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Date of meeting	**Wednesday, 25th January, 2017**
Time	**6.30 pm**
Venue	**Committee Room 1, Civic Offices, Merrial Street, Newcastle-under-Lyme, Staffordshire, ST5 2AG**
Contact	Jayne Briscoe 2250

Civic Offices
Merrial Street
Newcastle-under-Lyme
Staffordshire
ST5 2AG

- **PLEASE NOTE EARLIER START TIME**

Finance, Resources and Partnerships Scrutiny Committee

AGENDA

PART 1– OPEN AGENDA

1 Apologies

2 DECLARATIONS OF INTEREST

To receive Declarations of Interest from Members on items included in the agenda

3 MINUTES OF PREVIOUS MEETINGS **(Pages 3 - 6)**

To consider the minutes of the previous meeting(s)

4 Treasury Management Strategy - 2017/18 **(Pages 7 - 28)**

5 Revenue and Capital Budget 2017/18 **(Pages 29 - 54)**

6 PUBLIC QUESTION TIME

Any member of the public wishing to submit a question must serve two clear days' notice, in writing, of any such question to the Borough Council.

7 URGENT BUSINESS

To consider any business which is urgent within the meaning of Section 100B (4) of the Local Government Act 1972.

8 Date of next meeting - Monday 13 March 2017

Members: Councillors Fear, Frankish, T Hambleton, Loades, Pickup, Proctor, Spence (Vice-Chair), Waring, Wilkes, Winfield (Chair) and Wright

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‘Members of the Council: If you identify any personal training / development requirements from the items included in this agenda or through issues raised during the meeting, please bring them to the attention of the Committee Clerk at the close of the meeting’

FIELD_TITLE

FINANCE, RESOURCES AND PARTNERSHIPS SCRUTINY COMMITTEE

Monday, 12th December, 2016
Time of Commencement: 7.00 pm

Present:-	Councillor Joan Winfield – in the Chair
Councillors	S Hambleton, T Hambleton, Holland, Loades, Pickup, Proctor, Waring and Wright
Officers	Executive Director (Operational Services) - David Adams, Jayne Briscoe - Scrutiny Officer, Phil Jones - Head of Communications and Executive Director (Resources and Support Services) - Kelvin Turner

1. **APOLOGIES**

Apologies were received from Councillors Frankish and Spence.

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

3. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 2 November 2016 be agreed as a correct record.

4. **COMMUNICATIONS - MOVING FORWARD**

The Head of Communications presented this report which outlined proposals for enhancing the way the Council communicates with residents, elected members and staff whilst at the same time delivering efficiency savings as part of the budget proposals for 2017/18.

The main focus of the discussion was The Reporter. Although a number of members voiced support for the proposals outlined in the report on the future direction for The Reporter, that it be printed on a twice yearly basis and made available for public collection at locations around the Borough, other members suggested that it should no longer be produced in any format and the additional £12,210 savings this would generate put towards the Medium Term Financial Strategy budget funding gap for 2017/18.

There were concerns expressed that the circulation method proposed would not work and that if The Reporter was to continue to be produced then it should be on a basis to that currently used where arrangements were in place with a distribution company to deliver the publication to the majority of addresses in the Borough.

Agreed That the comments of Members be referred to Cabinet.

5. **SCALE OF FEES AND CHARGES**

With respect to the proposed changes to market stall charges which were verbally reported at the meeting by the Portfolio Holder members of the Scrutiny Committee were unable to scrutinise this information due to lack of prior notice.

A member was disappointed at the budget proposals which were considered to lack new initiatives to generate income and failed to include examples of where marketing skills could be used to help mitigate the forthcoming funding changes. This view was supported and it was suggested that the Authority should be looking at ways to generate a continuous income stream.

Continuing the scrutiny of the revenue generated by car parks and some licence fees and the costs of provision and enforcement revenue, a member suggested that a review be carried out into the cost effectiveness of the service which was delivered by the Borough and whether, in the case of car parks, this could be done better in partnership with an external operator. The Chair cautioned against this approach as it was considered that this may lead to increased charges and a possible reduction in consumer footfall.

At this point in the meeting the Chair reported on correspondence received from the BID concerning a lack of consultation with the business community around the issue of car parking charges, which was a matter for Cabinet to address.

Agreed That the comments of this Scrutiny Cabinet be conveyed to Cabinet members.

6. **PUBLIC QUESTION TIME**

There were no members of the public present.

7. **URGENT BUSINESS**

There was no Urgent Business.

8. **DATE OF NEXT MEETING -25 JANUARY 2017**

The next meeting of this Scrutiny Committee will be held on 25 January, 2017.

9. **DISCLOSURE OF EXEMPT INFORMATION**

Resolved That the public be excluded from the meeting during consideration of the following item because it is likely that there would be disclosure of exempt information as defined in paragraph 3 of the Schedule 12A of the Local Government Act, 1972.

10. **TRADE REFUSE SCALE OF FEES AND CHARGES**

This report related to the proposed scale of fees and charges relating to the trade refuse collection service.

Agreed That the report be noted.

11. **TRADE REFUSE - SCALE OF FEES AND CHARGES**

COUNCILLOR JOAN WINFIELD
Chair

Meeting concluded at 8.10 pm.

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE FINANCE, RESOURCES AND PARTNERSHIPS SCRUTINY COMMITTEE

25 January 2017

1. TREASURY MANAGEMENT STRATEGY 2017/18

Submitted by: **Head of Finance**

Portfolio: **Finance IT and Customer**

Ward(s) affected: **All indirectly**

Purpose of the Report

To consider the content of and scrutinise the Treasury Management Strategy for 2017/18, including the Prudential Indicators, Investment Strategy and Minimum Revenue Provision Strategy contained within it.

Recommendations

Recommendations:

a) ***That the Committee consider and scrutinise the content of the Treasury Management Strategy for 2017/18.***

b) ***That the Committee approve the strategy for submission to the Full Council on 22 February 2017.***

Reasons

The Council needs to have an approved Treasury Management Strategy for 2017/18 in place before the start of the 2017/18 financial year.

At the Council meeting of 24 June 2009 it was resolved that the strategy be scrutinised by the Finance, Resources and Partnerships Scrutiny Committee before being submitted for approval by Full Council. The strategy will be submitted to the Full Council for approval at its meeting on 22 February 2017.

1. **Background**

1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice. This requires a report to be prepared and approved by the Council concerning the strategy to be followed in carrying out its treasury management activities in the forthcoming financial year, 2017/18.

1.2 The Local Government Act 2003 and Regulations thereto specify that local authorities must have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities in setting their affordable borrowing limits. This is to be achieved by setting a number of "prudential indicators" covering various aspects of treasury management. Accordingly, the appropriate prudential indicators have been incorporated in the relevant sections of the Treasury Management Strategy Report.

1.3 In addition the Department for Communities and Local Government (DCLG) issued revised “Guidance on Local Authority Investments” in March 2010, under powers contained in Section 15 (1)(a) of the Local Government Act 2003. The Act states that local authorities must have regard to this guidance. The Guidance recommends that an Annual Investment Strategy, setting out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments is produced and approved by the Full Council.

2. **Issues**

2.1 The draft Treasury Management Strategy Report for 2017/18 is attached at Appendix 1.

2.2 The draft proposed prudential indicators relating to treasury management are contained in the report.

2.3 The draft Investment Strategy for 2017/18 is contained in Annex A to the report.

2.4 Details of the methodology involved in the production of the counterparty listing are contained in Annex B to the report.

2.5 The draft Minimum Revenue Provision Policy for 2017/18 is contained in Annex C to the report.

2.6 Some of the paragraphs and the economic commentary have been supplied by Sector Treasury Services Ltd, the Council’s treasury management advisors.

2.7 The Treasury Management Strategy for 2017/18 allows for borrowing. At the Cabinet meeting on 15th October 2014, Cabinet resolved, via the ‘Funding the Council’s Capital Investment Programme’ report:

‘That Cabinet agrees with the principle that the Council, as a first resort, will seek to fund its future known capital programme needs through the annual asset management planning process by the identification of land or property in its ownership that is capable of, and appropriate for disposal.’

However if these capital receipts do not materialise then borrowing will occur in order to fund the capital programme.

2.8 Additionally at the Council meeting on 7th September 2016, it was reported that:

‘The delay in receiving the capital receipt from HDD (in respect of the Ryecroft redevelopment scheme), together with the Council’s overall capital financial position, will mean that the Council will have to borrow, at least in the short term, to finance its interest in the Public Sector Hub project.’

3. **Legal and Statutory Implications**

3.1 The Council must comply with the Investment Guidance published by the DCLG.

4. **Financial and Resource Implications**

4.1 There are no specific financial implications arising from the strategy report.

5. **Major Risks**

5.1 Treasury management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.

5.2 The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital.

5.3 Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

6. List of Appendices

6.1 Appendix 1 Treasury Management Strategy Report 2017/18.

7. Background Papers

- CIPFA Treasury Management Code of Practice (revised November 2009 and again in November 2011);
- Council's Treasury Management Policy Statement,
- CIPFA Prudential Code for Capital Finance in Local Authorities and guidance notes thereto,
- Local Government Act 2003,
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,
- Guidance on Local Authority Investments issued by the Department for Communities and Local Government (revised March 2010).

8. Management Sign-Off

Each of the designated boxes need to be signed off and dated before going to Executive Director/Corporate Service Manager for sign off.

	Signed	Dated
Financial Implications Discussed and Agreed		
Risk Implications Discussed and Agreed		
Legal Implications Discussed and Agreed		
H.R. Implications Discussed and Agreed		
ICT Implications Discussed and Agreed		
Report Agreed by: Executive Director/ Head of Service		

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Appendix 1

Treasury Management Strategy Report 2017/18

1.0 Introduction

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Statutory Reporting Requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

An annual treasury outturn report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by both the Audit and Risk Committee and the Finance, Resources and Partnerships Scrutiny Committee.

1.3 Treasury Management Strategy for 2017/18

The strategy for 2017/18 covers two main areas:

Capital Issues

- Prudential indicators;
- The Minimum Revenue Provision (MRP) Policy (Annex C).

Treasury Management Issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy and debt rescheduling;
- policy on borrowing in advance of need;
- the investment strategy (Annex A);
- creditworthiness policy (counterparty listing criteria) (Annex B);
- policy on use of external service providers; and
- treasury management glossary of terms (Annex D).

