A levy of 3% was adopted by Stockton for 2017/18 and the current MTFP assumes a further 3% in 2018/19 and 0% in 2019/20.

28. Despite continued lobbying from within the Local Government Sector around pressures relating to Social Care, again no long term additional funding has been identified by Government to support these pressures.

29. The Council continues to experience significant costs and pressures in Social Care and whilst every effort is being made to manage demand pressures, we are incurring costs in relation to the Government's National Living Wage commitment, new Deprivation of Liberty Safeguards (DoLS) responsibilities, together with Care Fee increases.

30. Therefore in line with the current MTFP it is recommended that the Council again implements the Government's levy for Adult Social Care at 3% which will result in a further increase of 56p per week (Band A) and 84p per week (Band D). The impact of the total increase of 5.9% in 2018/19 would be £1.10 per week (Band A) and £1.65 per week (Band D).

SECTION 5 – MEDIUM TERM FINANCIAL PLAN 2018-22

Current Approved MTFP

31. The current approved position in February 2017 was as follows:

	2018/19 £'000	2019/20 £'000	2020/21 £'000
Budget Gap	-571	1,188	1,783

Funding Outlook

32. Members will recall that the Council are part way through a 4 year financial settlement from the Government and this settlement ends in 2019/20 to coincide with the original parliamentary cycle.

33. There are a number of funding streams which fall outside of this settlement, notably New Homes Bonus, Public Health Funding and the Better Care Fund. The Provisional and Final Local Government Finance Settlements were announced on 19 December 2017 and 6 February 2018 respectively, and the main implications were as summarised in Section 2.

34. The Government have undertaken 'technical consultations' in respect of treatment of capital financing. We have discussed the issues with Technical Advisors and SIGOMA and have responded to the consultations accordingly. The position will therefore be closely monitored to assess any impact on the MTFP.

35. A key issue facing all Local Authorities is the lack of certainty in funding post 2020 and there are a number of key issues which come together at that time to make planning extremely difficult.

    - Spending Review – It is highly likely that there will be a spending review during 2019/20 which will inform the quantum of resources available to Local Government, along with all Government Departments. It is currently impossible to know whether there will be any changes to the quantum level and what this will mean.

    - Retention of Business Rates – Government had intended moving to 100% retention of business rates by Local Government by 2019/20. This would have required primary legislation and this is not now planned within the parliamentary timetable. It is still the ambition of Government to increase the level of retention and the Settlement highlighted that MHCLG are working towards increasing the level from 50% to 75% by 'rolling in' some specific grants to the calculation. This will be introduced from 2020/2021. The detail of how this system will work is still unclear and therefore the impact on Stockton.

    - Fair Funding Review – linked to the matter above, the Government are conducting a review of the formula used to calculate the base level of funding for each Council which is used to redistribute elements of business rates through tariff and top ups. This is an extremely complex area and will result in winners and losers and it is unclear how this will be introduced. To inform this exercise, the Government have commissioned a study into the costs of Looked After Children as this is a pressure point for all council areas.

36. The Council will continue to monitor the situation on all these matters extremely closely and participate in working groups and consultation exercises to try and understand the position but all of these things together make planning post 2020 extremely difficult. We do however need

to continue to plan ahead and we have rolled forward the plan assuming allocations remain as they are in 2019/20.

Changes to current expenditure plans

37. There are a number of emerging issues which need to be reflected in the MTFP going forward and these are outlined below:

38. ***Savings Programme*** – members will be aware from previous reports that the current plan reflects that we have already delivered £34m with a further £12m planned to be delivered by 2020. In addition we have largely absorbed the impact of inflation pressures with inflation currently standing at 3% per annum. We have now delivered £9m of the £12m however savings are becoming increasingly difficult and this has again been re-assessed. In addition to changes in profile of some of the savings, it is prudent to reduce the expected savings by approximately £1.3m by 2020/21. The main reason is in relation to Children's Social Care. The plan assumes savings of £800,000 in 2018/19 as well as delivering reductions of £1.1m associated with temporary funded posts where the funding has now ceased. Given the current numbers of Looked After Children and the associated workload it is unrealistic to maintain the current savings plan. Significant work is underway in this area as part of the Smarter Working Programme considering use of technology, improvement utilising LEAN methodology and interaction with clients and this will look to make as many efficiencies and savings as possible whilst ensuring the Council can deliver the service required. The current plan includes further senior management savings of £225,000 to be delivered by 2020/21 and a report will be brought to Cabinet in the spring outlining how this will be achieved.

39. ***Looked After Children*** – Members will be aware from budget monitoring reports of the significant pressures around Looked After Children. Spend in this area has increased significantly in recent years and is now over £20m. This is a national issue with the majority of Councils experiencing the same situation and following significant lobbying a study has been commissioned by the Government. The Children's Strategy, approved by Cabinet in June 2017 agreed a series of measures to attempt to improve outcomes for children and reduce costs, such as increased focus on early help and work is underway considering ways to deliver these improvements.

We have previously projected growth based on high level financial trends but improvements in monitoring arrangements now allow us to improve the way we project. An updated detailed financial analysis of the current children in care suggests that a budget overspend of £1.9m will occur in 2018/19. If no more children were to enter the system, this overspend would turn to an underspend of around £3.2m by 2021/22 as the current children leave the care system.

Although difficult to predict, it is extremely likely that new children will need to be looked after. In order to predict the numbers and potential cost we have looked at the average increase in numbers over the last few years and applied an average cost. The numbers have been slightly reduced to reflect the prevention activity aforementioned for example, in the highest cost area, residential placements, the average number of 'new' children over the last 3 years has been 8. We have assumed some reduction in numbers to reflect the ongoing work, phased to recognise the time required to implement changes and included 'growth' based on 6 children per year in 2018/19 and 4 thereafter.

The annual savings of £600,000, delivered through the Spark of Genius Joint Venture are helpful in offsetting some of the rising costs of supporting our Looked After Children.

40. ***Pay Award*** – the current plan includes provision for a 1% increase per year. Members will be aware that the pay offer made on 5th December includes a flat-rate increase of 2% for each of the next two years, together with significant bottom loading on the lower pay points. The total

increase to the national pay bill over two years was stated as being 5.6% by the Local Government Employers. The impact for Stockton has been assessed as an additional £2,225,000 in 2018/19 and £3,925,000 in 2019/20. The pay offer represents an increase of approximately 5.9% for Stockton across the two years covered by the offer and exceeds the current provision. The provision has been increased to cover the offer and also to provide for 2% per year thereafter. It also reflects the anticipated impact on rates paid to certain agency staff.

41. ***Operation of the Globe*** – The restoration of the Globe is progressing well on site. The HLF funded Heritage Learning Officer has been appointed. She is co-ordinating the programme of community engagement including the pop-up exhibition in the Rediscover Shop and the Hard Hat Tours. Social Media engagement continues to be high. Members will recall that Heads of Terms were signed with ATG in July following a rigorous competitive dialogue process with four market leading theatre operators. Detailed negotiations and discussions have taken place since then to agree the full operating contract. As a result, the final proposed operating contract is a revised proposition supporting a broader breadth of programme which requires upfront capital investment of £1m in technical fit out to enable the operator to take occupation of a fully functioning venue.

In the early years revenue investment in audience development and attraction of major artists and greater capacity will be required of £400,000 in 2019/20 reducing to £300,000 in 2021/22. As was always the intention, this position will be reviewed after 5 years' time and this is in the context of securing a 25 year operating lease.

The only part of the building that we have not been able to access for extensive surveys until recently, due to clearance of asbestos, is the roof void. Now that this has been examined, unfortunately it has identified that in order to future proof the building (not least in order to enable the hosting of the biggest stage sets), it would be prudent to reinforce the structure at this point at a cost of £1.75m. We have now completed all preparatory works and will progress to a fixed price contract. Funding for the capital items will be addressed in the section on one-off pressures (Section 6).

This proposition, agreed with ATG, will provide capacity and momentum to place the Globe firmly and quickly as a major regional entertainment venue, and in line with the business plan achieve profit share quicker than would otherwise be the case and realise significant benefit to the local economy estimated at £18m per year.

42. ***Legal Costs*** – there continues to be pressure around costs associated with Children's and Adult's Social Care. This includes a pressure particularly relating to community DOLS cases and the increased number and complexity of Looked After Children's cases.

43. ***Energy Costs*** **–** Members will be aware of the significant programme of lighting replacement across the Borough. This is an example of improving and enhancing the area and also delivering savings through Invest to Save. This has been really well received by the public, with over 94% satisfied with the outcome. However despite making significant savings of £1.8m per year Members will be aware of the continually rising inflation in energy costs and we now face a pressure of £250,000.

44. ***Direct Payments*** – As outlined in paragraph 21 the rates paid in respect of Direct Payments supporting personal budgets for Adult Social Care has been reviewed and increased to reflect the National Living Wage and local employment, and this will add £600,000 in costs to the plan.

45. ***Transport for Learning Disability Clients*** – A review of the transport costs associated with supporting adults with learning disabilities to live in the community has identified a requirement for additional passenger assistants, resulting in a cost pressure of £100,000 per annum.

46. ***School support*** – Members will be aware of the significant reduction in Education Services Grant and the work undertaken to mitigate the impact of the £1.4m reduction. The report to cabinet in October outlined the approach to reconfiguring the service and making savings and the report indicated that it was unlikely that the full amount could be saved. This will mean that £400,000 will need to be funded within the MTFP.

47. ***Crematorium*** **–** Members will be aware from the report to Council in November of the plans to develop a crematorium in the Borough. This will generate a return for the Council and this has been included in the plan. Prior to opening staff will be employed to shadow colleagues in another local authority with experience of crematoria operation. The cost (up to £150,000) has been incorporated into the plan.

48. ***Replenish General Fund Balances*** – As highlighted at paragraph 22, there is a projected requirement to fund the replenishment of General Fund Balances in 2018/19 (£247,000).

49. ***Domestic Refuse Collection*** – Extra refuse collection rounds are required as a consequence of housing growth.

50. ***Operating Systems*** – the current Microsoft operating system we use across the Council will by 2020 no longer be supported. We are currently exploring options and there are additional costs in the later years of the MTFP.

51. ***Investment Income*** – Following a review of the Treasury Management Strategy with our external advisors, additional investment income can be generated through a diversification of investments.

52. ***National Living Wage Provision*** **-** Members will recall from previous reports the allocation of significant resources to fund the implementation of the National Living Wage. Whilst we are still awaiting confirmation of the level and phasing of the National Living Wage over the medium term, it is expected to be lower than the £6m currently allocated.

53. ***Pension Contributions*** – The 2017/18 budget report indicated that the contribution rate to the pension fund was to increase by 1.5%. Following the receipt of the final charge and a re-assessment of contributions based on updated employee numbers, the actual payment to the fund will be lower than anticipated.

54. The overall changes can be summarised as follows:

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Re-profiling of Savings Plan	3,109	2,129	1,359	1,359
Current Children's Social Care Pressure	1,892	1,254	-961	-3,170
Looked After Children Growth	1,781	2,809	3,787	4,763
Pay Award - Pay Offer	2,225	3,925	4,801	5,703
Operation of Globe Theatre		400	350	300
Social Care Legal Costs - Children	120	120	120	120
Social Care Legal Costs - Adults / DOLS	500	50	50	50
Energy	250	250	250	250
Direct Payment Rates	600	600	600	600
Learning Disabilities Transport	100	100	100	100
School Support	400	400	400	400
Crematorium	150			
Replenish General Fund Balances	247			
Domestic Refuse Collection Extra Rounds	200	200	200	200
Operating Systems				500
Income				
Crematorium		-100	-130	-170
National Living Wage Provision	-583	-620	-725	-725
Pension Fund Contributions	-177	-351	-337	-337
Pressures	**10,814**	**11,166**	**9,864**	**9,943**

Income and Resources

55. There are also some areas of additional income which can be brought into the plan.

56. ***Business Rates*** – members will recall the long running risk to business rates associated with an appeal from a telecommunications and utilities company and the need to make provision in case this was successful. The finance update report in July 2017 updated members on the positive news that the company have now withdrawn their consolidation appeal against the 2010 list which will release c£5m from the current reserve and also save approximately £2m per year. The longer term projection for Business Rates is extremely uncertain due to the revaluation effective from 1 April 2017 and also the impending move to c75% retention by 2020 as discussed in paragraph 35. We have assumed that there will be no significant future change to the current income levels other than inflationary uplifts.