These elements cover the requirements of the Local Government Act 2003, the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, Department for Communities and Local Government (DCLG) MRP Guidance, the CIPFA Treasury Management Code and DCLG Investment Guidance.

1.4 Treasury Management Consultants

The Council uses Sector Treasury Services Ltd as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources.

The Council is currently in the process of tendering for the external treasury management advice service for the period 1st April 2017 to 31st March 2020.

2.0 <u>Prudential and Treasury Indicators</u>

2.1 Background

This report incorporates a number of Prudential Indicators in relation to treasury management in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities ("the Code"). Regulations to the Local Government Act 2003 lay down that the Council shall have regard to the Prudential Code in determining an affordable borrowing limit.

The indicators are intended to demonstrate that the Council has fulfilled the objective of ensuring that its capital investment decisions are prudent, affordable and sustainable – or in exceptional cases to demonstrate that there is a danger of not ensuring this, so that timely remedial action can be taken. They are further designed to ensure that treasury management decisions are taken in a manner that supports prudence, affordability and sustainability.

2.2 Capital Prudential Indicators

Actual and Estimate of Capital Expenditure

This indicator relating to Actual and Estimates of Capital Expenditure is reported separately to the Council meeting which sets the General Fund Revenue Budget and the Council Tax (22 February 2017).

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

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

The Council is asked to approve the CFR projections below:

31/03/16 Actual (£000's)	31/03/17 Estimate (£000's)	31/03/18 Estimate (£000's)	31/03/19 Estimate (£000's)	31/03/20 Estimate (£000's)
(895)	Nil	6,000	4,000	2,000

The amounts shown above from 2017/18 onwards allow the Council to borrow during those years to finance capital expenditure which cannot be funded from other revenue or capital resources. However, the likelihood of individual schemes, the timings and the amounts involved cannot be assessed with certainty at this point.

The sale of Council assets for capital receipts will have a significant impact upon the CFR, if sales are made the Council's borrowing requirement will be reduced, if not the Council's borrowing requirement will be greater.

2.3 Affordability Prudential Indicators

Estimates of the Incremental Impact of Capital Investment Decisions on Council Tax

This indicator relating to Estimates of the Incremental Impact of Capital Investment Decisions on Council Tax is reported separately to the Council meeting which sets the General Fund Revenue Budget and the Council Tax (22 February 2017).

Actual and Estimates of the Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Financing Costs comprise the aggregate of: interest payable, interest receivable and investment income; the amount charged as MRP; depreciation and impairment charges that have not been reversed out of the revenue account.

Net Revenue Stream is defined as the 'amount to be met from government grants and local taxpayers'. This is the Council's 'budgetary requirements' figure shown in the General Fund Revenue Budget, being the net expenditure for the year before deducting government grants (Revenue Support and Business Rates Retention) and adjusting for the Collection Fund surplus/deficit. The relevant figures for this Council are set out in the table below:

	2015/16 Actual (£000's)	2016/17 Estimate (£000's)	2017/18 Estimate (£000's)	2018/19 Estimate (£000's)	2019/20 Estimate (£000's)
Net Revenue Stream	13,952	14,139	13,555	12,995	12,392
Financing Costs	(243)	(101)	148	142	142
Ratio	(1.74%)	(0.71%)	1.09%	1.09%	1.46%

2.4 Treasury Indicators

Current Portfolio Position – Debt

Currently the Council has no long term external debt and is categorised as a 'debt free' authority. Short term external loans (i.e. repayable on demand or within 12 months) can be taken to fund any temporary capital or revenue borrowing requirement. The amounts involved would fluctuate according to the cash flow position at any one time. Such short term borrowing does not affect the Council's 'debt free' status.

Any surplus funds arising, for example from favourable cash flow or as a result of asset sales, are potentially available for use as an alternative to short term borrowing. The Actual External Debt of the Council as at the end of the previous financial year is a Prudential Indicator. This indicator comprises actual borrowing (short and long term) as shown in the Council's balance sheet. This indicator will reflect the actual position at one point in time. As at 31 March 2016 the Actual External Debt of the Council was nil.

Delays in receiving capital receipts (in respect of the Ryecroft redevelopment scheme), together with the Council's overall capital financial position, will mean that the Council will have to borrow, at least in the short term, to finance its interest in the Public Sector Hub project. Therefore this would affect the Council's 'debt free' status.

Current Portfolio Position – Investments

It is forecast that at 1 April 2017 the amount of receipts in hand will only enable the Council to make minimal investments.

Limits to Borrowing Activity

The Local Government Act 2003 requires each local authority to determine and keep under review how much money it can afford to borrow. This is to be determined by the calculation of an affordable borrowing limit which Regulations to the Act specify should be calculated with regard to the CIPFA Prudential Code.

Previously borrowing has not been used to fund the capital programme because the Council has had sufficient reserves and useable capital receipts to finance capital expenditure from these sources.

There will be a requirement to fund some capital expenditure by means of borrowing during the interim period before a permanent means of finance becomes available, for example whilst awaiting a capital receipt. As well as borrowing required for capital purposes, it may also be necessary to temporarily borrow in order to cover any temporary shortfall in revenue income which may arise owing to either a mismatch between income and expenditure or problems concerning the non payment of amounts due to be paid by the Council's customers. These factors have been taken into account in calculating the Prudential Indicators referred to below.

Projections of the need for capital investment in projects necessary to ensure operational continuity over the next few years, together with projections of likely capital receipts arising from asset sales and the availability of reserves to finance this expenditure indicate that there will be an adverse gap between expenditure and resources to finance it. This increases the likelihood of borrowing being used over the period of this strategy, particularly as an interim measure to bridge the gap between expenditure being incurred and funds from asset sales being realised. The amounts included for permitted borrowing in the Operational Boundary and Authorised Limit below take account of this. It should be noted that this does not indicate a definite intention at this point in time to borrow up to this amount but is required to permit the option of borrowing to be employed, if necessary.

The Operational Boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary	2017/18 Estimate (£000's)	2018/19 Estimate (£000's)	2019/20 Estimate (£000's)	2020/21 Estimate (£000's)
Borrowing	7,500	7,500	7,500	7,500
Other long term liabilities	0	0	0	0

The Authorised Limit for External Borrowing

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

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

The Council is asked to approve the following authorised limit:

Authorised limit	2017/18 Estimate (£000s)	2018/19 Estimate (£000's)	2019/20 Estimate (£000's)	2020/21 Estimate (£000's)
Debt	15,000	15,000	15,000	15,000
Other Long Term Liabilities	0	0	0	0

Sources of Borrowing

Temporary borrowing can take place via money brokers, from building societies, banks, local authorities, individuals and commercial organisations. If the Council decides to borrow on a long term basis to fund capital expenditure all borrowing options available will be reviewed.

Interest Rates, Loan Periods and Types of Loan

The most favourable options will be selected, depending upon market conditions prevailing at the time of borrowing. The aim will be to minimise the impact upon revenue accounts and to achieve efficient management of the Council's debt portfolio. Advice will be taken, as appropriate from the Council's treasury management advisors. The Council will be eligible for loans at a reduced rate, around 20 basis points less than normally available, (the Treasury Certainty Rate) from the PWLB during 2017/18.

Limits on Interest Rate Exposures (fixed and variable interest rates)

The following limits will apply in relation to the Council's interest rate exposure. They relate to interest on both borrowings and investments. These limits are intended to reduce the risk of the Council suffering unduly from significant adverse fluctuations in interest rates.

Limit on Fixed Interest Rate Exposures (as a percentage of total borrowings/investments)

	Borrowing		Investments	
	Upper	**Lower**	**Upper**	**Lower**
2017/18	100%	0%	100%	0%
2018/19	100%	0%	100%	0%
2019/20	100%	0%	100%	0%
2020/21	100%	0%	100%	0%

Limit on Variable Interest Rate Exposures (as a percentage of total borrowings/investments)

	Borrowing		Investments	
	Upper	**Lower**	**Upper**	**Lower**
2017/18	100%	0%	100%	0%
2018/19	100%	0%	100%	0%
2019/20	100%	0%	100%	0%
2020/21	100%	0%	100%	0%

In relation to both investing and borrowing fixed rate investments and loans may be anything between 0% and 100% of the total, with the same proportions being permitted for variable rate loans – in effect there is no limit on each type. This enables maximum flexibility to be afforded to your officers to take advantage of prevailing interest trends to obtain the best deal for the Council.

Total Principal Funds Invested for Periods Greater than 364 days

The Council will determine the maximum periods for which funds may prudently be committed. Investments will be for whatever period is considered appropriate by your officers at the time that the investment is made. Regard will be had to relevant matters such as likely future capital values and the Council's forecast need to realise investments in the future in order to finance capital expenditure or for any other purpose.

There will be a limit placed upon the amount which may be invested for periods in excess of 364 days. Investments will be regarded as commencing on the date the commitment to invest is entered into, rather than on the date on which the funds are paid over to the Counterparty.

This Treasury Indicator is intended to limit the Council's exposure to the possibility of loss that might arise as a result of it having to seek early repayment of sums invested. It consists of the amount that it is considered prudent to have invested for a period greater than 364 days in each of the next three years. The limits as set out in the table below will apply:

	£000's
Beyond 31/03/17	5,000
Beyond 31/03/18	5,000
Beyond 31/03/19	5,000

It should be noted that in practice the sums available for investment are unlikely to be sufficient to allow amounts of this magnitude to be invested for such extended periods. In fact at present investments are being restricted to periods of 6 months or less due to cash flow fluctuations and on account of continuing uncertainties with regard to the credit worthiness of counterparties with whom investments could be placed.

3.0 Leasing

3.1 Requirement for the Year

In previous years the Council has acquired some items of plant by means of leases and major items of equipment may also be obtained in the same way.

The total amount of leases to be entered into during the year will depend upon the replacement requirement for vehicles and plant and upon any new requirements arising during the year. It will also depend upon the attraction of leasing as opposed to other forms of finance which may be available, in particular in comparison with contract hire terms for vehicles and plant and the availability and relative cost of internal sources of funding. The appropriate form of finance will be chosen to obtain the best deal for the Council at the time that the requirement arises.

An appropriate lease period will be chosen in relation to the type of asset concerned and to achieve the most satisfactory revenue account impact. Fixed or variable rate leases may be taken out; which is used will depend upon market conditions prevailing at the time the decision is made.

3.2 Leasing Consultants

The current contract with the Council's treasury management advisors includes the provision of leasing advice.

4.0 Treasury Management Training

4.1 Training Courses

The training need regarding treasury management officers is periodically reviewed. Officers engaging in Treasury Management activities will also attend any suitable courses/seminars provided by the Council's treasury management advisors and any other appropriate organisations where it is considered that this will increase or complement their expertise in relation to the Treasury Management function.

4.2 Members Training

It is envisaged to run some training sessions for Members in respect of Treasury Management during the 2017/18 financial year.

5.0 Policy on the use of External Service Providers

5.1 Officers work with the Council's treasury management advisors to monitor market trends and to advise on strategic considerations affecting borrowing strategy and sums available for investment and any other relevant treasury management matters. Quarterly meetings are held to ensure quality of service is maintained and to develop a constructive relationship. The current contract, awarded to Sector Treasury Services Ltd, was awarded until 31 March 2017. This contract went out to the market for competitive quotations.

The Council is currently in the process of tendering for the external treasury management advice service for the period 1st April 2017 to 31st March 2020.

6.0 Prospects for Interest Rates

6.1 Part of the service provided by the Council's advisors is to assist the Council to formulate a view on interest rates. The following table and information gives the current provider's central view:

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Mar 2017	0.25	1.60	2.30	2.90	2.70
Sep 2017	0.25	1.60	2.30	2.90	2.70
Mar 2018	0.25	1.70	2.30	3.00	2.80
Sep 2018	0.25	1.70	2.40	3.10	2.90
Mar 2019	0.25	1.80	2.50	3.20	3.00
Sep 2019	0.50	1.90	2.60	3.30	3.10
Mar 2020	0.75	2.00	2.70	3.40	3.20

6.2 Economic Situation (highlights of the report supplied by Sector Treasury Services Ltd)

GDP growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%).

The referendum vote for Brexit in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The Monetary Policy Committee, (MPC), meeting of 4 August 2016 was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals. The MPC meeting of 3 November 2016 left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged.

The latest MPC decision included a forward view that Bank Rate could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019. However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, consumers have very much stayed in a ‘business as usual’ mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP.

Bank of England GDP forecasts in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

House prices have been rising during 2016 at a modest pace but the pace of increase has been slowing since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

Gilt yields, and consequently PWLB rates, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August 2016, and have hit a peak on the way up again of 1.46% on 14 November 2016.

7.0 Treasury Management Scheme of Delegation

7.1 Full Council

- Receiving and reviewing the Treasury Management Strategy / Annual Investment Strategy / Minimum Revenue Provision Strategy on an annual basis (including updates and revisions at other times).
- Receiving the Annual Treasury Outturn Report.

7.2 Finance, Resources and Partnerships Scrutiny Committee

- Scrutiny of the Treasury Management Strategy prior to submission to Full Council.

7.3 Audit and Risk Committee

- Scrutiny of Treasury Management performance including receiving and reviewing the mid-year report.
- Reviewing the Annual Treasury Outturn Report

8.0 Treasury Management role of the Section 151 Officer

8.1 The S151 (responsible) Officer Role

- Recommending clauses, treasury management policy / practices for approval, reviewing the same regularly, and monitoring compliance;
- Submitting regular treasury management policy reports;
- Submitting budgets and budget variations;
- Receiving and reviewing management information reports;
- Reviewing the performance of the treasury management function;
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- Ensuring the adequacy of internal audit, and liaising with external audit;
- Recommending the appointment of external service providers.

ANNEX A

Investment Strategy 2017/18

1.0 Introduction

1.1 Background

This strategy is compiled according to the DCLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code") It sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments (and finally what return can be obtained consistent with these priorities).

In accordance with the above and in order to minimise the risk to investments, the Council has (in Annex B) clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. Using the advisor's ratings service, bank's ratings are monitored in real time with knowledge of any changes notified electronically as the agencies notify any modifications.

The aim of this strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and avoid the concentration of risk. The intention of the strategy is to provide security of investment and minimisation of risk.

1.2 Possible Revisions to the Strategy

The initial strategy may be replaced with a revised strategy at any time during the year in cases where any treasury management issues (including investment issues) need to be brought to the attention of Full Council.

2.0 Security of Investments

2.1 Specified and Non-Specified Investments

In accordance with the Investment Guidance, the Council will, in considering the security of proposed investments, follow different procedures according to which of two categories, Specified or Unspecified, the proposed investment falls into.

Specified Investments

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

- The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity);
- Supranational bonds of less than one year's duration;
- A local authority, parish council or community council;
- Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency;
- A body that is considered of a high credit quality (such as a bank or building society).

Non-Specified Investments

These investments are any other type of investment (i.e. not defined as Specified above). If the Council were to consider placing funds in any other type of investment which would be categorised as Non-Specified, the security of the capital sum would be the paramount concern.

The same requirements as to credit ratings relating to Specified Investments will apply, and in appropriate cases the advice of the Council's treasury management advisors will be sought.

In considering whether it is prudent to place funds for longer than 12 months in 2017/18 and in determining the period of such investment the principles and limits set out under "3.0 Liquidity of Investments" below will apply together with the counterparty listing criteria set out in Annex B.

2.2 Use of Treasury Management Advisor's Creditworthiness Service

This Council uses the creditworthiness service provided by the Council's treasury management advisors. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies, Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches, credit outlooks in a weighted scoring system for which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments and are therefore referred to as durational bands.

All credit ratings will be monitored on a daily basis. The Council is alerted to changes to ratings of all three agencies through its use of the treasury advisor's creditworthiness service. Further details of the counterparty listing criteria can be seen in Annex B.

2.3 Approved Investment Instruments

The Council has laid down a list of approved investment instruments in the Schedule to Treasury Management Practice 4 (TMP4). These are reproduced below:

Extract from Schedule to TMP 4

"The following types of investments will be permitted, fixed cash deposits, certificates of deposit issued by organisations falling into the categories listed under TMP1 (5), registered British Government Securities (Gilts) and Money Market Funds. Officers of the Council may only invest in Fixed Cash Deposits and Money Market Funds."

Because fund managers are not currently employed this means that investments in 2017/18 will be limited to fixed cash deposits (including deposit accounts and current accounts), money market funds and the Debt Management Account Deposit Facility (DMADF). The DMADF is guaranteed by HM Government and offers investors a flexible and secure facility to supplement their existing range of investment options.

3.0 <u>Liquidity of Investments</u>

3.1 Maximum Investment Periods

The Council will determine the maximum periods for which funds may prudently be committed. Investments will be for whatever period is considered appropriate by officers at the time that the investment is made. Regard will be had to relevant matters such as likely future capital values and the Council's forecast need to realise investments in the future in order to finance capital expenditure or for any other purpose. The principles concerning time limits contained in the Schedule to the Treasury Management Practices will be followed.

There will be a limit placed upon the amount which may be invested for periods in excess of 364 days. This limit has been set using one of the Prudential Indicators required by the Chartered Institute of Public Finance and Accountancy Prudential Code for Capital Finance in Local

Authorities. Investments will be regarded as commencing on the date the commitment to invest is entered into, rather than on the date on which the funds are actually paid over to the Counterparty.

This Prudential Indicator is intended to limit the Council's exposure to the possibility of loss that might arise as a result of it having to seek early repayment of sums invested. It consists of the amount that it is considered prudent to have invested for a period greater than 364 days in each of the next three years. The limits as set out in the table below will apply:

	£000's
Beyond 31/03/18	5,000
Beyond 31/03/19	5,000
Beyond 31/03/20	5,000

It should be noted that in practice the sums available for investment are unlikely to be sufficient to allow amounts of this magnitude to be invested for such extended periods.

4.0 <u>Return on Investments (Yield)</u>

4.1 Current Economic Climate

Due to ongoing global economic uncertainties, investment returns are likely to remain relatively low during 2017/18. Interest rates on Instant access deposit accounts and Notice accounts have previously been more attractive than interest rates being offered by the market. However, banks have now reduced the rates they offer on their instant access and notice accounts.

4.2 Prudent Investments

Priority will be given to the security and liquidity of all investments. Consistent with achieving the proper levels of security and liquidity, the highest rate of return will be sought for any investment made.

5.0 <u>Specific Strategy 2017/18</u>

5.1 Capital Receipts in Hand and Balances Held in Reserves

Amount Available for Investment

It is estimated that there shall be minimal receipts in hand or reserve balances for investing as at 1 April 2017.

Period of Investment

This will be determined in accordance with 3.0 (Liquidity of Investments) above.

Forward Commitment

This involves agreeing in advance to place an investment with a borrower at a future specified date at an agreed interest rate. It is done in order to obtain the benefit of what are considered to be better rates than might be available later, when physical funds are likely to be available. No forward commitment has taken place to date in 2016/17. It is possible that forward commitments may be employed in 2017/18 in instances where market conditions warrant it.

Return on Investment

The overriding consideration is safeguarding the Council's capital. At all times the risk to the Council will be minimised. Within these constraints, the aim will be to maximise the return on investments.

5.2 Investment of Money Borrowed in Advance of Need

It is not the Council's intention to undertake any borrowing in advance of need during 2017/18.

5.3 Other Temporary Surpluses

Amount Available for Investment

In addition to the receipts and reserve balances referred to above, the Council will, from time to time, find itself in possession of funds in excess of its immediate requirements. This may occur, for example, if income is received at a faster rate than expenditure is incurred or if grant payments are made to the Council in advance of the expenditure being incurred to which they relate. This is not a permanent state of affairs and the extent to which it will occur and, therefore, the amounts available at any time cannot be predicted.

Prudent financial management dictates that these temporary surpluses should be invested or used to redeem temporary loans if any are outstanding. Such surpluses may be placed in short term deposit accounts and current accounts, or, where the size of the surplus warrants, short term investments will be made in the market.

Capital receipts which arise during the year, as a result of asset sales, will be held in the Capital Receipts Account pending use until the monies are invested. When useable receipts are required to finance capital expenditure, or for any other purpose, the amount will be disinvested and utilised.

Period of Investment

All temporary surplus funds will be invested on a short term basis in order that they will be available for use as and when required. This requirement has been recognised in the calculation of the Prudential Indicator relating to total principal sums invested for periods longer than 364 days set out earlier.

Return on Investment

The aim will be to obtain the maximum rate of return which is available at the time the investment is made with an external body. This must, however, be consistent with the safeguarding of the Council's capital. At all times the risk to the Council will be minimised.