57. ***Increased Council Tax Levels*** – the main element is a revised estimate of future years tax base increase based on the current year exceeding the original estimate resulting in increased income of £541,000 in 2018/19 rising to £1,550,000 in 2021/22. This is linked to the Councils drive and ambition to increase housing numbers across the Borough to support our growing population. There is also anticipated to be a surplus on the collection fund (Stockton share £836,000) due to the long term collection rates being strong.

The plan has assumed that an additional £1.7m is generated from Council Tax as per the recommendation in Paragraph 26.

58. ***Increased New Homes Bonus*** – As highlighted at paragraph 6, the Government announced in the Provisional and final Local Government Finance Settlements that there were to be no

further changes to the methodology for distribution of the new Homes Bonus. They also published allocations for 2018/19. These now reflect the impact of housing growth across the Borough.

59. ***Adult Social Care Support Grant*** – This grant was announced in the final Local Government Settlement. An allocation of £150m was made nationally for 2018/19 only, with Stockton's share being £528,000.

60. ***Review of Reserves*** – The report to Cabinet in December 2017 identified an opportunity for reviewing reserves to help manage the longer term position and has identified two specific reserves which could be released to support the position in 2019/20.

Adult Services – Better Care Fund – There was an unallocated amount of £1.2m carried forward which was held to extend pilots and explore opportunities for changing the way services are delivered. Given that the intention is now to explore expansion of integration of services with Health associated with the BCF, and we have the additional BCF to use to pump prime any developments, this reserve can be released. Funding previously earmarked to support the development of service options is no longer required as we move forward with integration.

Commuted lump sums for maintenance work – The recent service reviews in Care for Your Area has incorporated resources which will deliver all maintenance which means that £700,000 can be released.

61. ***Improved Better Care Funding*** - Members will be aware from the finance update reports in July and December 2017 of the new allocations to the Improved Better Care Fund announced in the March 2017 Budget covering 3 financial years:

2017/18	£3,640,877
2018/19	£2,401,401
2019/20	£1,192,949

There are criteria to be met in determining the allocation of this resource. One of the clear criteria is to protect Social Care and it is therefore reasonable to fund some Social Care costs and also the Social Care pressures outlined in the table at paragraph 54 from this resource as outlined below:

Use of IBCF	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL £'000
Allocation	**-3,641**	**-2,401**	**-1,193**			**-7,235**
Proposed use - protection of social care						
Direct Payment rates	600	600	600	600	600	3,000
Social Care Legal Costs		500	50	50	50	650
Learning Disabilities Transport		100	100	100	100	400
Realignment of savings programme		775	275			1,050
Total	**600**	**1,975**	**1,025**	**750**	**750**	**5,100**
Available for investment	**-3,041**	**-426**	**-168**	**750**	**750**	**-2,135**

62. The balance of £2.1m will be available for further investment and plans are being developed. These plans include work to Rosedale to support reablement activity at a cost of £300,000.

63. This would mean that resources outlined below are available:

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Business Rates	-6,825	-2,209	-2,132	-2,243
Increased Council Tax Base	-541	-945	-1,281	-1,550
Council Tax Additional 1% Increase	-800	-1,676	-1,722	-1,770
Collection Fund	-836			
New Homes Bonus	-443	-611	-837	-1,080
2018-19 Adult Social Care Support Grant	-528			
Release Of Reserves		-1,900		
Investment Income	-600	-800	-800	-800
IBCF - Adult Social Care	-1,975	-1,025	-750	-750
	-12,548	**-9,166**	**-7,522**	**-8,193**

Initial Summary Position

64. A summary of the changes to the MTFP is set out below:

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Approved Budget Position	-571	1,188	1,783	696
Pressures	10,814	11,166	9,864	9,943
Resources Available	-12,548	-9,166	-7,522	-8,193
Budget Gap	-2,305	3,188	4,125	2,446
C/F	2,305	-2,305		
Updated Gap	**0**	**883**	**4,125**	**2,446**

The section below sets out one-off pressures for which borrowing will be required. The costs of borrowing will then be required to be built into the MTFP (paragraph 77).

SECTION 6 – ONE OFF PRESSURES AND FINAL MTFP

65. There are a range of one off pressures which also need to be considered.

66. ***Waste Disposal costs*** – The current contract with SITA for waste disposal is due to end in 2020. In partnership with Tees Valley Authorities options were explored to determine the most cost effective approach for the next 5 years and this determined that a contract extension, albeit at increased prices was the best option as the increased costs were still well below market rates. Given that SITA required funds for investment in the plant, an upfront payment was negotiated in exchange for the price increase. If this were not agreed, it would increase the future pressure on the MTFP by £1m per annum. A project is underway to explore the longer-term option for waste disposal.

67. ***Targeted Action Area*** – members will be aware of the report to Cabinet in November outlining the issues relating to older housing stock in both Stockton Town Centre and Victoria and Mandale and the recommendation to earmark funding to support interventions.

68. ***Additional Leisure Centre Investment*** in the Ingleby Barwick Leisure, Customer Contact and Library Centre. Members will be aware of the scheme to develop a Leisure facility, library and customer contact centre at Ingleby Barwick. In order to minimise disruption to the school and local residents, this new facility is now being developed alongside significant investment in the school itself. The original cost estimates were provided more than 3 years ago and since that time prices and inflation in the construction industry have risen significantly. A more recent estimate indicated a cost increase of £3m. Although it would be possible to deliver a scheme within the original budget, the quality of the scheme would be extremely compromised. Instead, through significant negotiation and value engineering, we would be able to deliver our original ambition for the state of the art gym, split level pool and library with a further £1.8m investment.

69. ***Stockton Town Hall*** – the Town Hall is in need of significant renovation and reflecting its historic importance and its role in the birth of passenger rail we are pursuing support from English Heritage and Heritage Lottery as part of a wider Stockton-Darlington railway programme over the coming years and we now have Heritage Action Zone status. An element of match funding is required and there are some urgent repairs required so it is estimated £200,000 will be needed.

70. ***Neighbourhood Service Improvement*** **–** members will be aware of the significant reductions in spending in Neighbourhood Services following the delivery of savings and this is now having a real impact across the Borough. It is therefore proposed that we allocate a resource for 2 years to target specific areas requiring attention and work with residents and volunteer groups in order to retain our ambition for Stockton to be a great place to live, including funding and supporting community based activity including during the winter months. This will be reviewed thereafter.

71. ***City Scale Events and Attractions*** – As the Tees Valley has formally indicated its intention to apply to host 2025 City of Culture, it is anticipated there will be opportunities to attract major events in the run up to that date. Stockton's international reputation & experience places us perfectly to host such events e.g. we are considering bidding to host National Armed Forces Day. Provision in the MTFP would allow us to work collaboratively with partners and provide match funding to enable opportunities to be pursued.

72. ***WW1 Centenary Commemoration*** – The Council will be supporting a range of events commemorating the anniversary of the end of World War 1, including The Yorkshire Regiment Freedom Parade, and it is suggested £40,000 will be required to provide support.

73. ***Traveller Site Maintenance*** – Following a detailed condition survey urgent maintenance works have been identified, with an estimated cost of £100,000.

74. ***Event Security*** – Members will be aware of the report presented to Cabinet in November outlining the work and costs associated with security and in particular providing some permanent/fixed physical infrastructure, complementing the removable equipment already purchased, to mitigate threats from terrorism.

75. ***Forum Theatre*** – Whilst the Forum Theatre is operated under a lease arrangement, the Council are responsible for the fabric and condition of the building. Maintenance issues have been identified associated with seating areas and this is anticipated to cost around £250,000.

76. The one-off pressures are summarised in the table below:

	TOTAL £'000
Waste Gate Fee	4,200
Additional Leisure Centre Investment	1,800
Globe	2,750
Targeted Area Action	750
Town Hall Condition Improvement	200
Neighbourhood Service Improvement	300
City Scale Events & Attraction	1,000
World War One Centenary Commemoration	40
Traveller Site Maintenance	100
Event Security	100
Forum Theatre	250
Pressures	**11,490**

Final MTFP

77. The Council has through careful use of one off money been able to make significant investments in recent years utilising both capital and revenue resources. Unfortunately there are no one off resources available and if members wish to proceed with the above schemes then we would need to borrow to generate the funds. Although some of the pressures above are defined as revenue and not capital, we are able to 'switch' resources previously approved to fund capital to release the funds required. If this were agreed it would add costs of approximately £630,000 per year to the medium term financial plan depending upon when the borrowing is required. The Council's prudent approach to borrowing means that borrowing costs are expected to amount to around 2.5% of the Net Revenue Budget by 2020/21, which is low compared to other authorities. The revised position incorporating the impact of the borrowing would be as set out below:

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Approved Budget Position	-571	1,188	1,783	696
Pressures	10,814	11,166	9,864	9,943
Resources Available	-12,548	-9,166	-7,522	-8,193
Cost Of Borrowing One Off Items	162	431	632	632
Budget Gap	-2,143	3,619	4,757	3,078
C/F	2,143	-2,143		
Updated Gap	**0**	**1,476**	**4,757**	**3,078**

78. Given that significant work is ongoing around delivering the current savings programme and mitigating growth, both of which are already assumed in the above position, the assumption of further savings over the next 2 years would be extremely challenging given the level of capacity in the organisation.

79. Paragraph 35 has identified the significant level of uncertainty around funding from 2020 onwards and any long term plans on further reductions could change significantly following further clarity on these issues. Once there is further clarity around the funding position, we will revise the plan for future years. In the meantime we will continue to explore funding opportunities and options to address the 2019/20 position.

80. The updated Medium Term Financial Plan can be re-presented in the format below:

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Income				
RSG (inc LCTS)	-9,839	-4,995	-4,300	-3,513
NNDR (incl s31 grants)	-48,019	-44,545	-45,281	-46,072
New Homes Bonus	-2,647	-2,336	-2,085	-2,328
Council Tax	-85,292	-88,889	-91,645	-94,395
Better Care Fund (incl Pooled Budget)	-13,329	-14,647	-14,372	-14,372
Public Health	-13,907	-13,545	-13,545	-13,545
Additional Income				
Collection Fund Surplus	-836			
Release Of Reserves		-1,900		
Adult Social Care Grant 2018-19	-528			
Total Income	**-174,397**	**-170,857**	**-171,228**	**-174,225**
Expenditure				
Childrens Services	37,311	36,601	35,364	34,133
Adults & Health	71,029	72,493	74,262	74,262
Community Services	25,076	24,836	24,784	24,744
Economic Growth & Development	8,883	8,923	8,923	8,923
Culture, Leisure & Events	7,680	7,980	7,812	7,762
Finance & Business Services	8,259	8,459	8,459	8,459
HR, Legal & Communications	4,165	3,925	3,825	3,825
Admin/Democratic Services & Xentrall	9,800	9,950	9,545	10,045
Corporate Items incl Pay Award Provision	51	1,309	3,011	5,150
Total Expenditure	**172,254**	**174,476**	**175,985**	**177,303**
Carry Forward	2,143	-2,143		
Revised Budget Position	**0**	**1,476**	**4,757**	**3,078**

SECTION 7 – CAPITAL PROGRAMME

81. The current Capital Programme as at 31 December 2017 which includes Housing and Town Centre schemes, School Capital, Transport, Ingleby Barwick Leisure Facility, is shown at **Appendix A** and summarised below:

Capital Programme December 2017 BC

CAPITAL PROGRAMME Up to 2020	Current Approved Programme £'000	Programme Revisions £'000	Revised Programme £'000
Schools Capital	53,037	- 86	52,951
Housing Regeneration & Town Centres Schemes	46,379	165	46,544
Transportation	8,017	165	8,182
Other Schemes	38,952	2,805	41,757
Total Approved Capital MTFP	**146,385**	**3,049**	**149,434**

Reasons for Movements over £100k

Additional Funding

Following Autumn budget announcement a further £129,038 DFG funding has been added to the capital programme.