5.4 Current Treasury Management Advisors-view on Interest Rates

Part of the service provided by the Council’s treasury management advisors is to assist the Council in the formulation of a view on interest rates; the following gives their view of the Bank of England base rate for financial year ends:

- 31st March 2018 – 0.25%
- 31st March 2019 – 0.25%
- 31st March 2020 – 0.75%

There are negative risks to these forecasts (i.e. increases in Bank Rate occur later) if economic growth weakens. However, should the pace of growth quicken, there could be benefits.

The Council’s treasury management advisors suggested budgeted investment earnings rates, for returns on investments placed for periods up to 100 days, during each financial year for the next three years are as follows:

- 2017/18 – 0.25%
- 2018/19 – 0.25%
- 2019/20 – 0.50%

ANNEX B

Counterparty Listing Criteria

This Council applies the creditworthiness service provided by Sector Treasury Services Ltd. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands (no colour means that the counterparty is not to be used):

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days

The creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue superiority to just one agency's ratings. All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the advisor's creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- The Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process. The Council will also consider using other Local Authorities when making fixed investments.

Country and Counterparty Limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide).

In accordance with Treasury Management Practice (TMP) 4 – Approved Instruments, Methods and Techniques, a £7,000,000 counterparty limit will be used during 2017/18. This limit will not apply to the Government's Debt Management Account Deposit Facility offered by the Debt Management Office.

ANNEX C

Minimum Revenue Provision Policy

1.0 Background

1.1 In instances whereby Local Authorities have a positive Capital Financing Requirement (CFR), Department of Communities and Local Government (DCLG) Guidance requires them to adopt a prudent approach in order to fund the repayment of debt. This may be achieved by setting aside a minimum amount from revenue, known as the Minimum Revenue Provision (MRP). This means that the Council would be required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP).

DCLG Regulations and Guidance have been issued which require the Full Council to approve **an MRP Statement** in advance of each year. Four options for prudent provision of the MRP are provided to councils, these being:

- **Option 1 – Regulatory Method**

  For debt which is supported by the Government through the Revenue Support Grant system, authorities may continue to use the formulae in the current regulations, since the Revenue Support Grant is calculated on that basis. Although the existing regulation 28 is revoked by regulation 4(1) of the 2008 Regulations, authorities will be able to calculate MRP as if it were still in force. Solely as a transitional measure, this option will also be available for all capital expenditure incurred prior to 1 April 2008.

- **Option 2 – Capital Financing Requirement Method**

  This is a technically much simpler alternative to Option 1 which may be used in relation to supported debt. While still based on the concept of the CFR, which is easily derived from the balance sheet, it avoids the complexities of the formulae in the old regulation 28 (though for most authorities it will probably result in a higher level of provision than Option 1).

- **Option 3 – Asset Life Method**

  For new borrowing under the Prudential system for which no Government support is being given and is therefore self-financed, there are two options included in the guidance.

  Option 3 is to make provision over the estimated life of the asset for which the borrowing is undertaken. This is a possibly simpler alternative to the use of depreciation accounting (Option 4), though it has some similarities to that approach.

  Within option 3, two methods are identified. The first of these, the equal instalment method, will normally generate a series of equal annual amounts over the estimated life of the asset. The original amount of expenditure (“A” in the formula) remains constant.

  The cumulative total of the MRP made to date (“B” in the formula) will increase each year. The outstanding period of the estimated life of the asset (“C” in the formula) reduces by 1 each year.

  For example, if the life of the asset is originally estimated at 25 years, then in the initial year when MRP is made, C will be equal to 25. In the second year, C will be equal to 24, and so on. The original estimate of the life is determined at the outset and should not be varied thereafter, even if in reality the condition of the asset has changed significantly

  The formula allows an authority to make voluntary extra provision in any year. This will be reflected by an increase in amount B and will automatically ensure that in future years the amount of provision determined by the formula is reduced.

  The alternative is the annuity method, which has the advantage of linking MRP to the flow of benefits from an asset where the benefits are expected to increase in later years. It may be particularly attractive in connection with projects promoting regeneration or administrative efficiencies or schemes where revenues will increase over time.

- **Option 4 – Depreciation Method**

  Alternatively, for new borrowing under the Prudential system for which no Government support is being given, Option 4 may be used.

  This means making the MRP in accordance with the standard rules for depreciation accounting. A step in this direction was made in the last set of amendments to the MRP rules [SI 2007/573]. However, the move to reliance on guidance rather than regulations will make this approach more viable in future.

  Authorities will normally need to follow the standard procedures for calculating depreciation provision. But the guidance identifies some necessary exceptions:

  a. The MRP continues until the total provision made is equal to the original amount of the debt and may then cease.

  b. If only part of the expenditure on the asset was financed by debt, the depreciation provision is proportionately reduced.

2.0 <u>MRP Policy in respect of Finance Leases</u>

2.1 The introduction of International Financial Reporting Standards in 2011/12 resulted in some leases being reclassified as finance leases instead of operating leases. This resulted in a positive CFR and as such the need to set aside a MRP.

In accordance with the revised DCLG Guidance this Council will set aside an annual MRP equal to the amount of the lease that has been taken to the Balance Sheet to reduce the finance lease liability i.e. the principal amount of the finance lease. This approach will produce an MRP charge which is the same as Option 3 in the guidance (Asset Life Method – annuity method). The revised guidance aims to ensure that authorities are in the same position as if the change in accounting standards had not occurred.

3.0 <u>MRP Policy – Other Capital Expenditure</u>

3.1 Capital Financing Requirement (CFR)

The Council's CFR is currently negative. This means that there is no requirement to set aside a MRP for the redemption of external debt. The Prudential Indicator for the CFR, shown at 2.2 in the Treasury Management Strategy, indicates that the CFR will become positive within the period covered by the Strategy. This is based on the assumption that there will be a general overall increase in expected capital expenditure, which cannot be funded from revenue or capital resources. Accordingly, the Council needs to determine the option it will employ to make the necessary MRP in respect of the amount borrowed, when this occurs.

3.2 Option for making MRP.

The most appropriate of the four options permitted by the Regulations is Option 3, the Asset Life Method, within which there are two further options, an equal instalment method and an annuity method (as detailed in 1.1 – option 3). The Council is permitted to apply either of these two further options to projects on a scheme by scheme basis.

It should be noted that MRP does not commence until the year following that in which the asset concerned became operational, however, voluntary MRP can be made at any given time if considered prudent.

ANNEX D

Treasury Management – Glossary of Terms

- **Basis Points –** there are 100 basis points to 1%.
- **CDS** – 'Credit Default Swap' is an additional assessment of credit worthiness by providing a risk analysis of changes in credit quality as perceived by the market.
- **CFR** – the Capital Financing Requirement is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources.
- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations.
- **Counterparty** – an institution with whom a borrowing or investment transaction is made.
- **CPI** – a measure that examines the weighted average of prices of a basket of consumer goods and services. The Consumer Price Index is calculated by taking price changes for each item in the predetermined basket of goods/services and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.
- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. The main rating agencies are Fitch. Standard and Poor's and Moody's.
- **DCLG –** Department for Communities and Local Government.
- **Depreciation** – the measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
- **DMADF and DMO –** the DMADF is the 'Debt Management Account Deposit Facility' which is a highly secure fixed term deposit account with the Debt Management Office, part of Her Majesty's Treasury.
- **Forward Commitments** - agreeing in advance to place an investment with a borrower at a future specified date at an agreed interest rate.
- **GDP** – Gross Domestic Product is the market value of all officially recognised final goods and services produced within a country in a given period of time.
- **GILTS** – the name given to bonds issued by the UK Government. Gilts are issued bearing interest at a specified rate, however, they are traded on the markets like shares and their value rises of falls accordingly. The 'yield' on a gilt is the interest paid divided by the market value of that gilt.
- **IFRS (International Financial Reporting Standards)** – International accounting standards that govern the treatment and reporting of income and expenditure in an organisation's accounts, which came fully into effect from 1 April 2010.
- **Impairment Charges** – a reduction in the value of a fixed asset below its carrying amount on the balance sheet.
- **Intangible Assets** – non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. Specifically purchased software licenses are included in this category of asset.

- **iTraxx Benchmark** – iTraxx is the name of a credit default swap index used to inform credit risks. Credit default swap indexes are benchmarks for protecting investors against default, and traders use them to speculate on changes in credit quality.

- **Leasing** - a lease is a contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset.

- **Liquidity** – relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.

- **Money Market Funds (MMF)** – Money Market Funds are investment funds that are invested by a Fund Manager in a wide range of money market instruments. MMF's are monitored by the official ratings agencies and due to many requirements that need to be fulfilled; the funds usually receive the highest quality rating (AAA) so provide minimal risk. They are very flexible and can be withdrawn in the same way as any other call deposit.

- **MPC** – interest rates are set by the Bank of England's Monetary Policy Committee. The MPC sets an interest rate it judges will enable the inflation target to be met

- **MRP** – the Minimum Revenue Provision represents the revenue charge for the repayment of debt.

- **PWLB** – the Public Works Loan Board is a statutory board that is run within the UK Debt Management Office (DMO), its function is to lend money to Local Authorities and other prescribed bodies.

- **Section 151 Officer** – it is a legal requirement that councils must appoint a named accountant to give them financial advice. The accountant in question is usually a chief finance officer, director of finance or treasurer.

- **Supranational Bonds** – bonds issued by institutions such as the European Investment Bank.

Report to the Finance Resources and Partnerships Scrutiny Committee

25 January 2017

Revenue and Capital Budgets 2017/18

Report Author: Kelvin Turner
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Introduction

To provide the Committee with an opportunity to scrutinise the draft Budget and Council Tax proposals before the final proposals are considered at Cabinet on 8 February 2017.

Background

The attached report was presented to the Cabinet at their meeting on 18 January 2017.

A verbal update will be given at the committee as to the decisions made by the Cabinet in respect of the report and the Council Tax levy that is proposed for 2017/18.

Question to be Addressed

Do members have any comments to make in respect of the draft budget and council tax proposals to be fed back to the Cabinet at their meeting on 8 February 2017?

Outcomes

That any comments on the proposals are reported back to the Cabinet.

Supporting Information

The report to the Cabinet is attached.

At your meeting on 2 November 2016 members were presented with the first draft savings plans that were being considered to balance the budget shortfall estimated for 2017/18.

At that time the “gap” for 2017/18 was estimated to be £2.731m. In the attached report at paragraph 3.4 members will note that the “gap” is **£2.728m** following a minor change of £3k in the Council’s Business Rates baseline funding from Central Government.