Cabinet approved an additional £1,000,000 on 16 November to support the construction of a second chapel at Stockton Crematorium.

£1,500,000 Sport England grant funding has been added into the capital programme in respect of the Leisure Facility at Ingleby Barwick.

82. The updated Capital Programme 2012 – 2020 is attached at **Appendix B**.

SECTION 8 - BUSINESS RATE RELIEF SCHEME

83. The 2016 Autumn statement confirmed the doubling of rural rate relief available to eligible businesses from 50% to 100%. The Government intends to amend the relevant primary legislation to enable this change but as an interim measure the Council is expected to continue to use its local discount powers to grant 100% relief to eligible ratepayers.

The 2017 Spring and Autumn budgets introduced some additional changes regarding business rates relief schemes, which include:

- The extension of the pub relief scheme, initially introduced for the period 2017/18, for a further year. Eligible pubs with a rateable value of below £100,000 will continue to receive a £1,000 discount on their bills for 2018/19.
- The continuation of the supporting small businesses scheme introduced from April 2017, for those ratepayers facing large increases as a result of the loss of small business or rural rate relief due to revaluation.
- The continuation of the local discretionary revaluation relief scheme introduced from April 2017, for those businesses facing large increases as a result of revaluation. Funding of £241,000 was awarded in 2017/18, further funding of £117,000 has been approved for 2018/19.

These changes are reflected in the Council's discretionary rate relief government funded scheme.

SECTION 9 – PAY POLICY AND MEMBERS ALLOWANCES

84. Members will be aware that we have previously made a commitment to ensuring that our pay and rewards policies are fair and that the needs of the lowest paid staff are properly considered. From 1 April 2016 the pay and grading structure was amended to start at Grade C, spinal column point 10 (£8.09 per hour).

85. The Council's lowest pay point, spinal column point 10, is currently £8.09 per hour (from 1 April 2018 this would increase to £8.74 per hour under the Employer's pay offer) which is considerably more than the current National Living Wage of £7.50 per hour (increasing to £7.83 on 1 April 2018).

86. In view of the Employers' pay offer and proposed new pay spine it is not proposed to make any further changes to the Council's pay and grading structure at this stage. Work will however be undertaken to understand the implications of assimilating to the proposed new pay spine.

87. It should also be noted that from 1 April 2016 the Council agreed to pay its apprentices the national minimum wage for age (starting at £4.05 per hour for 16-18 year olds, which increases to £4.20 per hour from 1 April 2018) rather than the national apprentice rate of £3.50 per hour (£3.70 per hour from 1 April 2018).

88. The Council's pay policy statement is at **Appendix C.** The Council's current Median Hourly rate is £11.02 (£10.91 in 2017/18) and the pay multiple is 7.93 (7.93 in 2017/18). There has been a slight increase in median hourly rate as a result of a reduction in headcount. The pay multiple, which is determined by comparing the pay of the highest paid employee (Chief Executive) against the median average pay using hourly rates as at 31 December 2017 remains the same as the previous year.

89. It is proposed to amend the Pay Policy Statement to include a restriction on the employment or engagement of former employees who have left the Council with a severance, early retirement or redundancy payment under a voluntary arrangement. It is proposed that the Council would generally not employ or engage, under a contract for services, an employee who left the Council in such circumstances unless it was in the Council's interests to do so or the individual circumstances would justify the re-employment or engagement, such as career change or length of time since they were employed by the Council. Similar restrictions have been adopted by Local Authorities nationally and regionally and it is considered timely to similarly incorporate such a restriction in to the Pay Policy Statement in view of the significant reduction in the workforce in recent years and the organisational change which will continue to take place. The Trade Unions have been consulted and are supportive of the proposed change.

90. The plans in place to deliver the changes that are needed to meet the MTFP challenge have had a significant impact on our employees. There continues to be a reduction in the overall headcount and FTE of the workforce. Between 1 April 2011 and 31 December 2017, we have seen the following change:

- A reduction in headcount of 1,160 (From 4,260 to 3100)
- A reduction in FTE of 731 (From 3,142 to 2,411)

Since April 2017 to 31 December 2017, 123 employees have left the Council's employment due to redundancy (74 voluntary redundancy, 49 compulsory redundancy). The Council will continue to manage service changes sensitively and proactively and has a long history of doing so. All change will continue to be managed in line with the Management of Organisational Change policy with each service review taken through its own consultation and implementation process. We will continue to minimise redundancies by requiring Director approval to any recruitment to vacant posts, seek expressions of interest in Voluntary Redundancy and reduction in hours (if appropriate) through the review process, and support employees seeking redeployment.

91. We continue to maintain close contact with the Trade Unions, regular update meetings are held with the Trade Unions and the Chief Executive, Deputy Chief Executive and Director of Human Resources, Legal & Communications. We will continue to provide regular updates for employees in KYIT on the financial situation and provide opportunities for employees to put forward ideas and suggestions as well as discussions during the formal consultation process. The HR Service are continuing to ensure that a package of employee support and targeted training is available to all employees at risk of redundancy.

<u>Officer Appointments To Outside Bodies And Governing Bodies</u>

92. All officer appointments to any Body, including a Governing Body, as a Local Authority representative need to be approved by Cabinet where that Body is concerned with functions which are a Cabinet responsibility, for example education, social care, regeneration

93. Attached at **Appendix (C1)** is a list of appointments that have been made to external bodies where officers are acting in a Local Authority capacity. It is intended that this list is kept updated and reported to Cabinet annually as part of the MTFP reporting process.

94. It should be noted that the Council's insurance and indemnity arrangements will apply to these appointments as the officer is acting on behalf of the Local Authority. In addition the external Body may have indemnity arrangements in place for its Directors, Trustees or Governors.

95. It is recommended that:

- Council approve the Pay Policy Statement at **Appendix C**
- Cabinet approve and note the Officer Appointments to Outside bodies and governing bodies at **Appendix C(1)**.

<u>Members Allowances</u>

96. Members will be aware that allowances have been frozen since 2013/14 and it is proposed that this continues for 2018/19 to support the Council's difficult financial position.

SECTION 10 – PRECEPT LEVELS

Stockton Precept

97. Stockton's current tax level for 2017/18 at Band A (the biggest percentage of its properties) is £971.92 (£18.64 per week).

	Band A £	Band D £
2017/18	971.92	1,457.87
2018/19	1,029.26	1,543.88

Police Precept

98. The Police & Crime Commissioner has indicated a Council Tax Increase of 5.59%.

	Band A £	Band D £
2017/18	143.03	214.54
2018/19	151.03	226.54

Fire Authority

99. A report to the Fire Authority on 16 February 2018 outlines a proposed Council Tax increase of 2.9%.

	Band A £	Band D £
2017/18	48.71	73.06
2018/19	50.12	75.18

Parishes

100. Details of the Parish precepts are given below:

Parish	2017/18 Precept £	2018/19 Precept £	Precept Increase/ Decrease £	Precept Increase/ Decrease %	Band D Increase/ Decrease %	LCTS Grant Both Years £	2018/19 TOTAL £
Aislaby & Newsham	0	0	0	0.00%	0.00%	0	0
Carlton	4,498	4,498	0	0.00%	-2.27%	22	4,520
Castlelevington / Kirklevington	12,500	13,500	1,000	8.00%	-14.33%	348	13,848
Egglescliffe & Eaglescliffe	67,693	71,736	4,043	5.97%	4.75%	5,446	77,182
Elton	0	0	0	0.00%	0.00%	0	0
Grindon	22,000	34,000	12,000	54.55%	46.10%	0	34,000
Hilton	2,171	2,241	70	3.22%	3.29%	129	2,370
Ingleby Barwick	138,172	155,900	17,728	12.83%	11.36%	3,445	159,345
Long Newton	11,764	11,764	0	0.00%	-1.40%	236	12,000
Maltby	2,362	3,504	1,142	48.35%	0.00%	138	3,642
Preston	5,029	5,029	0	0.00%	-6.78%	471	5,500
Redmarshall	3,300	3,500	200	6.06%	1.74%	118	3,618
Stillington & Whitton	8,757	8,757	0	0.00%	0.36%	1,243	10,000
Thornaby	138,360	142,510	4,150	3.00%	1.39%	36,050	178,560
Wolviston	11,445	11,752	307	2.68%	2.27%	533	12,285
Yarm	93,359	118,057	24,698	26.45%	25.50%	6,141	124,198
Billingham	222,854	244,758	21,904	9.83%	9.54%	23,509	268,267
Total	**744,264**	**831,506**	**87,242**	**11.72%**	**5.31%**	**77,829**	**909,335**

Overall Tax Position

101. 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 £85,292,114 is given below:

Tax 2018/19			
	Current 2017/18 (Band A) £	Proposed 2018/19 (Band A) £	Increase %
Police	143.03	151.03	5.59
Fire	48.71	50.12	2.90
Stockton BC	971.92	1,029.26	5.90

Formal Tax Recommendations

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

SECTION 11 - TREASURY MANAGEMENT STRATEGY

103. The Council's Treasury Management Strategy is shown at **Appendix E** and this has been revised to support the need to explore alternative investment opportunities and to reflect the advice of our treasury management advisors.

Appendix A

Capital Programme – December 2017

CAPITAL PROGRAMME Up to 2020	Current Approved Programme	Programme Revisions	Revised Programme	Expenditure April 2012 - Dec 2017
SCHOOL CAPITAL				
School Investment Programme	53,036,809	(86,008)	52,950,801	11,480,567
SCHOOLS CAPITAL	**53,036,809**	**(86,008)**	**52,950,801**	**11,480,567**
HOUSING REGENERATION & TOWN CENTRES SCHEMES				
Housing Regeneration	5,100,829	99,122	5,199,951	2,782,295
Stockton Town Centre Schemes	35,992,689	66,000	36,058,689	6,886,811
Infrastructure Enhancements & Property Acquisitions	5,285,273	0	5,285,273	1,359,626
HOUSING REGENERATION & TOWN CENTRES SCHEMES	**46,378,791**	**165,122**	**46,543,913**	**11,028,732**
TRANSPORTATION				
Local Transport Plans	4,313,541	142,442	4,455,983	3,145,776
Other Transport Schemes	1,679,489	0	1,679,489	262,405
Developer Agreements	2,024,369	22,500	2,046,869	1,596,824
TRANSPORTATION	**8,017,399**	**164,942**	**8,182,341**	**5,005,005**
OTHER SCHEMES				
Private Sector Housing	2,387,968	108,990	2,496,958	1,351,274
Building Management & Asset Review	1,003,451	129,600	1,133,051	550,897
ICT & Infrastructure	180,215	0	180,215	139,685
Parks, Museums & Cemeteries	6,854,647	1,000,000	7,854,647	416,744
Energy Efficiency Schemes	14,240,000	0	14,240,000	13,792,860
Other Schemes	14,285,470	1,566,577	15,852,047	1,967,269
OTHER SCHEMES	**38,951,751**	**2,805,167**	**41,756,918**	**18,218,729**
Total Approved Capital MTFP	**146,384,750**	**3,049,223**	**149,433,973**	**45,733,033**