The draft savings plans that the committee considered in December totalled £2.540m. To meet the “gap” of **£2.728m** this has had to be increased by £188,000 as outlined in Appendix 3 of the attached report. The changes to the savings plan since the committee’s last meeting are shown in the table below:

Ref	Service Area	Description	£000’s	Detail
S1	All	Vacant Posts Review	161	Additional posts frozen
G1	All	Good Housekeeping Savings	56	Further reductions in budgetary requirements
G4	Central Services	Elections	50	Savings in 2017/18 due to no borough election. A pressure will have to be included in the 2018/19 budget
G5	Communications	Printing Services	12	Cessation of paper copies of the Reporter
A3	Corporate	Council Tax Base	36	Due to higher collection rate and less households on council tax support
A4	Corporate	New Homes Bonus	(82)	Amendments to the scheme by Government announced as part of the Local Government Financial Settlement
A9	Corporate	Parish Council Section 136 Contributions	(45)	Reduction of 25% rather than 100%
		Total	**188**	

At your meeting on 2 November 2016 members requested information in respect of the vacant posts that were to be frozen. These are listed in line S1 of Appendix 3 of the attached report.

Relevant Portfolio Holder(s)

Councillor Turner – Portfolio holder for Finance IT and Customer

Local Ward Member (if applicable)

All

REVENUE AND CAPITAL BUDGETS 2017/18

Submitted by: Executive Director (Resources and Support Services)

Portfolio: Finance IT and Customer

Wards(s) affected: All

Purpose of the Report

To review progress on the completion of the revenue and capital budgets for 2017/18 following agreement of the 5 year Medium Term Financial Strategy.

Recommendations

(a) That the assumptions set out in the report be approved.

(b) That the Cabinet determine the Council Tax levy to be proposed for 2017/18.

(c) That the Finance, Resources and Partnerships Scrutiny Committee be asked to consider what comments it wishes to make on the draft Budget and Council Tax proposals before the final proposals are considered at Cabinet in February 2016.

Reasons

To enable the Cabinet to recommend a robust and affordable budget for 2017/18 to the Council meeting on 22 February 2017.

1. Background

1.1 The Council is committed to the delivery of high quality services. Integral to this ambition is the need to effectively target its financial resources in line with its stated aims and objectives, as set out in the Council Plan.

1.2 The work of the council in 2017/18 is focused, via the Council Plan 2016 -18 approved by Cabinet on 14 September 2016, on its vision of "creating a borough that is prosperous, clean, healthy and safe", an aspiration reflected in the Council's four corporate priorities of:

- A Co-operative Council delivering High-Value, Community-Driven Services
- A Clean, Safe and Sustainable Borough
- A Borough of Opportunity
- A Healthy and Active Community

These four priorities developed alongside the vision within the Council's outcome-driven Council Plan, form the basis for the work the Council is currently doing and what it is planning to do.

1.3 There has been good progress in the current year, with high standards of service delivery. Notable achievements so far in 2016/17 are set out in Appendix 1.

1.4 The Council has a Medium Term Financial Strategy (MTFS) to look at its financial position over the next 5 years. This is aligned to the Council Plan and will be the main vehicle in ensuring efficiency in service delivery and targeting resources to its priority areas.

1.5 It should be noted that the MTFS and the draft 2017/18 Budget have been compiled against a continuing national picture of reduced funding from central government for local authorities.

1.6 The draft 2017/18 budget is based upon the assumptions made in the MTFS which was approved by the Cabinet at its meeting on 14 September 2016 and scrutinised by the Finance, Resources and Partnerships Scrutiny Committee at their meeting on 8 September 2016.

1.7 The Budget Review Group has considered all of the proposals contained in this report, which are recommended to the Cabinet as a means to produce a balanced and sustainable budget for the Council. The Group comprises the Council Leader and the Portfolio Holder for Finance, IT and Customer plus the Executive Management Team. Its remit is to oversee all aspects of the budget process, including service review and challenge, longer term planning, development of budget options, agreeing consultation arrangements and consideration of feedback and seeking to deliver service models that drive improvement to front-line services whilst offering value for money.

2. Revised Budget 2016/17

2.1 Monthly reports monitoring actual spending against budget have shown overall relatively small variances throughout the first eight months of the year.

2.2 Whilst some sources of income (e.g. Kidsgrove Sports Centre and car parking fees) continue to yield less compared to what was received prior to the recently experienced recession and ongoing low level of economic activity, income budgets are set at realistic levels reflecting current circumstances. The amount required in future budgets will be kept under review as the economy improves and, hopefully, income levels rise.

2.3 The majority of the savings of £1.834m incorporated in the 2016/17 budget are on target to be achieved. This means that altogether over the eight years from 2008/09 to 2016/17 £19.282 of “gaps” will have been met via a combination of savings, efficiencies and additional income, as shown in the table below:

Year	£m
2008/09	1.250
2009/10	2.572
2010/11	2.389
2011/12	2.655
2012/13	2.621
2013/14	1.783
2014/15	2.100
2015/16	2.078
2016/17	1.834

3. Draft Budget 2017/18

3.1 In 2017/18, whilst continuing to deliver high performing, quality services and ensuring efficiencies in Council operations, there are many activities planned towards achieving Council Plan outcomes. Examples of these are set out in Appendix 2.

3.2 The MTFS was approved by the Cabinet on 14 September 2016. This illustrated that the Council would have a shortfall of £2.563m in 2017/18 which could be addressed by a combination of actions, such as efficiency measures, reductions in expenditure, increases in income or a council tax increase.

Classification: NULBC **PROTECT** Organisational

3.3 The government has offered councils a four year funding settlement, which, in addition to the allocation for 2016/17, will provide them with provisional allocations for the following three years, 2017/18 to 2019/20. The Council has accepted the government's offer by the submission of an Efficiency Plan and has received confirmation that it will receive the allocations as provisionally notified in December 2016. The MTFS assumes that these allocations will be the ones which the Council will receive. Based on the provisional amounts, in 2017/18 funding will reduce by £0.687m, which is a 13.1% reduction compared to the 2016/17 settlement, by a further £0.368m (8.1%) in 2018/19 and by £0.411m (9.9%) in 2019/20. The MTFS assumes for the following two years, 2020/21 and 2021/22, that there will be a reduction of £0.062m and no further change in 2021/22. The final funding allocation for 2017/18 should be announced in late January/early February 2017, and should not differ from the provisional amount which the Council has accepted under the four year offer.

3.4 There have been a small number of changes made to the MTFS since its approval in September, resulting in an increase of £0.165m in the funding "gap" to £2.728m for 2017/18. These are set out in the table below:

Change	**Amount**
	£'000
Reduction in Car Park Income based on past income levels	100
Additional Business Rates payable as a result of Revaluations	50
Market supplements re Planning Officers	18
Government Funding re. Business Rates Baseline (per settlement)	(3)
Total	**165**

The table below shows the factors which give rise to the £2.728m "gap" for 2017/18:-

CHANGES TO BASE BUDGET	**£'000**
ADDITIONAL INCOME	
Fees and Charges	111
TOTAL ADDITIONAL INCOME (A)	**111**
ADDITIONAL EXPENDITURE & LOSS OF INCOME	
Reduction in Government Funding	687
Government funding re Business Rates Baseline	(3)
New Homes Bonus - Revised Scheme	777
Provision for Pay Awards	114
Incremental Pay Rises for Staff	33
Superannuation increase in employers contribution	434
Additional National Insurance re increases in Pay	16
Reduction in Investment Income	34
Price Increases e.g. energy, fuel, rates, insurances, supplies & services	25
Reduction in Car Park Income based on past income levels	100
Adjustments re One-Off items in 2016/17	58
TOTAL ADDITIONAL EXPENDITURE AND LOSS OF INCOME (B)	**2,275**
OTHER ITEMS	
NEW PRESSURES	
Public Sector Hub - Borrowing and Holding Costs (as reported to Full Council 7 September 2016)	300
Kidsgrove Sports Centre - end of Joint Use Agreement with School	90
Revenue Costs currently funded from Reserves	43

Apprenticeship Levy per 2015 Autumn Statement to fund apprentices ICT Licences - Increase in Microsoft Fees Additional Business Rates payable as a result of Revaluations Market Supplements re Planning Officers	43 20 50 18
TOTAL NEW PRESSURES (C)	**564**
NET INCREASE IN BASE BUDGET (B + C- A)	**2,728**

3.5 In view of the MTFS forecasts a project called Newcastle 2020 was started at the end of 2013. This is looking at how the Council's decreasing resource base can be best used to meet the needs of the Borough's residents and businesses. In particular it aims to identify means of closing the gaps revealed by the MTFS in the years leading up to 2020 and to define the likely service and budgetary characteristics of the Borough Council by that date. The project consists of a number of different work streams, including those outlined below, all of which will provide a perspective on the future role and funding of the Council.

- Heads of Services were asked to model what their services would look like at a number of levels of resource reduction, from twenty up to a sixty per cent reduction. This work has already identified various savings opportunities which can be incorporated in next year's and future budgets in order to reduce the funding gaps.
- Predictive modelling of future tax base levels in relation to council tax, business rates and new homes bonus.
- Reducing the Burden - this aims to stop or reduce low value tasks across the Council which do not enhance outcomes for or experiences of customers or prevent staff from focussing on higher priority work.
- Looking at alternative service delivery models, such as demand management, sharing costs with other organisations, self-service for customers.
- Maximising income from fees and charges and exploring new means of income generation.
- Procurement savings - ensuring the Council commissions and procures quality services and supplies as cost-effectively as possible.
- Staffing efficiencies - review of all vacant posts, restructures and flexible early retirements in the context of service delivery priorities.
- Good housekeeping - reviewing all service expenditure.

3.6 The Budget Review Group and your officers have been identifying and considering ways of eliminating the 2017/18 gap, building upon the work which has already been done to identify savings opportunities as part of the 2020 project. As a result, a number of savings and funding strategies have been identified and agreed with managers as being feasible and sustainable. The proposed savings, totalling £2.728m, are outlined in the table below and set out in detail in Appendix 3:

Category	Amount	Comments
	£'000	
Procurement	16	Insurance premium renewals
Additional Income	184	Net savings arising from New Waste and Recycling Service
Staffing Efficiencies	624	No redundancies are anticipated to arise from these proposals
Good Housekeeping Efficiencies, General Other Savings, Changes in Base Budgets	667	Various savings arising from more efficient use of budgets

Alternative Sources of Finance/ Other Savings	1,237	Additional contribution to the revenue budget from New Homes Bonus funding and increase in NHB grant payable, savings from advance payments of superannuation contributions, end of requirement for minimum revenue provision, additional business rates income, cessation of Revenue Investment Fund contribution, reduction in concurrent functions grants to parishes, effect of forecast Council Tax Base increase, Council Tax increase of £5 per annum based on a Band D property
Total	**2,728**	

3.7 As in the last three years, the first draft of the savings plan set out at Appendix 3 was made available to the Finance, Resources and Partnerships Scrutiny Committee for scrutiny at its meeting on 2 November 2016. The only additional information requested by the Committee was in respect of the vacant posts that were being frozen as part of the review. These are now shown in Appendix 3, line S1. The Committee will scrutinise this Cabinet report at its meeting on 25 January.

3.8 A decision is required whether or not to increase council tax from its 2016/17 level. The government no longer offers a council tax freeze grant to compensate councils which do not increase their council tax above the previous year's level. When the 2016/17 council tax was considered, Cabinet and Council decided to increase the tax by 1.99%.

Councils have only limited freedom to increase council tax, the Secretary of State each year notifying a percentage and/or an absolute amount in £s by which the tax may increase compared with the previous year. Higher increases are deemed to be "excessive" and not permissible without a council carrying out a costly referendum of taxpayers to determine whether they approve of the increase. If it is not approved, it cannot be implemented and savings must be found to balance the budget. The Secretary of State is currently consulting local authorities about the arrangements for 2017/18. He is proposing that district councils are permitted to increase the tax levy by up to 2.00% or by an additional £5, if this produces a larger amount of income, which is the same principle as applied to 2016/17. If the Council were to increase tax to a point below the referendum threshold, the amount of additional income would equate to £65k for a 1.00 per cent increase (the equivalent of a 3.4p per week on a Band D property) and a proportionate amount for a different percentage. An increase of £5 would result in £182k of additional income and be a 2.77 per cent increase compared with 2016/17. The table below shows the effect of a £5 Band D increase across all the council tax bands, as an annual amount and a weekly amount.

Band	Annual Increase	Weekly Increase
	£ p	£ p
A	3.33	0.06
B	3.89	0.07
C	4.44	0.09
D	5.00	0.10
E	6.11	0.12
F	7.22	0.14
G	8.33	0.16
H	10.00	0.19

Currently the savings and funding strategy referred to in paragraph 3.6 and set out in Appendix 3 includes a tax increase of £5. If it is decided not to increase council tax for 2017/18 or to increase it by less than £5, then there will be a need to find further savings to make good the shortfall.

3.9 Bringing together all the above results in a balanced draft budget, as shown in the table below:

	£'000	**Report Reference**
Changes to Base Budget	2,728	3.4
Savings/Increased Income	(2,728)	3.6
BUDGET SHORTFALL ('GAP')	**-**	

4. **Medium Term Financial Strategy - 2018/19 to 2021/22**

4.1 The MTFS is being continually reviewed for 2017/18 to 2021/22. The shortfalls were estimated as follows in the MTFS approved by Cabinet in September:

£1.224m in 2018/19
£1.353m in 2019/20
£0.384m in 2020/21
£0.274m in 2021/22

4.2 The government also notified councils of the changes that are to be made to the New Homes Bonus scheme at the same time as the 2017/18 provisional finance settlement announcement, partly to reduce its overall cost in order to free up funding to be diverted elsewhere to meet adult social care costs and partly to sharpen the incentive to local authorities to approve new housing developments (reinforcing the expectations upon the Council in its capacity as the local planning authority). Following government consultation, the changes that will be implemented will be:

- New Homes Bonus amounts earned will be payable for five years in 2017/18 and then for four years in subsequent years rather than the current six.
- New payments will only be made for housing that is built over a nationally established baseline of 0.4% as it is thought by the Government that building would occur up to this level whether or not an incentive was given.
- Payments may be reduced where new developments take place only after successful appeals against an original decision to refuse permission (this will be implemented from 2018/19).

There will be a significant impact on the Council's finances arising from these changes. The MTFS assumes that the Council will be worse off by £0.777m in 2017/18 and it had been assumed that £0.319k of new funding would be generated for 2017/18. The change to the deadweight from an assumed 0.25% (as per the consultation) to 0.4% has reduced this new funding by £0.082m.

4.3 The previous years' shortfalls have been addressed by a combination of measures such as efficiency savings, reductions in expenditure or income increases, consideration of the need for Council Tax increases and service reviews. These will continue to be pursued to meet future shortfalls but it is inevitable that there will also have to be service reductions, cessation of services or looking at alternative models of service delivery. The Budget Review Group will continue to develop a strategy for eliminating the shortfalls.

5. Capital Programme 2016/17 - 2017/18

5.1 The Newcastle Capital Investment Programme Report considered by Cabinet on 5 February 2014 (see 5.9 below) set out the essential capital investment needed over the four years 2015/16 to 2018/19. This report, together with the associated "Funding the Council's Capital Investment Programme" report was endorsed by Full Council when it approved the Capital Strategy 2015-2019, to which these were appended, in February 2015. The capital expenditure proposed for 2017/18 reflects the needs identified in the report updated to take account of current priorities and resources expected to be available for funding purposes.

5.2 Attached at Appendix 4 is the updated capital programme 2016/17 to 2017/18 based on current commitments and agreed schemes plus a number of new schemes which are vital to ensure continued service delivery. New schemes total £0.5m. The remainder of items included in the Programme relate to continuing expenditure on current schemes, funding for which has already been approved. As reported in the Financial and Performance Management Report considered by Cabinet at their meeting on 14 September, a number of current schemes, amounting to around £2.4m in total, have been put on hold owing to the present lack of capital receipts to finance them. Only schemes in defined priority areas are being carried out in 2016/17 which means that the continuing expenditure amount to be included in the 2017/18 programme is only £1.547m, the majority of which (£1.500m) relates to the Public Sector Hub.

5.3 The programme for 2017/18 is severely constrained by the availability of funding. Because funds in hand are minimal and the current programme of land sales has not resulted so far in any capital receipts arising and will not now do so until at least the final quarter of 2017/18, only a very limited programme of schemes can be supported. Accordingly, the programme to be funded from Council resources has been limited to an amount of £0.500m, which is considered to be the most that can be prudently put forward at the present time. The schemes included are those which most urgently need to be carried out to ensure continued service delivery or to safeguard income.

5.4 Particular points to note are:

a) Consideration has been given to requirements for essential plant and equipment replacements, buildings repairs and maintenance and other work which will be needed over the next few years to enable services to be continued at acceptable levels (including compliance with Health and Safety legislation) or to safeguard income from commercial properties. The most urgently required items have been included in the proposed capital programme.

b) The Housing Programme provides only for the continuation of activities which are externally funded, i.e. disabled facilities grants which are funded by a contribution from the Staffordshire Better Care Fund.

c) The approved MTFS assumes that all of the New Homes Bonus received in 2017/18 will be used to support the revenue budget so there will be none available to fund capital projects.

d) In summary, expenditure of £3.047m shown in the proposed programme for 2017/18 at Appendix 4 comprises:

	£m
(a) New Schemes funded by the Council from Capital Receipts	0.500
(b) New Schemes funded from External Sources (Disabled Facilities Grants)	1.000
(c) Schemes brought forward from the original 2016/17 Programme	1.547
Grand Total	3.047

Funding for Item (c) has already been approved in February 2016 when the 2016/17 Capital programme was approved.

A summary of all of the new items included in the Programme and how they are proposed to be funded is set out in the table below:

Scheme	Cost	Funding	
		Other External Funding	Capital Receipts
	£'000s	£'000s	£'000s
Housing Programme			
Disabled Facilities Grants	1,000	1,000	0
Replacement Vehicles and Equipment			
Vehicles	289		289
Waste Bins	25		25
Parks and Open Spaces			
Footpath Repairs	25		25
Play Area Refurbishment	56		56
Railings/Structures Repairs	25		25
Public Railings Painting	25		25
Other Projects			
Crematorium - Petal Garden	20		20
Crematorium - Monthly Gardens	5		5
Cemetery Memorial Survey Works	10		10
Midway Car Park - Structural Repairs and Lighting Maintenance	20		20
TOTAL	**1,500**	**1,000**	**500**

5.5 As stated in paragraph 5.3 only a very basic programme of new schemes is proposed for approval for 2017/18. Currently there are sites which have been approved for sale and whilst it is possible that one or both may be disposed of and a capital receipt received in 2017/18, possibly some time in the final quarter (January to March 2018), it is considered imprudent to rely on this occurring in 2017/18. Because only a basic programme is proposed for 2017/18 this means that expenditure on a number of new schemes, amounting to around £3.4m, will have to be deferred until at least 2018/19. Commitments for the period 2018/19 up to and including 2021/22 amount to £12.9m, as follows:

Improving Housing £2.8m
Investing in Community Facilities £3.8m
Community Centres £0.6m
Safeguarding the Borough's Heritage £0.6m
Investing for the Future £2.7m
Vehicles and Plant £2.4m

5.6 There is clearly a direct link with the revenue budget as there may be revenue implications arising from new capital projects and the requirement to spend capital funds will lessen the ability to earn interest on the cash that is invested. It is therefore vital that the revenue and capital budgets are integrated.

5.7 Continuation of the capital programme beyond 2017/18 is dependent upon the achievement of a continued programme of receipts from the disposal of assets. It is essential that sufficient capital receipts are generated from these asset sales to enable essential capital investment to take place.

5.8 The Council's overall capital strategy was most recently updated in February 2016. Neither this document nor the related Asset Management Strategy has been comprehensively updated for 2017/18 since the underlying strategies remain the same (although Members will note an item elsewhere on this agenda which seeks approval for refreshing the delivery plan).

5.9 Two key reports have been considered by Cabinet in relation to future capital investment needs. These are the Newcastle Capital Investment Programme (Cabinet 5 February 2014) and Funding the Council's Capital Investment Programme (Cabinet 15 October 2014). The first report set out the amount of capital investment required over the four year period 2015/16 to 2018/19 in order to maintain service continuity and to safeguard income from the commercial property portfolio. The second report set out options for funding the capital investment identified in the preceding report. It concluded that the only realistic option to meet investment needs is a systematic programme of surplus land disposal, which will also enable the Council to deliver its policy objective of bringing forward more affordable and social housing by the release of some of its land holdings. The alternative of borrowing to part fund the programme is seen to be a more expensive option owing to the cost of servicing the debt. Accordingly it was resolved: ***"That Cabinet agrees with the principle that the Council, as a first resort, will seek to fund its future known capital programme needs through the annual asset management planning process by the identification of land or property in its ownership that is capable of, and appropriate for disposal".***

6. **Balances and Reserves**

6.1 The Council's Balances and Reserves Strategy for 2016/17 is that there should be a minimum General Fund balance of £1.20m and a Contingency Reserve of £100,000. The Council currently holds these reserves.