Appendix B

CAPITAL PROGRAMME	Current Approved Programme	New Approvals (Part of Report)	Total
SCHOOL CAPITAL			
School Investment Programme			
Planned Maintenance	3,675,331		3,675,331
Rosebrook School	1,000		1,000
30hr Nursery Provision	2,130,996		2,130,996
Primary School Expansions	9,894,151		9,894,151
Basic Need Capital Funding	37,249,323		37,249,323
	52,950,801	**0**	**52,950,801**
HOUSING REGENERATION & TOWN CENTRES SCHEMES			
Housing Regeneration			
Victoria Estate Regeneration	4,289,951		4,289,951
Affordable Housing	910,000		910,000
	5,199,951	**0**	**5,199,951**
Stockton Town Centre			
Stockton Town Centre - Infrastructure Projects	687,060		687,060
Townscape Heritage Initiative	1,035,149		1,035,149
TH Match Funding	624,200		624,200
Globe Theatre Refurbishment	15,042,000	2,750,000	17,792,000
Courtyard Improvements	1,670,280		1,670,280
Northshore Hotel	17,000,000		17,000,000
	36,058,689	**2,750,000**	**38,808,689**
Other Regeneration Schemes			
Strategic Acquisitions	500,000		500,000
Estate Shops	451,458		451,458
Employability Land	458,815		458,815
Infrastructure Enhancements & Property Acquisition	3,875,000		3,875,000
	5,285,273	**0**	**5,285,273**
TRANSPORTATION			
LTP - Integrated Transport	957,866		957,866
LTP - Structural Maintenance	3,498,117		3,498,117
Preston Park Additional Car Parking	158,195		158,195
NPIF 2017-18 - A689 Wolviston and Wynyard Ave	1,200,000		1,200,000
LGF Schemes	221,294		221,294
Developer Agreements	2,046,869		2,046,869
Event Security		100,000	100,000
Eaglescliffe Station Western Access	100,000		100,000
	8,182,341	**100,000**	**8,282,341**
OTHER SCHEMES			
Private Sector Housing			
Disabled Adaptations	1,785,593		1,785,593
Regional Loan Scheme	231,413		231,413
Empty Homes - Regional Scheme	479,952		479,952
	2,496,958	**0**	**2,496,958**

Building Management & Asset Review			
Building Maintenance Programme	391,100		391,100
Travellers Site Maintenance		100,000	100,000
Stockton Town Hall Renovation		200,000	200,000
Libraries Improvements	133,930		133,930
Billingham Campus Site Improvements	345,544		345,544
Playing Pitch Strategy	262,477		262,477
	1,133,051	**300,000**	**1,433,051**
Resources / ICT & Infrastructure			
A2S: ICT Cost	180,215		180,215
	180,215	**0**	**180,215**
Parks, Museums & Cemeteries			
Parks Improvement Programme	203,320		203,320
Cemeteries	301,327		301,327
Crematorium & Gardens of Remembrance	7,350,000		7,350,000
	7,854,647	**0**	**7,854,647**
Energy Efficiency Schemes			
District Heating Schemes	340,000		340,000
Street Lighting Investment Programme	13,900,000		13,900,000
	14,240,000	**0**	**14,240,000**
Other Schemes			
Childrens Social Care Investment	158,941		158,941
Foster Care Adaptations	93,440		93,440
Community Capacity Projects	208,615		208,615
ACMT ICT System	210,000		210,000
Social Care Mobile Working	53,057		53,057
Allensway Improvements	214,290		214,290
Ware Street Development	688,436		688,436
Independent Living LD Bid	202,000		202,000
Joint Venture Investments	493,077		493,077
School Pitches	128,000		128,000
Vehicle Replacement Fund	1,458,526		1,458,526
Tees Active - High Rope Course	36,532		36,532
Leisure Facility Ingleby Barwick	11,501,750	1,800,000	13,301,750
Community Centre Support	50,000		50,000
Halcyon Centre	30,000		30,000
Autism Grant	9,183		9,183
Halidon Way Flood Relief Scheme	51,700		51,700
Rosedale Car Park	145,000		145,000
Public Health Grant	73,600		73,600
Innovation Station (Libraries Opportunities for All)	45,900		45,900
	15,852,047	**1,800,000**	**17,652,047**
Total Approved Capital MTFP	**149,433,973**	**4,950,000**	**154,383,973**

CAPITAL PROGRAMME	Current Approved Programme	New Approvals (Part of Report)	TOTAL
Government Support	68,272,585	0	68,272,585
Earmarked Resources / Receipts	12,297,967	0	12,297,967
Earmarked Housing Regeneration Receipts	1,610,828	0	1,610,828
Prudential Borrowing	40,640,000	4,950,000	45,590,000
Other Contributions	2,552,797	0	2,552,797
Corporate One-Off Resources	24,059,796	0	24,059,796
Total Approved Funding Capital MTFP	**149,433,973**	**4,950,000**	**154,383,973**

Appendix C

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

This Pay Policy Statement applies to the financial year 2018/19.

1.	**INTRODUCTION**
1.1	This document sets out the Council's Pay Policy in relation to the remuneration of its employees (excluding local authority school employees) 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 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** As part of its commitment to move towards the Living Wage the Council's pay and grading structure starts at Grade C, spinal column point 10 (from 01/04/2017 £8.09 per hour and are our lowest paid employees (other than apprentices). Since 1st April 2016 the Council agreed to pay its apprentices the National Minimum Wage relating to age (starting at £4.05 per hour for 16 to 18 year olds, compared to the national apprentice rate of £3.50 per hour). 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 AND SENIOR MANAGEMENT TEAM**
3.1	**Remuneration of Chief Officers** Under the definitions set out in 2.3 above the Council's Senior Management Team Consists of the following posts:

Job Title	Grade
Chief Executive	Chief Executive
Deputy Chief Executive	Deputy Chief Executive
Director of Children's Services	Director Level 1
Director of Adults & Health	Director Level 1
Director of Finance & Business Services	Director Level 1
Director of HR, Legal & Communications	Director Level 1
Director of Economic Growth & Development	Director Level 1
Director of Community Services	Director Level 2
Director of Culture, Leisure & Events	Director Level 3
Director of Public Health	Assistant Director Level 1
Assistant Director (Adult Social Care)	Assistant Director Level 2
Assistant Director (Xentrall Shared Services)	Assistant Director Level 1
Assistant Director (Safeguarding & LAC)	Assistant Director Level 2
Assistant Director (Schools and SEN)	Soulbury
Assistant Director (Business Support & Information)	Assistant Director Level 2
Assistant Director (Administration, Democratic & Electoral Services)	Assistant Director Level 2

The salaries relating to the above grades from 01/04/2017 are:

Grade	Salary
Chief Executive	£168,511
Deputy Chief Executive	£136,211
Director – Level 1	£114,761
Director – Level 2	£104,050
Director – Level 3	£93,849
Assistant Director – Level 1	£89,259
Assistant Director – Level 2	£84,158
Soulbury	£76,748 to £83,574

3.2	Joint National Conditions of service (JNC) are incorporated into all Chief Officers' contracts of employment, save for the Assistant Director (Schools and SEN) which are Soulbury Terms and Conditions.
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 clear salary differentials which reflect the level of responsibility attached to any particular role

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. Performance related pay therefore does not form part of current remuneration arrangements. This position will be reviewed if legislation and/or guidance relating to senior officer posts changes.
3.6	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.
3.7	**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
3.8	**Remuneration on appointment** Chief Officers are recruited in accordance with the Council's Constitution and associated Scheme of Delegation to the appropriate salary of the grade.
3.9	**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.
3.10	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.
3.11	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.

3.12	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.
3.13	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.
3.14	The Government is proposing to introduce a cap on Public Sector Exit Payments. The Council will amend its policy and payments made on termination to reflect any changes in legislation.
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 OR ENGAGEMENT OF FORMER EMPLOYEES**
5.1	The Council will generally not re-employ or engage any individual under a contract for services whom has previously been employed by the Council and left that employment with the benefit of a severance, early retirement or redundancy payment under voluntary arrangements, unless there it is in the best interests of the Council to do so or there are individual circumstances which would justify doing so.
5.2	With the exception in 5.1 above, the Council will consider all applicants on merit during the recruitment process and will not discount any applicant on the basis of previous public sector employment and/or the terms of that employment ending.
5.3	In addition the Government is has introduced legislation to enable the recovery of exit payments for higher paid employees returning to the public sector. The Council will therefore seek to recover the required proportion of any exit payment made to any former public sector employee in accordance with the proposed legislation.
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 reward policies are fair and that the needs of the lowest paid staff and continues to work towards paying the living wage.
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 (Chief Executive) against the median 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 Hourly Rate is £11.02 (£10.91 in 20117/18) and the Pay Multiple is 7.93 (7.93 in 2017/18). There has been slight increase in the Median hourly rate which is reflective of a reduction in headcount (but it has not had an effect on the pay multiple.

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 C(1)

Body	Role	Officer
Spark of Genius NE LLP	Board Member	Garry Cummings Director of Finance and Business Services, Martin Gray, Director of Children Services
North East Culture Partnership	Board Member	Reuben Kench, Director of Culture, Leisure and Events
Tees River Trust	Board Member	Reuben Kench, Director of Culture, Leisure and Events
Stockton Riverside College	Governor	Deborah Merrett, Chief Advisor
Bishopton Management Board	Governor	Angela White, Senior Advisor (11-19)
Grangefield Academy	LA Representative	Angela White, Senior Advisor (11-19)
North Shore Academy	LA Representative	Angela White, Senior Advisor (11-19)
Share the Vision	Trustee	Mark Freeman, Libraries and Information Services Manager
Culture Bridge NE	Board Member	Mark Freeman, Libraries and Information Services Manager
Society of Chief Librarians	Trustee	Mark Freeman, Libraries and Information Services Manager
Oliver and Norman Field Charity	Trustee	Sarah Runnacles, Senior Occupational Therapist
Achieving Real Change In Communities CIC (ARCC)	Board Member	Julie Danks, Deputy Chief Executive
Tees Valley LEP Area ESI Funds Local Sub-Committee	Board Member	Neil Schneider, Chief Executive
Stockton BID Company limited	Board Member	Neil Schneider, Chief Executive
Stockton Hotels Company Ltd	Board Member Company Secretary	Neil Schneider, Chief Executive; Garry Cummings, Director of Finance and Business Services; Richard McGuckin, Director of Economic Growth and Development Services Ged Morton, Chief Solicitor
Stockton Borough Holding Company Limited	Board Member Company Secretary	Neil Schneider, Chief Executive; Garry Cummings, Director of Finance and Business Services; Richard McGuckin, Director of Economic Growth and Development Services Ged Morton, Chief Solicitor
Northern Grid For Learning	Board Member	Jane Wright, Planning & Partnership Manager

Appendix D

Council Tax Resolution

A. Members are invited to **Recommend** that:

1. The Council calculated as its Council Tax Base for the year, in accordance with Section 31B (3) of the Local Government Finance Act 1992, as amended (the Act), and reported to the Leader on 22 December, 2017.

Tax Base approved under the Scheme of Delegation on 22 December, 2017.

.

a) the amount calculated by the Council in accordance with Section 31B, as its Council Tax Base for the year: **55,245.29**

b) the amounts calculated by the Council as the amounts of its Council Tax Base for the year for dwellings in those parts of its areas to which one or more special items relate.

Part of the Council's Area	Tax Base
Aislaby & Newsham	103.26
Carlton	307.23
Castleleavington / Kirklevington	645.21
Egglescliffe & Eaglescliffe	3,040.44
Elton	135.29
Grindon	1,453.81
Hilton	209.86
Ingleby Barwick	7,573.60
Long Newton	340.73
Maltby	220.96
Preston	590.19
Redmarshall	153.66
Stillington & Whitton	350.56
Thornaby	5,577.46
Wolviston	395.85
Yarm	3,387.66
Billingham	8,955.78

2. The amounts for the year that were approved by the Council on 28 February 2018 in accordance with Section 31A of the Act :

a) The aggregate amount that the Council estimates for the items set out in Section 31A (2) (a) to (f) of the Act: **£391,816,268.**

The Council's total expenditure for the year including Parish Precepts

b) The aggregate amount that the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act: **£305,692,648.**

The total income to be raised by the Council in the year plus movement on revenue balances and grants

c) The amount by which the aggregate at 2 a) above exceeds the aggregate at 2 b) above, calculated by the

The Council's Council Tax Requirement for the year including Parish Precepts

Council, in accordance with Section 31A (4) of the Act, as its council tax requirement for the year: **£86,123,620.**

d) The basic amount of Council Tax for the year, being the amount at 2.c) above, divided by the amount at 1.a) above, calculated in accordance with Section 31B (1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts); **£1,558.93.**

The average Tax at Band D, including the Parish precepts.

e) The aggregate amount of all special items referred to in Section 34(1) of the Act: **£831,506.**

The total of all Parish precepts.

f) The basic amount of Council Tax for those parts of the area to which no special items relate: **£1,543.88.**

Stockton-On-Tees Borough's Basic Tax

B. Members are invited to **Note:**

3. a) Parish Precepts are:

Part of the Council's Area	**2018/19 Precept**	**Band D Equivalent**
	£	**£**
Aislaby & Newsham	0	0.00
Carlton	4,498	14.64
Castleleavington / Kirklevington	13,500	20.92
Egglescliffe & Eaglescliffe	71,736	23.59
Elton	0	0.00
Grindon	34,000	23.39
Hilton	2,241	10.68
Ingleby Barwick	155,900	20.58
Long Newton	11,764	34.53
Maltby	3,504	15.86
Preston	5,029	8.52
Redmarshall	3,500	22.78
Stillington & Whitton	8,757	24.98
Thornaby	142,510	25.55
Wolviston	11,752	29.69
Yarm	118,057	34.85
Billingham	244,758	27.33
	831,506	

b) Parish Funding Allocations are:

Part of the Council's Area	2018/19 Funding Allocation
	£
Aislaby & Newsham	0
Carlton	22
Castleleavington / Kirklevington	348
Egglescliffe & Eaglescliffe	5,446
Elton	0
Grindon	0
Hilton	129
Ingleby Barwick	3,445
Long Newton	236
Maltby	138
Preston	471
Redmarshall	118
Stillington & Whitton	1,243
Thornaby	36,050
Wolviston	533
Yarm	6,141
Billingham	23,509
	77,829

4. Office of the Police & Crime Commissioner for Cleveland has stated the sum of **£12,515,270** in a precept issued to the Council in accordance with Section 40 of the Act; this translates into the following sums for each Council Tax Band:

Office of the Police & Crime Commissioner for Cleveland Tax

Band	Sum
	£
A	151.03
B	176.20
C	201.37
D	226.54
E	276.88
F	327.22
G	377.57
H	453.08

5. Cleveland Fire Authority has stated the sum of **£4,153,341** in a precept issued to the Council in accordance with Section 40 of the Act: this translates into the following sums for each Council Tax Band:

Cleveland Fire Authority Tax

Band	Sum £
A	50.12
B	58.47
C	66.83
D	75.18
E	91.89
F	108.59
G	125.30
H	150.36

C. Members are **Recommended** to set amounts of Council Tax for the year, being the aggregate of items 2 (f) 3,4 and 5 above in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, for each category of dwelling in each area as shown at **Appendix D(1),D(2),D(3)**.

Total Council Tax bill levels, including Borough, Police & Crime Commissioner, Fire Authority and Parish elements

D. Members are also invited to Note:

1. Each year the Secretary of State in accordance with Section 52ZC Local Government Finance Act 1992 will determine a limit for council tax rises. If an authority proposes to raise taxes above this limit they will have to hold a referendum to get approval from local voters.

Determination whether Council tax rate is excessive

2. The limit for council tax rises applicable to the authority as set by the Secretary of State for 2018/19 is 6.0%.

E. Members are asked to Note that the Council's basic amount of Council Tax for 2018/19 is not excessive in accordance with the principles approved under Section 52ZB Local Government Finance Act 1992 and D above and that a referendum is not required.

Appendix D(1)

Council Tax - Parish Demands
2018/19

Item	Parish	Band							
		A	B	C	D	E	F	G	H
		£	£	£	£	£	£	£	£
1	Aislaby and Newsham	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Carlton	9.76	11.39	13.01	14.64	17.89	21.15	24.40	29.28
3	Castlelevington / Kirklevington	13.95	16.27	18.60	20.92	25.57	30.22	34.87	41.84
4	Egglescliffe	15.73	18.35	20.97	23.59	28.83	34.07	39.32	47.18
5	Elton	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Grindon	15.59	18.19	20.79	23.39	28.59	33.79	38.98	46.78
7	Hilton	7.12	8.31	9.49	10.68	13.05	15.43	17.80	21.36
8	Ingleby Barwick	13.72	16.01	18.29	20.58	25.15	29.73	34.30	41.16
9	Long Newton	23.02	26.86	30.69	34.53	42.20	49.88	57.55	69.06
10	Maltby	10.57	12.34	14.10	15.86	19.38	22.91	26.43	31.72
11	Preston	5.68	6.63	7.57	8.52	10.41	12.31	14.20	17.04
12	Redmarshall	15.19	17.72	20.25	22.78	27.84	32.90	37.97	45.56
13	Stillington & Whitton	16.65	19.43	22.20	24.98	30.53	36.08	41.63	49.96
14	Thornaby	17.03	19.87	22.71	25.55	31.23	36.91	42.58	51.10
15	Wolviston	19.79	23.09	26.39	29.69	36.29	42.89	49.48	59.38
16	Yarm	23.23	27.11	30.98	34.85	42.59	50.34	58.08	69.70
17	Billingham	18.22	21.26	24.29	27.33	33.40	39.48	45.55	54.66

Appendix D(2)

Council Tax - Borough and Parish Demands 2018/19

Item	Parish	Band							
		A	B	C	D	E	F	G	H
	Factor	6	7	8	9	11	13	15	18
		£	£	£	£	£	£	£	£
1	Aislaby and Newsham	1,029.26	1,200.79	1,372.34	1,543.88	1,886.97	2,230.05	2,573.14	3,087.76
2	Carlton	1,039.02	1,212.18	1,385.35	1,558.52	1,904.86	2,251.20	2,597.54	3,117.04
3	Castlelevington / Kirklevington	1,043.21	1,217.06	1,390.94	1,564.80	1,912.54	2,260.27	2,608.01	3,129.60
4	Egglescliffe	1,044.99	1,219.14	1,393.31	1,567.47	1,915.80	2,264.12	2,612.46	3,134.94
5	Elton	1,029.26	1,200.79	1,372.34	1,543.88	1,886.97	2,230.05	2,573.14	3,087.76
6	Grindon	1,044.85	1,218.98	1,393.13	1,567.27	1,915.56	2,263.84	2,612.12	3,134.54
7	Hilton	1,036.38	1,209.10	1,381.83	1,554.56	1,900.02	2,245.48	2,590.94	3,109.12
8	Ingleby Barwick	1,042.98	1,216.80	1,390.63	1,564.46	1,912.12	2,259.78	2,607.44	3,128.92
9	Long Newton	1,052.28	1,227.65	1,403.03	1,578.41	1,929.17	2,279.93	2,630.69	3,156.82
10	Maltby	1,039.83	1,213.13	1,386.44	1,559.74	1,906.35	2,252.96	2,599.57	3,119.48
11	Preston	1,034.94	1,207.42	1,379.91	1,552.40	1,897.38	2,242.36	2,587.34	3,104.80
12	Redmarshall	1,044.45	1,218.51	1,392.59	1,566.66	1,914.81	2,262.95	2,611.11	3,133.32
13	Stillington & Whitton	1,045.91	1,220.22	1,394.54	1,568.86	1,917.50	2,266.13	2,614.77	3,137.72
14	Thornaby	1,046.29	1,220.66	1,395.05	1,569.43	1,918.20	2,266.96	2,615.72	3,138.86
15	Wolviston	1,049.05	1,223.88	1,398.73	1,573.57	1,923.26	2,272.94	2,622.62	3,147.14
16	Yarm	1,052.49	1,227.90	1,403.32	1,578.73	1,929.56	2,280.39	2,631.22	3,157.46
17	Billingham	1,047.48	1,222.05	1,396.63	1,571.21	1,920.37	2,269.53	2,618.69	3,142.42
18	Areas without Parish Councils	1,029.26	1,200.79	1,372.34	1,543.88	1,886.97	2,230.05	2,573.14	3,087.76

Appendix D(3)

Council Tax - Total Demand (Borough, Parishes, Police and Fire) 2018/19

Item	Parish	Band							
		A	B	C	D	E	F	G	H
	Factor	6	7	8	9	11	13	15	18
		£	£	£	£	£	£	£	£
1	Aislaby and Newsham	1,230.41	1,435.46	1,640.54	1,845.60	2,255.74	2,665.86	3,076.01	3,691.20
2	Carlton	1,240.17	1,446.85	1,653.55	1,860.24	2,273.63	2,687.01	3,100.41	3,720.48
3	Castlelevington / Kirklevington	1,244.36	1,451.73	1,659.14	1,866.52	2,281.31	2,696.08	3,110.88	3,733.04
4	Egglescliffe	1,246.14	1,453.81	1,661.51	1,869.19	2,284.57	2,699.93	3,115.33	3,738.38
5	Elton	1,230.41	1,435.46	1,640.54	1,845.60	2,255.74	2,665.86	3,076.01	3,691.20
6	Grindon	1,246.00	1,453.65	1,661.33	1,868.99	2,284.33	2,699.65	3,114.99	3,737.98
7	Hilton	1,237.53	1,443.77	1,650.03	1,856.28	2,268.79	2,681.29	3,093.81	3,712.56
8	Ingleby Barwick	1,244.13	1,451.47	1,658.83	1,866.18	2,280.89	2,695.59	3,110.31	3,732.36
9	Long Newton	1,253.43	1,462.32	1,671.23	1,880.13	2,297.94	2,715.74	3,133.56	3,760.26
10	Maltby	1,240.98	1,447.80	1,654.64	1,861.46	2,275.12	2,688.77	3,102.44	3,722.92
11	Preston	1,236.09	1,442.09	1,648.11	1,854.12	2,266.15	2,678.17	3,090.21	3,708.24
12	Redmarshall	1,245.60	1,453.18	1,660.79	1,868.38	2,283.58	2,698.76	3,113.98	3,736.76
13	Stillington & Whitton	1,247.06	1,454.89	1,662.74	1,870.58	2,286.27	2,701.94	3,117.64	3,741.16
14	Thornaby	1,247.44	1,455.33	1,663.25	1,871.15	2,286.97	2,702.77	3,118.59	3,742.30
15	Wolviston	1,250.20	1,458.55	1,666.93	1,875.29	2,292.03	2,708.75	3,125.49	3,750.58
16	Yarm	1,253.64	1,462.57	1,671.52	1,880.45	2,298.33	2,716.20	3,134.09	3,760.90
17	Billingham	1,248.63	1,456.72	1,664.83	1,872.93	2,289.14	2,705.34	3,121.56	3,745.86
18	Areas without Parish Councils	1,230.41	1,435.46	1,640.54	1,845.60	2,255.74	2,665.86	3,076.01	3,691.20
	Police Precept included - all areas	151.03	176.20	201.37	226.54	276.88	327.22	377.57	453.08
	Fire Precept included - all areas	50.12	58.47	66.83	75.18	91.89	108.59	125.30	150.36

TREASURY MANAGEMENT STRATEGY 2018/19

Introduction

The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. CIPFA consulted on changes to the Code in February and August last year and published the new 2017 editions in early 2018.

In addition, the Ministry of Housing Communities and Local Government (MHCLG) (Formally CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.
This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the MHCLG Guidance.

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

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

The CIPFA Code requires the setting out of the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. The Code identifies twelve areas where statements of Treasury Management Practices (TMP's) should be developed to implement the full requirements of the Code. These TMP's are included in Schedule 5 for approval.

External Context

Economic background: The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

Credit outlook: High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

Interest rate forecast: The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to increase to 1.25% during 2018/19**,** following the rise from the historic low of 0.25%. The Monetary Policy Committee noted that any prospective increases in Bank Rate would be to a higher level and sooner than originally anticipated.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at ***Schedule 1***.