6.2 A review of all the Council's Balances and Reserves together with a risk assessment is being undertaken for inclusion in the final report on the budget to the Cabinet on 8 February 2017 and the full Council on 22 February 2017.

6.3 It is not proposed to make any contribution from the Budget Support Fund to support the 2017/18 budget.

7. **Legal and Statutory Implications**

7.1 The Council is required to set its Council Tax for 2017/18 by 11 March 2017. However, it is planned to approve the final budget and council tax rates on the 22 February 2017.

8. **Risk Statement**

8.1 Section 25 of the Local Government Act 2003 places a duty on the Chief Finance Officer to report on the robustness of the budget. The main risks to the budget include:

- Spending in excess of the budget.
- Income falling short of the budget.
- Unforeseen elements e.g. changes to legislation or reductions in government grants.

8.2 Such risks require regular and careful monitoring and it is essential that the Council has sufficient reserves to call on if required (see Section 6 above), for example the Council has a General Fund balance sufficient to cover foreseen risks.

9. **Budget Timetable**

9.1 The current timetable for the setting of the 2017/18 budget and Council Tax levels is:-

When	Who	What
18 January	Cabinet	Consideration of draft budget proposals
25 January	FRAPSC	Scrutiny of the draft budget proposals
8 February	Cabinet	Final budget proposals to be recommended for approval by Full Council
22 February	Full Council	To approve the budget and set council tax levels

FRAPSC – Finance, Resources and Partnerships Scrutiny Committee

10. **Earlier Cabinet Resolutions**

Newcastle Capital Investment Programme (Cabinet 5 February 2014);
Funding the Council's Capital Investment Programme (Cabinet 15 October 2014).
Medium Term Financial Strategy 2017/18 to 2021/22 (Cabinet 14 September 2016);

11. **List of Appendices**

Appendix 1: Notable achievements in 2016/17
Appendix 2: Activities planned to achieve Council Plan outcomes in 2017/18
Appendix 3: Savings and Funding Strategies
Appendix 4: Capital Programme 2016/17 to 2017/18.

Appendix 1

Notable Achievements in 2016/17

A Co-operative Council which delivers high-quality, community driven services

a) The successful Shared Apprenticeship scheme continues to work with partners to increase the number of employment opportunities for young people within the borough. The scheme enables the young people to gain valuable work experience and a meaningful qualification.
b) Workforce Development Plans are now embedded within every service, which strives to ensure that we have the right people, in the right place, and with the right skills at the right time.
c) The council has achieved the Investors in People (IIP) accreditation at Silver standard in September 2016.
d) Implemented the Agile Working guidance to support staff in the change readiness programme for the move to the Public Sector Hub.
e) Implementation of a new Recycling and Waste service for the borough.
f) For the new Recycling Service, Customer Services redesigned systems to ensure any enquires are integrated with the current CRM system and the back office system for Recycling & Waste, known as Bartec, enabling the drivers/crews to deal with these enquires and the information added into the CRM system.
g) Support was given from HR to the Waste & Recycling service to TUPE transfer waste recycling contract staff in-house.
h) Customer Services has maintained its Customer Service Excellence (CSE) accreditation for the 5th year by demonstrating continuous improvement in all areas of the Standard. With support from Customer Services, Planning, Leisure & Cultural and Revenues & Benefits have now achieved accreditation.
i) Provision of an ICT Service Desk from 7.30am to address the needs of staff.
j) Improvements in the corporate telephony system include a revised menu structure based on customer demand, improvements to the voice recording system to provide increased security, and automated customer call backs.
k) The Citizens Access project has resulted in a large reduction in the number of telephone calls received by the section. In addition the self- service element has reduced the amount of back office processing time dramatically meaning that 4 members of staff have been able to voluntarily reduce their hours and contributing majorly to the saving of £100,000 within the department
l) Delivered Improvements to the taxi licensing service to make it more responsive to customers, and improve efficiency and process in the back office.
m) Customers can now do more business online and the Creditors service continues to comply with the Prompt Payment code of practice.
n) Delivery of an internal and external shared telephone directory and the launch of the MyStaffs App.
o) An excellent Ombudsman report received with only 2 cases upheld out of 33 complaints.
p) The Communications Team secured a £6,000 grant from the Local Government Association to support the development of digital services for residents.
q) In the last 12 months the number of unique users visiting the Council's new website has doubled to more than 40,000 each month.
r) A procurement process has resulted in a new private sector partner coming on board to work with the Council in a unique project to generate income from advertising hoardings and car park signage with almost £30,000 generated so far.
s) The Communications Team generated positive media coverage of the Council, its services, policies and activities.

t) The website retained its two star rating in the annual assessment of public sector websites carried out by the Society of Information Technology Management (Socitm).
u) The Council carried out more than 300 face-to-face discussions with residents to gauge their views on key services such as Streetscene and Customer Services.
v) Development of the Community Engagement and Participation Framework continues to encourage volunteer groups to care for their green spaces and neighbourhoods.
w) Reviewed potential for community management of local facilities and continued to work with partners to deliver locally important projects. Roe Lane Playing Fields is now leased to Newcastle Town FC Youth Section.
x) A number of community events in parks and open spaces continue to be organised and facilitated including Communities Day and the Eco Schools Forum.
y) Implementation of new markets software to reduce reliance on paper based systems and in preparation to offer non-cash based forms of payment for market stalls.
z) Leisure & Cultural services successfully gained a Customer Service Excellence accreditation
aa) Officers have continued to undertake spending reviews to identify potential savings across a range of services and goods procured by the Council from either the re-procurement of existing suppliers and/or services and new procurements, the Council's Long Term Agreement (LTA) for Insurance has been awarded and delivered considerable savings.
bb) Regular reporting of contract spend and opportunities linked to the LA Transparency Code 2014 continues and supports spend analysis.
cc) Identified opportunities for district procurement collaborations, for example the delivery of outbound mail and the introduction of a hybrid mail solution with the City Council.
dd) The introduction of an e-tendering tool to improve consistency, continuity, transparency and compliance with future legislative requirements.
ee) Locality Working continues to be supported through the work of the Locality Action Partnerships who brought in an additional £46,692.32 of external funding into the borough to address priorities in local communities.
ff) Monitoring and delivery of contracts commissioned as part of the Newcastle Partnership Commissioning Prospectus Round 1 & 2 has resulted in many good outcomes for the residents of the borough.
gg) The Grant Funding scheme was reviewed and the Borough's Community Chest and Small Grants funding schemes delivered.
hh) The Partnership has continued to support and co-ordinate the Safer Neighbourhood Panel for Newcastle under Lyme on behalf of Staffordshire Office of the Police and Crime Commissioner.
ii) The landlord portal was introduced in January 2016 and gives landlords direct access to Housing benefit information from a portal on the council's website, this reduces the need for any landlord that has registered for this service to make direct contact with the benefit service. Not only has it reduced the number of phone calls, it has reduced the amount of correspondence sent to the landlord, as all the information previously supplied in writing is now directly available to them.

A Clean, Safe and Sustainable Borough

a) In the Heart of England in Bloom competition, the Operations Service gained a Gold award for 15th year running and won the Small City category and overall winner.
b) A total of 7 Green Flag Awards were gained for parks and green spaces.
c) Local Environment Quality (LEQ) scores for litter, detritus, graffiti and flyposting continue to be good and performing better than target.
d) The council is a finalist in the APSE Performance Networks Most Improved Performer in Street Cleansing Award 2016, and in Best Performer and Most Improved Performer for Cemeteries and Crematoria 2016.

e) Expanded the “Planting Pledge” and “Litter Pledge” initiatives where over 50 schools and businesses signed up to improve their local environment.
f) Bereavement Services gained the Gold standard in the Institute for Cemetery and Crematorium Management (ICCM) Charter for the Bereaved for the 13th year running and progress with the Memorial Safety Inspections in the borough’s cemeteries has continued.
g) Invested in new vehicles to deliver the Streetscene service more efficiently.
h) A total of 240 food safety inspections undertaken with businesses in the borough and improved standards within several, consistently poor performing food businesses.
i) Planning and joint working to achieve an acceptable outcome from the Betley Mere Concert Variation Hearing. The execution of successful Policing and monitoring of the Betley Mere Concert.
j) Environmental Services worked with partners - the Police and Trading standards to ensure a suitable outcome in the Newcastle Food and Wine Licensing Hearing, with trading Standards to achieve a successful Licensing Training Programme for all borough Licensed Premises, with the Police and Community Safety to address CSE issues.
k) Seized noise making equipment from a domestic premise to abate a statutory noise nuisance caused by amplified music
l) Obtained a successful prosecution in the Magistrates Court for breach of a noise abatement notice with a full investigation costs award to the Council.
m) The council has undertaken a total of 1,495 pest control requests, 1,058 Dog Warden requests, seized 74 strays and undertaken 44 licencing inspections this year to date.
n) A Heritage Lottery Funding (HLF) Steering Group was established to explore the potential opportunity to redevelop the Brampton Museum.
o) The Partnership team submitted an application for reaccreditation for the Purple Flag award for Newcastle Town Centre and are waiting for the results which are due in the New Year.
p) Achieved White Ribbon accreditation which is a national campaign to put a stop to male violence against women and girls.
q) Participated in a Safeguarding Children Peer Audit with Staffordshire Moorlands District Council to ensure that the Council is delivering its statutory safeguarding duties effectively.
r) Safeguarding Level 1 training for Children and Adults at risk of abuse and neglect was rolled out to all Council staff and Members.
s) Delivery of Safeguarding and CSE awareness training to taxi drivers in the borough continues to take place.
t) Further development of multi-agency working undertaken to improve outcomes around community safety and to vulnerable victims of crime through the Partnership Hub.
u) Delivery of the Local Police and Crime Plan objectives and Newcastle Partnership Workplan actions around the themes of health and wellbeing, safer and stronger communities and economic growth have included many projects in the borough such as the comprehensive DV service, CCTV, support to vulnerable victims, diversionary activities for young people.
v) The council has contributed to the work of the countywide Gangs and Youth Violence agenda and participated in the Home Office’s Local Assessment Process to help explore Gangs and Youth Violence issues in more detail and to influence future delivery to better protect vulnerable people in our communities.