Local Context

On 31 December 2017, the Authority held £47.7m of borrowing and £60.92m of investments. Investments are set out in further detail at ***Schedule 2***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.17 Actual £m	**31.3.18 Estimate £m**	**31.3.19 Forecast £m**	**31.3.20 Forecast £m**	**31.3.21 Forecast £m**
General Fund CFR	108.8	110.0	145.0	146.5	144.9
Total CFR	**108.8**	**110.0**	**145.0**	**146.5**	**144.9**
Less: Other debt liabilities	-7.2	-6.5	-6.0	-5.2	-4.7
Borrowing CFR	**101.6**	**103.4**	**139.0**	**141.2**	**140.2**
Less: Usable reserves	-98.0	-64.5	-78.9	-66.7	-48.6
Less: Working capital	-17.9	-15.3	-14.7	-13.8	-12.7
(Investments) / New Borrowing	**-14.3**	**23.6**	**45.4**	**60.7**	**78.9**

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

The Authority has an increasing CFR due to the capital programme and reducing investments and will therefore be required to borrow over the forecast period.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. The Authority expects to comply with this recommendation during 2018/19.

Borrowing Strategy

The Authority currently holds £47.654 million of loans, a decrease of £0.027m on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £45.4m in 2018/19. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £161.3 million.

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

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

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

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

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

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

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

- operating and finance leases

- hire purchase
- Private Finance Initiative
- sale and leaseback

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

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

LOBOs: The Authority holds £37m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2018/19, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to £37m.

Short-term and variable rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises.

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

Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held.

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

Negative interest rates: If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and low returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and/or higher yielding asset classes during 2018/19. Apart for the Authority's investment in the CCLA Property Fund the remaining Authority's surplus cash remains invested in short-term unsecured bank deposits, with other local authorities and money market funds. This diversification will represent a change in strategy over the coming year.

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

Table 2: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£5,000,000 2 years	£10,000,000 5 years	£10,000,000 50 years	£5,000,000 20 years	£5,000,000 10 years
AA+	£5,000,000 2 years	£10,000,000 5 years	£10,000,000 25 years	£5,000,000 10 years	£5,000,000 5 years
AA	£5,000,000 2 years	£10,000,000 2 years	£10,000,000 15 years	£5,000,000 5 years	£5,000,000 5 years
AA-	£5,000,000 2 years	£10,000,000 2 years	£10,000,000 10 years	£5,000,000 4 years	£5,000,000 5 years
A+	£5,000,000 2 years	£10,000,000 2 years	£5,000,000 5 years	£5,000,000 3 years	£5,000,000 3 years
A	£5,000,000 1 Year	£10,000,000 1 year	£5,000,000 5 years	£5,000,000 2 years	£5,000,000 3 years
A-	£5,000,000 6 months	£10,000,000 1 Year	£5,000,000 5 years	£5,000,000 1 Year	£5,000,000 3 years
None	n/a	n/a	£10,000,000 5 years	£3,000,000 3 years	£5,000,000 3 years
Pooled funds	£20m per fund				

This table must be read in conjunction with the notes below:

If the Council's current clearing bank fails to meet the minimum credit criteria, the time on investments will be restricted to overnight.

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

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

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

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

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

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

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

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

Operational bank accounts: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

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

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

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

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

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

Specified investments: The MHCLG Guidance defines specified investments as those:

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

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

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

Table 3: Non-specified investment limits

	Cash limit
Total long-term investments	£60m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£50m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£0m
Total non-specified investments	£110m

Investment limits: The Authority's revenue reserves available to cover investment losses are forecast to be £60.3m on 31st March 2018. The maximum that will be lent to any one organisation (other than the UK Government) will be £20 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£20,000,000
UK Central Government	unlimited
Any group of organisations under the same ownership	£20,000,000
Any group of pooled funds under the same management	£25,000,000
Negotiable instruments held in a broker's nominee account	£25,000,000
Foreign countries	£10,000,000
Registered providers	£25,000,000
Unsecured investments with building societies	£10,000,000
Loans to unrated corporates	£10,000,000
Money Market Funds	£50,000,000

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

Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the MHCLG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in as loans to local businesses, or as equity investments and loans to the Authority's subsidiaries.

Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

Investments that are not part of Treasury Management Activity

Where, in addition to treasury management investment activity, organisations invest in other financial assets and property primarily for financial return, these investments should be proportional to the level of resources available to the organisation and the organisation should ensure that the same robust procedures for the consideration of risk and return are applied to these decisions.

The Authority recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Authority will ensure that all the organisation's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

Treasury Management Indicators

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

Interest rate exposures: The Authority will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements:

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

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

	Upper	**Lower**
Under 12 months	75%	0%
12 months and within 24 months	80%	0%
24 months and within 5 years	85%	0%
5 years and within 10 years	90%	0%
10 years and above	100%	0%

Due to low interest rates the preferred strategy of the authority will be to borrow short. This will mean that fixed and variable borrowing refinancing will be taking place on a continuous basis. This will expose the authority to additional risk but this is outweighed by the interest savings in borrowing longer term.

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

Principal sums invested over 365 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£60m	£40m	£40m

Other Items

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

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

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

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

Investment training: The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Investment advisers: The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

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

The total amount borrowed will not exceed the authorised borrowing limit of £161.3 million.

Other Options Considered

The MHCLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance and Business Services believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

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

Schedule 1 – Arlingclose Economic & Interest Rate Forecast February 2018

Underlying assumptions:

- The MPC has raised expectations for further rises in Bank Rate, both sooner and to a higher level than previously anticipated by markets. Reiterating the view of the UK economy's impaired supply capacity and survey data of higher private sector earnings growth, meaning inflationary outcomes are more likely, the MPC also revised the UK's economic growth prospects slightly higher due to the pull of global economic momentum.

- Significantly, the MPC also decided to shorten the forecast horizon over which inflation will be brought back to the CPI target.

- The MPC believes that soft domestic consumption will recover as the inflationary impact of weaker sterling fades. Their projections assume that households and companies base their decisions on a smooth adjustment to the new trading relationship with the EU.

- However, the additional moves made by the Bank to intentionally raise interest rate expectations suggests a wider strategy. By moving quickly and creating the conditions for monetary tightening, monetary policy will be a more effective weapon should downside Brexit risks crystallise.

- Our view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q4 2017 GDP growth was 0.5%, after a 0.4% expansion in Q2. Household consumption growth has softened, despite high employment and low saving rates. Housing markets are soft. Nevertheless, we cannot disregard the MPC's forceful intent and signal in the February Inflation Report and accompanying commentary.

- The depreciation in sterling is assisting the economy to rebalance away from spending. Export volumes have increased, helped by a stronger global and Eurozone economic expansions.

- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.

Forecast:

- Over the near term, Arlingclose must forecast the MPC's actions rather than the expected level of monetary policy given our assessment of the UK economy. There is clear momentum on the MPC for higher Bank Rate and this is likely to crystallise from May 2018.

- The MPC has heightened expectations of more increases in Bank Rate and at a quicker pace despite only modest changes in inflation and growth forecasts, based on the Bank's perceptions of impaired supply capacity and a desire to bring inflation back to target more quickly.

- Our central case is for Bank Rate is to rise twice in 2018 and once more in the first half of 2019. The risks are weighted to the downside.

- Gilt yields have risen but remain historically low; current yields already incorporate higher Bank Rate expectations, so we expect little further upward movement.

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.17**
Arlingclose Central Case	**0.50**	**0.75**	**0.75**	**1.00**	**1.00**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.08**
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.58**
3-month LIBID rate														
Upside risk	0.00	0.05	0.10	0.10	0.20	0.20	0.25	0.25	0.30	0.35	0.35	0.35	0.35	**0.22**
Arlingclose Central Case	**0.50**	**0.75**	**0.85**	**1.00**	**1.10**	**1.35**	**1.35**	**1.35**	**1.35**	**1.30**	**1.30**	**1.30**	**1.30**	**1.14**
Downside risk	0.00	-0.25	-0.30	-0.40	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.57**
1-yr LIBID rate														
Upside risk	0.05	0.10	0.20	0.20	0.30	0.30	0.35	0.35	0.40	0.50	0.50	0.50	0.50	**0.33**
Arlingclose Central Case	**0.70**	**0.95**	**1.10**	**1.30**	**1.40**	**1.65**	**1.65**	**1.60**	**1.55**	**1.50**	**1.50**	**1.50**	**1.50**	**1.38**
Downside risk	0.00	-0.25	-0.30	-0.40	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.57**
5-yr gilt yield														
Upside risk	0.20	0.20	0.20	0.20	0.20	0.25	0.35	0.40	0.40	0.40	0.40	0.40	0.40	**0.31**
Arlingclose Central Case	**1.15**	**1.35**	**1.40**	**1.50**	**1.55**	**1.60**	**1.65**	**1.70**	**1.70**	**1.70**	**1.65**	**1.65**	**1.65**	**1.56**
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	**-0.50**
10-yr gilt yield														
Upside risk	0.15	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.40	0.40	0.40	0.40	0.40	**0.30**
Arlingclose Central Case	**1.65**	**1.80**	**1.85**	**1.90**	**2.00**	**2.05**	**2.10**	**2.15**	**2.15**	**2.15**	**2.05**	**2.05**	**2.05**	**2.00**
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	**-0.50**
20-yr gilt yield														
Upside risk	0.15	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.40	0.40	0.40	0.40	0.40	**0.30**
Arlingclose Central Case	**2.00**	**2.10**	**2.15**	**2.15**	**2.20**	**2.25**	**2.25**	**2.20**	**2.15**	**2.20**	**2.20**	**2.20**	**2.20**	**2.17**
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	**-0.50**
50-yr gilt yield														
Upside risk	0.15	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.40	0.40	0.40	0.40	0.40	**0.30**
Arlingclose Central Case	**1.80**	**1.95**	**2.00**	**2.00**	**2.05**	**2.10**	**2.10**	**2.05**	**2.00**	**2.05**	**2.05**	**2.05**	**2.05**	**2.02**
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	**-0.50**

Schedule 2 – Existing Investment Position (as at 31 December 2017)

Counterparty	Amount £	Rate %	Start Date	Maturity Date
Bank of Scotland	5,000,000	0.36%	03-Aug-17	06-Feb-18
Goldmans	5,000,000	0.31%	26-Oct-17	02-Feb-18
Santander	10,000,000	0.35%	19-Oct-15	60 Day Notice
Santander	5,000,000	0.40%	17-Aug-15	95 Day Notice
Authoritys Clearing Bank (SIBA)	7,420,000	0.01%	-	Instant
Suffolk County	5,000,000	0.40%	13-Nov-17	13/02/2018
Darlington BC	3,500,000	0.46%	01-Sep-17	31/08/2018
Standard Life (MMF)	1,000,000	Variable	08-Sep-16	Instant
Federated (MMF)	8,000,000	Variable	08-Sep-16	Instant
Legal & General (MMF)	1,000,000	Variable	07-Nov-16	Instant
CCLA Property Fund	5,000,000	Variable	30-Aug-17	Notice
CCLA Property Fund	5,000,000	Variable	27-Apr-17	Notice
	60,920,000	**0.69%**		

Schedule 3 - Prudential Indicators 2018/19

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

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

Capital Expenditure and Financing	**2017/18 Revised £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**
General Fund	36,991	61,406	15,277	15,687
Total Expenditure	**36,991**	**61,406**	**15,277**	**15,687**
Capital Receipts	3,066	3,926	0	0
Government Grants	16,120	21,247	9,491	15,553
Reserves	16,305	0	2,712	0
Revenue	1,500	0	0	0
Borrowing	0	36,233	3,074	134
Total Financing	**36,991**	**61,406**	**15,277**	**15,687**

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

Capital Financing Requirement	**31.03.18 Revised £m**	**31.03.19 Estimate £m**	**31.03.20 Estimate £m**	**31.03.21 Estimate £m**
General Fund	110.0	145.0	146.5	144.9
Total CFR	**110.0**	**145.0**	**146.5**	**144.9**

The CFR is forecast to rise by £35m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

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

Debt	31.03.18 Revised £m	31.03.19 Estimate £m	31.03.20 Estimate £m	31.03.21 Estimate £m
Borrowing	47.3	99.9	113.9	133.9
Finance leases	0.7	0.4	0.0	0.0
PFI liabilities	5.8	5.7	5.2	4.7
Transferred debt	0.0	0.0	0.0	0.0
Total Debt	**53.8**	**106.0**	**119.1**	**138.6**

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

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

Operational Boundary	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Borrowing	125.1	141.2	140.2	138.9
Other long-term liabilities	8.5	6.0	5.2	4.7
Total Debt	**133.6**	**147.3**	**145.4**	**143.5**

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

Authorised Limit	2017/18 Limit £m	2018/19 Limit £m	2019/20 Limit £m	2020/21 Limit £m
Borrowing	109.3	157.0	156.0	154.7
Other long-term liabilities	8.5	6.0	5.2	4.7
Total Debt	**117.8**	**163.0**	**161.2**	**159.3**

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

Proportion of Financing Costs to Net Revenue Stream	2017/18 Revised %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
General Fund	1.2	1.0	1.2	1.4

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

Schedule 4 – Annual Minimum Revenue Provision Statement 2018/19

Where the Authority finances capital expenditure by debt, the Capital Financing Requirement (CFR), it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2012.

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

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

For capital expenditure incurred before 1st April 2008 and for supported capital expenditure incurred on or after that date, MRP will be determined on an annuity method. This option provides for repayment of the CFR arising before 1 April 2008 by the end of 2057/58.

For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset determined on an annuity method.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Capital expenditure incurred during 2018/19 will not be subject to a MRP charge until the year following the year in which the relevant assets become.

Schedule 5

STOCKTON ON TEES BOROUGH COUNCIL
TREASURY MANAGEMENT PRACTICES

The "**Treasury Management in the Public Services: Code of Practice and cross sectoral guidance notes "** (the Code) identifies twelve areas where statements of Treasury Management Practices (TMP's) should be developed to implement the full requirements of the Code.

TMP1 TREASURY RISK MANAGEMENT

"The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Authority's objectives in this respect, all in accordance with the procedures set out in TMP6 *Reporting requirements and management information arrangements.* In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document."

[1] Credit and counter party risk management

The Authority regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment. It will limit its investment activities to the instruments, methods and techniques referred to in *TMP4 Approved Instruments, methods and techniques* and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counter party policy in respect of those Authority's from which it may borrow, or with whom it may enter into other financing or derivate arrangements.

[2] Liquidity risk management

The Authority will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives.

This authority will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme, where it is under borrowed or to finance future debt maturities.

[3] Interest rate risk management

The Authority will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

[4] Exchange rate risk management

The Authority will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

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[5] Refinancing risk management

The Authority will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Authority as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counter parties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above."

[6] Legal and regulatory risk management

The Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counter party policy under *TMP1[4] Credit and counter party risk management*, it will ensure that there is evidence of counter parties' powers, authority and compliance in respect of the transactions they may effect with the Authority, particularly with regard to duty of care and fees charged.

The Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Authority."

[7] Fraud, error and corruption, and contingency management

The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

[8] Price risk management

The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

[9] Inflation risk

The Authority will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures

TMP2 BEST VALUE AND PERFORMANCE MEASUREMENT

The Authority is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Authority's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document."

TMP3 DECISION MAKING AND ANALYSIS

The Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document."

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Authority will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in *TMP1 Risk management*.

The Authority has reviewed its classification with financial institutions under MIFID II and were applicable has registered as a professional client.

TMP5 AUTHORITY, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The Authority considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when The Authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with *TMP6 Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements are detailed in the schedule to this document.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the responsible officer in respect of treasury management are set out in the schedule to this document. The responsible officer will fulfil all such responsibilities in accordance with the Authority's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on treasury management.

TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Authority will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:

The Authority (or where agreed delegated to Audit Committee) will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Authority's treasury management policy statement and TMPs.

Audit Committee will receive regular monitoring reports on treasury management activities and risks.

The body responsible for scrutiny, such an audit or scrutiny committee, will have responsibility for the scrutiny of treasury management policies and practices.

The authority should report the treasury management indicators as detailed in their sector specific guidance notes.

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The responsible officer will prepare, and The Authority will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matter to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with *TMP1 Risk management, TMP2 Best value and performance measurement, and TMP4 Approved instruments, methods and techniques*. The form which The Authority's budget will take is set out in the schedule to this document. The responsible officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with *TMP6 Reporting requirements and management information arrangements*.

The Authority will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

The Authority will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule to this document.

TMP8 CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of The Authority will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with *TMP1[1] Liquidity risk management*. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

TMP9 MONEY LAUNDERING

The Authority is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counter parties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements are detailed in the schedule to this document.

TMP10 STAFF TRAINING AND QUALIFICATIONS

The Authority recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that Cabinet members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

The Authority recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review, and it will ensure, where feasible and necessary, that a spread of service providers is used to avoid over-reliance on one or a small number of companies.

Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out in the schedule to this document.

The Authority has a formal contract with Arlingclose Ltd, to provide a range of technical advice and information covering the treasury business.

TMP12 CORPORATE GOVERNANCE

The Authority is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honest, integrity and accountability.

The Authority had adopted and has implemented the key recommendations of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

TREASURY MANAGEMENT PRACTICES - SCHEDULES

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by The Authority.

TMP1 RISK MANAGEMENT

1.1 LIQUIDITY

1.1.1 Cash Flow

The treasury management section will maintain, on a daily basis, a cash flow projection showing;

- all known income and expenditure
- all anticipated income and expenditure.

This record will be maintained for a period of 12 months ahead of current date.

1.1.2 Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to ensure that there is nil balance in the Authority's main bank account at the close of each working day, in order to minimise the amount of bank overdraft interest payable, and maximise the amount of credit interest receivable. Borrowing or lending shall be arranged in order to achieve this aim. However detailed contingency plans are also available to allow overdraft facilities of up to £0.25m.

1.2 INTEREST RATE

1.2.1 Interest Estimates

- The treasury management section will maintain detailed forward projections showing estimates of the amount of interest to be received (from approved instruments) and of interest paid (from long term borrowings).

- Interest rate estimates shall be arrived at using market intelligence, derived from reputable city institutions, together with practical experience and knowledge of treasury management staff.

1.2.2 Maximum proportion of variable rate debt/interest

The requirement to set out a series of Prudential Indicators includes a requirement to set upper limits for exposure to fixed interest rates and variable interest rates. Details can be located in the annual Treasury Management Strategy.Policies concerning the use of financial derivatives for interest rate management

Stockton Council is not permitted to use financial derivatives for interest rate management.

1.3 EXCHANGE RATE

1.3.1 Approved criteria for managing changes in exchange rate levels

a) As a result of the nature of the Authority's business, the Authority may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling. The Authority will adopt a full hedging strategy to control and add certainty to the sterling value of these transactions. This will mean that the Authority will eliminate all foreign exchange exposures as soon as they are identified.

b) Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice, to comply with this full cover hedging policy. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Authority has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment.

c) Stockton Council has no exposure to currencies other than sterling.

d) Stockton Council is not permitted to use financial derivatives in exchange rate risk management.

1.4 <u>CREDIT AND COUNTERPARTY POLICIES</u>

1.4.1 Criteria to be used for creating/managing approved counter party lists/limits

1. The Director of Finance and Business Services will formulate suitable criteria for assessing and monitoring the credit risk of investment counter parties and shall construct a lending list comprising time, type, sector and specific counter party limits.

2. Treasury management staff will add or delete counter parties to/from the approved counter party list in line with the policy on criteria for selection of counter parties. This will be one on the approval of the Director of Finance and Business Services. The complete list of approved counter parties will be included in the Treasury Management Strategy, Mid Term Report and Annual Report.

3. The primary criteria used in the selection of counter parties is their credit worthiness. However the authority will also monitor latest market information and reduce the limits imposed on third parties where appropriate.

4. The Authority's Treasury Management Advisors provide a regular update of all the ratings relevant to the authority as well as any changes to the counterparty credit ratings. This information is also available via their website.

5. Credit ratings will be used as supplied from one or more of the following credit rating agencies:-

   Fitch
   Standard & Poor's
   Moody's Investors Services

6. Limits will be as set within the annual Treasury Management Strategy reported to Cabinet.

1.4.2 Approved methodology for changing limits and adding/removing counter parties

Credit ratings for individual counter parties can change at any time. The Director of Finance and Business Services is responsible for applying the stated credit rating criteria in the Treasury Management Strategy for selecting approved counter parties, and will add or delete counter parties as appropriate to/from the approved counter party list when there is a change in the credit ratings of individual counter parties or in banking structures e.g. on mergers or takeovers.

The Director of Finance and Business Services will also adjust lending limits and periods when there is a change in the credit ratings of individual counter parties or in banking structures e.g. on mergers or takeovers in accordance with the criteria in 1.4.1.

1.5 REFINANCING

The Prudential Code requires that:

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next three financial years".

To that end the Authority will set annual prudential indicators and then proceed to operate within those boundaries, thus showing that all decisions taken adhere to the above.

Other Considerations;

- A maturity profile should be prepared and maintained covering all the authority's long-term borrowings.
- All refinancing of loans should be at the discretion of the Director of Finance and Business Services.
- Any premature repayment or refinancing of existing loans may have a premium attached, which may have a revenue impact. Any such transactions will be at the discretion of the Director of Finance and Business Services.

1.6 LEGAL AND REGULATORY

1.6.1 References to relevant statutes and regulations

The treasury management activities of the authority shall comply fully with legal statute and the regulations of the Authority.

1.6.2 Procedures for evidencing the Authority's powers/authorities to counter parties

The authority will prepare, adopt, and maintain, as the cornerstone for effective treasury management:-

a) A Treasury Management Strategy, stating the overriding principles and objectives of its treasury management activities; and

b) The Annual Investment Strategy.

1.6.3 Required information from counter parties concerning their powers/authorities

The authority will contract with 3rd parties who are approved institutions under the Local Government and Housing Act 1989.

Approved brokers will need to be regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000, under which Local Authorities are classified as market counterparties.

Building Societies are members of Building Society Association and are governed by Building Society Act 1986.

Banks are regulated by the Financial Conduct Authority under the provisions of the Financial Services and Markets Act 2000.

1.6.4 Statement on the Authority's political legislative or regulatory risks

The Authority recognises that future political, legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the authority.

1.7 FRAUD, ERROR AND CORRUPTION

1.7.1 Details of systems and procedures to be followed

The processes involved in the treasury management functions should be clearly documented as set out in *TMP3 Decision making and analysis and in TMP 5 Authority, clarity and segregation of responsibilities and dealing arrangements.*

1.7.2 Emergency and contingency planning arrangements

The authority will follow the manual system to place funds in the event of an electronic system failure.

1.7.3 Insurance cover details

The officers concerned in the treasury management function are covered by appropriate fidelity guarantee insurance.

1.7.4 List of authorised officers

The treasury manager shall maintain a list of officers authorised to deal on behalf of Tees Valley Combined Authority in respect of investing short-term cash balances.

1.7.5 Chaps transactions

The purchasing, payments and income manager shall authorise officers to have access to the Nat West Web Banking System and shall determine which functions each officer can carry out. Only those officers so authorised can transmit money via the Chaps system, using unique passwords.

1.8 MARKET RISK MANAGEMENT

The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sum it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2 BEST VALUE AND PERFORMANCE MEASUREMENT

2.1 METHODOLOGY TO BE APPLIED FOR EVALUATING THE IMPACT OF TREASURY MANAGEMENT DECISIONS

In evaluating treasury management options, the average interest rate for both borrowing and investments is considered.

2.2 POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT CONTRACTS

2.2.1 Banking services

Banking services will be reviewed every 5 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

2.2.2 Money-broking services

- The Authority will use money-broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them.

2.2.3 Consultants'/advisers' services

- The Authority's policy is to use the advice provided by appointed full-time professional treasury management consultants, to the authority.

- Consultancy services are retendered or renegotiated every 3 years.

2.3 METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE AUTHORITY'S TREASURY MANAGEMENT ACTIVITIES

Benchmarking tests are detailed below are used in the performance evaluation.

2.4 BENCHMARK AND CALCULATION METHODOLOGY

Performance measured against Annual Treasury Management Strategy targets.

2.4.1 Debt management

Average rate on all external debt
Average maturity of external debt

2.4.2 Investment

The performance of in house investment earnings will be measured against 7 day LIBID, (London Inter-Bank Bid Rate)

TMP3 DECISION-MAKING AND ANALYSIS

3.1 FUNDING, BORROWING, LENDING AND NEW INSTRUMENTS/ TECHNIQUES

3.1.1 Records to be kept

The following records will be kept and maintained for audit scrutiny:

a) Third party confirmation and brokers confirmation of deposits and borrowings.
b) Copy of electronic submission of payments, manually signed as checked for accuracy and authorised.
c) Cash flow transaction records
d) Borrowing Analysis
e) Year-end reconciliation of all borrowing and lending.

3.1.2 Processes to be pursued

a) Cash flow analysis.

b) Maturity analysis.
c) Ledger reconciliations
d) Review of borrowing requirement.
e) Comparison with prudential indicators.
f) Monitoring of projected loan charges and interest and expenses costs.
g) Review of opportunities for debt rescheduling.

3.1.3 Issues to be addressed

3.1.3.1 In respect of every decision made the Authority will:

a) Above all be clear about the nature and extent of the risks to which the Authority may become exposed.
b) Be certain about the legality of the decision reached and the nature of the transaction and that all authorities to proceed have been obtained.
c) Be content that the documentation is adequate both to deliver the Authority's objectives and protect the Authority's interests and to deliver good housekeeping.
d) Ensure that third parties are judged satisfactory in the context of the Authority's creditworthiness policies, and that limits have not been exceeded.
e) Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

3.1.3.2 In respect of borrowing and other funding decisions, the Authority will:

a) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
b) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
c) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
d) Consider the ongoing revenue liabilities created, and the implications for the Authority's future plans and budgets.

In respect of investment decisions, the Authority will:

a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions.
b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Authority to changes in the value of its capital.

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 <u>APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION</u>

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Authority's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- leasing;
- the use of external fund managers;

- managing the underlying exchange rate risk associated with the Authority's business activities.

4.2 APPROVED INSTRUMENTS FOR INVESTMENTS

Instruments approved under The Local Authority (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments, the most commonly used being:

- Deposits with banks and building Societies or local authorities, Police and Crime Commissioners and Fire Authorities up to 365 days.
- Non-specified deposits with banks and building societies or local authorities.
- Pooled Funds (including Triple A rated Money Market Funds both with a constant and variable net asset value).
- Registered Provides (including providers of social housing).
- Deposits with Government (including HM Treasury, Debt Management Office and Local Authorities).

4.3 APPROVED METHODS AND SOURCES OR RAISING CAPITAL FINANCE

Finance will only be raised in accordance with the Local Government and Housing Act 1989, and within this limit the council has a number of approved methods and sources of raising capital finance.

Borrowing will only be undertaken in keeping with the contents of the Prudential Code and within the limits determined through the approved Prudential Indicators and Treasury Management Strategy and, in respect of any long term borrowings, following consultation with the Director of Finance and Business Services.

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Finance and Business Services has delegated powers through this policy and the strategy to take the most appropriate form of borrowing from the approved sources.

4.4 INVESTMENTS THAT ARE NOT PART OF THE TREASURY MANAGEMENT ACTIVITY

Where, in addition to treasury management investment activity, organisations invest in other financial assets and property primarily for financial return, these investments should be proportional to the level of resources available to the organisation and the organisation should ensure that the same robust procedures for the consideration of risk and return are applied to these decisions.

The Authority recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Authority will ensure that all the organisation's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

TMP5 AUTHORITY, 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 Authority 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

5.1.1 Delegation of Powers

As per the recommendations in the code of practice

5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

The Deputy Chief Executive / Head of Finance & Business Services will ensure there is always adequate segregation of duties in all transactions, with specific separation of duties between organising the deal and releasing funds for the deal.

5.3 TREASURY MANAGEMENT AUTHORITY CHART

Deputy Chief Executive / Director of Finance and Business Services
Senior Finance Managers
Finance Manager - Corporate / Senior Accountant - Corporate (Deputy)
Senior Finance Technicians

5.4 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST

5.4.1 Deputy Chief Executive / Director of Finance and Business Services

1. The Deputy Chief Executive / Director of Finance and Business Services 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.
   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 liaise with external audit
   h) Recommend the appointment of external service providers where appropriate.
   i) Approve and authorise investment deals (within dealing limits – see 5.6)

2. The Deputy Chief Executive and / or Director of Finance and Business Services have 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.

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3. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Deputy Chief Executive / Director of Finance and Business Services to be satisfied, by reference to Legal and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

4. The Deputy Chief Executive and / or Director of Finance and Business Services may delegate power to borrow and invest to members of staff to conduct all dealing transactions. All transactions must be authorised by at least two specified named officers and the Chaps payment released by a third as per the responsibilities set out in 5.4.2 to 5.4.4. Alternatively staff can be authorised to act as temporary cover for leave/sickness.

5.4.2 Senior Finance Managers.

1. Approve and authorise investment deals (within dealing limits – see 5.6)
2. Release Chaps payments
3. Determine and approve short term borrowing up to a period of 6 months and to a limit of £5m.

5.4.3 Finance Manager - Corporate / Senior Accountant - Corporate (Deputy)

The treasury responsibilities of this post will be:-

- To assist Deputy Chief Executive / Director of Finance and Business Services 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
- Implement Treasury Management Strategy
- Approve and authorise investment deals (within dealing limits – see 5.6)
- Release Chaps payments
- 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 Deputy Chief Executive / Director of Finance and Business Services as detailed in the table below;

Investment Dealing Limits	
Deputy Chief Executive / Director of Finance and Business Services	As per limits set within the treasury management strategy
Senior Finance Managers	Monetary Limits set within TMS / 365 days and under investment horizon
Finance Manager – Corporate / Senior Accountant – Corporate (Deputy)	Up to £5m / 6 months and under investment horizon.

5.7 LIST OF APPROVED BROKERS/ONLINE BROKER

Prebon Brokers (UK) plc
BGC International Brokers Ltd
ICAP Brokers Ltd
Tradition Brokers
Martin Brokers
I Deal Trade (Arlingclose Trading Platform)

5.8 POLICY ON BROKERS' SERVICES

The authority will use brokers for its temp transactions. The Treasury Manager 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
Cash flow 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 manages funds under delegated powers for Tees Valley Combined Authority.

TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT

1. The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This Strategy will be submitted to Cabinet and Council before the commencement of each financial year.

2. The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates.

3. The Treasury Management Strategy is concerned with the following elements:

   - the prospects for interest rates;
   - the limits placed by The Authority on treasury activities
   - the expected borrowing strategy;
   - the expected temporary investment strategy;
   - the expectations for debt rescheduling;
   - any extraordinary treasury issue.

4. The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.2 POLICY ON INTEREST RATE EXPOSURE

1. As required by section 45 of The Local Government and Housing Act 1989, the council must approve before the beginning of each financial year the following treasury limits:

   - The overall borrowing limit
   - The amount of the overall borrowing limit which may be outstanding by way of short-term borrowing
   - The maximum proportion of interest on borrowing, which is subject to variable rate interest.

2. The Director of Finance and Business Services is responsible for incorporating these limits into the annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Director of Finance and Business Services shall submit the changes to Cabinet for recommendation to Council.

6.3 ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY

An annual report will be completed after the end of the financial year. This report will include the following:-

a) details of the previous year's treasury management activities
b) the outcome against agreed measures of performance
c) report on compliance with CIPFA code
d) explanation of future actions.

6.4 MANAGEMENT INFORMATION REPORTS

a) A mid-year review of the strategy statement
b) Any variations to the agreed Treasury Management policies and practices will be reported to the Council at the earliest practicable meeting.

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 STATUTORY/REGULATORY REQUIREMENTS

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in England and Wales that is recognised by statute as representing proper accounting practices.

7.2 ACCOUNTING PRACTICES AND STANDARDS

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in England and Wales.

The Council adopts in full the principles set out in CIPFA's 'Code of Best Practice and Guide for Treasury Management in the Public Services' (the 'CIPFA Code and Guide'), together with those of its specific recommendations that are relevant to this Authority's treasury management activities.

7.3 AUDIT ARRANGEMENTS

Stockton Borough Council will ensure that its audits and those charged with regulatory review have access to all information and papers supporting the activities of the treasury management function.

TMP8 CASH AND CASH FLOW MANAGEMENT

8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS, CONTENT AND FREQUENCY

The authority will monitor and complete daily cashflow forecasts for major items of income and expenditure. Additionally, a strategic cashflow forecast will be prepared annually and updated as necessary.

8.2 BANK STATEMENTS PROCEDURE

The authority will aim to monitor and reconcile the bank statements on a daily basis, with a monthly formal reconciliation completed and authorised by two officers.

8.3 PROCEDURES FOR BANKING OF FUNDS

All money received by an officer on behalf of the Authority will without unreasonable delay be paid into the Authority's bank account. Regular security collection rounds will bank all funds.

TMP9 MONEY LAUNDERING

9.1 PROCEDURES FOR ESTABLISHING IDENTITY/AUTHENTICITY OF LENDERS

The Authority will only accept loans from individuals, where the funds are transferred via another bank account, which is domiciled in the UK, either electronically, or through cheque. All other loans are obtained from the PWLB or from authorised institutions under the Banking Act 1987. The Financial Conduct Authority (FCA) is responsible for maintaining a register of authorised institutions. This register can be accessed through their website on (www.fca.org.uk).

9.2 METHODOLOTY FOR IDENTIFYING SOURCES OF DEPOSIT

All deposits are reconciled and identified on a daily basis. The source of each deposit is investigated in order to credit the appropriate funds within the main accounting system.

TMP10 STAFF TRAINING AND QUALIFICATIONS

10.1 DETAILS OF APPROVED TRAINING COURSES

Staff employed in the treasury management function will be qualified to the level that is appropriate to their post (as per the job description). All staff are required to undertake basic training prior to undertaking day to day treasury business and will, in addition, be expected to undertake continuous training as appropriate to enable them to keep up to date with all aspects of treasury management within their responsibility.

Training courses run by CIPFA and other training providers such as our Treasury Advisors will form the major basis of ongoing staff training. Records will be kept of all courses and seminars attended by staff as part of their annual appraisal. The authority will take all reasonable steps to ensure that staff are adequately trained.

CIPFA members are required to abide by CIPFA's Ethics Standard on Professional Practice (SOPP) which includes a section in relation to treasury management.

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS AND ADVISERS

11.1.1 Banking services

a) Name of supplier of service is Nat West. The branch address is High Street, Stockton-on-Tees.
b) Contract commenced June 2015 and runs for a period of 5 years.
c) Cost of service – a schedule of charges is agreed at the beginning of the contract.

11.1.2 Money-broking services

Name of supplier of service:

- Prebon Brokers (UK) plc
- BGC International Brokers Ltd
- ICAP Brokers Ltd
- Tradition Brokers
- Martin Brokers
- I Deal Trade (Arlingclose Trading Platform)

11.1.3 Consultants'/advisers' services

The authority has a formal contract with Arlingclose Ltd, to provide a range of technical advice and information covering the treasury business. This contract commenced on the 1st January 2017 and will run for a period of 3 years with an option to extend for a further 2 years.

11.2 PROCEDURES AND FREQUENCY FOR TENDERING SERVICES

See TMP2

TMP12 CORPORATE GOVERNANCE

12.1 LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION

In furtherance of a robust corporate governance policy, the following documents are available for public inspections:

1. Treasury Management Strategy
2. Treasury Management Practices
3. Annual Treasury Management Report
4. Annual Statement of Accounts
5. Annual Budget