A Borough of Opportunity

a) A total of 167 serious hazards to health were addressed to improve private homes, making them safe to occupy. This includes targeted action on a specific road with poor property conditions, an initiative which received good local press coverage.

b) Assistance with advice on adaptations was given to 115 vulnerable residents, leading to the provision of financial assistance to 81 disabled residents to assist with adaptations to their home.
c) Undertaken pro-active inspections of 102 private sector shared housing (HMO's) to ensure good quality housing standards are achieved and maintained.
d) Continued self-funding of the North Staffs Landlord Accreditation Scheme to support and promote good landlord practices and encourage high standards.
e) In total, 109 Empty Homes have been returned to use this year.
f) Progressing with an estate based initiative to improve property condition and landlord practices in an area with high levels of private renting.
g) A private sector house condition survey was commissioned to provide an up to date understanding of the housing stock within Newcastle under Lyme and therefore enable a targeted approach to improving housing.
h) A Housing Strategy 2016-2021 was developed and adopted, providing a framework for setting priorities and the direction of housing related plans and polices. The Homelessness Strategy 2016-2021 was also produced to provide a framework for the delivery of services designed to prevent homelessness and support those who may become homeless.
i) Undertook delivery of the 5 year action plan of the Council's Economic Development Strategy.
j) The Council is a member of the Newcastle Business Improvement District, and as part of the Business Plan the BID has delivered a wide range of activities including the Jazz and Blues Festival, Lymelight Musical Festival, The Homecoming circus event which was supported by a successful Arts Council bid and Christmas Spectacular with improved Christmas Lights switch on. Working in partnership, support has been given with parking free for major events, and after 3pm for the Christmas period.
k) Kidsgrove Town Centre Partnership has worked hard to increase support including purchasing additional new Christmas Lights and engaging with business to have them installed.
l) Another successful Business Boost competition and awards event was held to promote support for small businesses.
m) Vacancy rates in respect of the commercial portfolio maintained at 8.1% thereby generating about £1.127m of revenue to support the Council's general fund.
n) Commitment with partner agencies to develop Ryecroft for retail led scheme including student accommodation, to support the regeneration of the town centre continues. A land sales agreement has been signed to take forward the redevelopment of the Ryecroft site for a major new retail-led, mixed-use development and car park.
o) The new Public Sector Hub is progressing in the town and will provide joined up customer services with other public service partners as well as achieving financial efficiencies.
p) Implementation of a land/property disposal programme commenced in accordance with the approved Asset Management Strategy with the aim of generating capital receipts to fund the Council's capital programme and to facilitate development needs of the borough.
q) Masterplanning and options appraisal for Newcastle Western Extension has commenced in partnership with Staffordshire County Council and Keele University.
r) Delivered the second phase of the public art programme on Pool Dam Traffic Island in partnership with Newcastle BID and local business sponsors to promote economic development in Newcastle town centre.
s) Agreed an improvement scheme for Queens Gardens to complement the new Public Sector Hub building.

t) Successfully awarded Stage 1 Heritage Lottery Funding £28,500 as partners in the Astley Project (partners inc. New Vic, NULC, Staffs & Keele University, Newcastle Library, Civic Society).
u) Developed a working relationship with Victoria & Albert Museum loaning artwork for a joint exhibition between the V & A and the Bard Gallery, New York.
v) Continued to contribute to the work of the Financial Inclusion Group for North Staffs.
w) Reviewed and refreshed the governance arrangements for the Newcastle Partnership, the strategic partnership of the borough.

A Healthy and Active Community

a) Completion of leases for several community centres to be managed by community organisations by the end of 2016-17: Harriet Higgins, Silverdale Social Centre, Bradwell Lodge and Ramsay Road.
b) Completed refurbishment of Clayton Sports Centre at a cost of circa £350,000 with over 95% from external funding.
c) A total of 2868.5 volunteer hours were given from volunteer groups and individuals in the first six months of the year (April – Sept 2016) to care for the local green spaces and neighbourhoods through the delivery of the Community Engagement Framework.
d) A third annual “Communities Day” was held in June and a total of 25 groups participated in a range of community events.
e) Local priority projects were delivered at Thistleberry Parkway, Bateswood Local Nature Reserve and other sites.
f) The Community Food Garden project continued to be delivered at Queen Elizabeth Park and Chesterton Park.
g) Reviewed the Green Space Strategy and drafted the new Open Space Strategy and Green Infrastructure Strategy which are currently out to public consultation.
h) Working in partnership with Belong Village on their successful £1.8m Heritage Lottery Bid to provide a Heritage Gallery – supplying interpretation materials and resources for the new site.
i) Developed the volunteer programme at the museum resulting in more volunteers and already exceeding annual volunteer hours target by 50%.
j) Co-ordination and delivery of SPACE summer holiday activities on behalf of the Staffordshire Office of the Police and Crime Commissioner with Leisure services for the borough.
k) Worked with the County Council to deliver a range of projects to encourage healthy and active lifestyles, including healthy eating and increased physical activity.
l) The council has achieved the Dementia Action Alliance accreditation.

Appendix 2

Activities planned to achieve Council Plan outcomes in 2017/18

A Co-operative Council which delivers high-quality, community driven services

a) A new cloud based e-payments system will begin in the New Year, working in partnership with four other Staffordshire local authorities.
b) Launch of a digital delivery programme to boost customer services and generate savings for the Council.
c) Development of a new intranet system to support staff in agile working practices which enable them to deliver quality council services.
d) Delivery of the key milestones from the Electronic Document & Records Management Board (EDRM) project – ensuring compliance of the Records Management Policy and delivery an offsite storage solution and scanning solution.
e) As part of the Public Sector Hub Work - co-ordinate front line service delivery and ensure postal arrangements between partners are in place,
f) Assist with the deliverables of the Payment method review board – ensuring sufficient methods of payment are available to customers to allow the removal of cash transactions. Reduce the number of cheques dispatched to customers/suppliers.
g) Deliver the suggested improvements from the IIP assessment, which includes a review of the reward and recognition scheme.
h) The Mitrefinch system, which records staff attendance will be updated during the coming year.
i) Progress and implement the new Apprenticeship Levy scheme which changes the funding arrangements for training of apprentices and increases the number of employees for the borough.
j) Continue to develop the Community Engagement and Participation Framework to encourage volunteer groups to care for their green spaces and neighbourhoods.
k) Review the potential for community management of local facilities and continue to work with partners to deliver locally important projects. Seek to lease Madeley Pool to Madeley Parish Council.
l) Continue to organise and run community events including Communities Day, the Eco Schools Forum and facilitate a number of community events in parks and open spaces.
m) Partnership project with Museum Friends to undertake collection digitisation and widen community access.
n) Carry out stakeholder consultation on vision for the museum development.
o) Complete redevelopment of 'Newcastle Lives' Gallery in partnership with the HLF funded St Giles Heritage project.
p) To achieve Museum Accreditation from the Arts Council England.
q) Continue to drive efficiencies within the Recycling & Waste service.
r) Deliver and embed a hybrid mail solution that reduces the need for an outbound postal solution, supports the physical move to the public sector hub and offers greater flexibility in the support of agile working.
s) The drafting of a new procurement strategy and action plan which aims to support the delivery of the Council's key objectives.
t) Working with partners, increase the level of procurement collaboration to offer greater efficiencies and savings to the authority.
u) Work to identify and deliver further commissioning opportunities alongside Newcastle Partners and to review, refine and continue to develop the Newcastle Partnership Commissioning processes.
v) Deliver a 'Newcastle Lottery' working with a single External Lottery Manager (ELM) which generates an income to support a range of good causes within the borough.

w) Continuation of the work to embed the changes brought about as part of the Public Contract Regulations monitoring the implications of Brexit from a public contract procurement perspective.
x) Review and further development of the Council's approach to multi agency co-ordination and locality working.

A Clean, Safe and Sustainable Borough

a) Represent Heart of England in the National Britain in Bloom finals in 2017.
b) Work towards a gold award in the regional competition for the 16th year running and seek to achieve Green Flag Awards for 7 of its parks and green spaces.
c) Will continue to monitor Local Environment Quality (LEQ) scores for litter, detritus, graffiti and flyposting and seek to continue to achieve targets.
d) Continue with the "Planting Pledge" and "Litter Pledge" initiatives where over 50 schools and businesses are signed up to improve their local environment.
e) Bereavement Services will seek to retain the Gold standard in the ICCM Charter for the Bereaved for the 14th year running, and continue to progress with the Memorial Safety Inspections in the borough's cemeteries.
f) Invest in new vehicles to deliver the Streetscene service more efficiently.
g) Maintain recycling levels in the borough and continue to encourage residents to recycle more.
h) Development of 4 Air Quality action plans which will contain measures to improve air quality within the borough.
i) Broaden membership of Museum Development steering group for HLF bid.
j) Review and refresh of Local Police and Crime plan for 2017 – 2020.
k) Delivery of Local Police and Crime Plan 2017 – 2020 actions and objectives.
l) Continue to embed the revised Safeguarding Children and Adults at Risk of Abuse and Neglect Protection Policy 2015.
m) Review and refresh the Stronger and Safer Communities Strategy for 2017-2020.
n) Re-commissioning of services to support vulnerable victims of crime e.g. those at risk of Child Sexual Exploitation or Domestic Abuse.

A Borough of Opportunity

a) Prepare a new 5-year Economic Development Strategy.
b) Contribute towards the preparation of a refreshed Strategic Economic Plan for the Local Enterprise Partnership.
c) Contribute towards the preparation of a Growth Strategy for the Northern Gateway Development Zone.
d) Continue to work with the City Council in the preparation of a joint Local Plan including the key stages of consultation on Strategic Options and Draft Plan during 2017/18.
e) Extend the current contract for the Newcastle Housing Advice Service for a further 3 years to 2020.
f) Continue to work with the Newcastle Business Improvement District and Kidsgrove Town Centre Partnership.
g) Work with partner agencies to ensure that the needs of vulnerable disabled residents continue to be recognised with the Better Care Fund, to ensure that adaptations can be delivered effectively.
h) Continue to seek to improve the standards of private sector housing. Continue to tackle areas with high volumes of private rented accommodation as per the pilot project on the ex-coal board estate in Kidsgrove, and making sure that we work with landlords and tenants to maintain good standards and remove any hazards to health where necessary.

i) Continue to work with the County Council and partners in construction of the Public Sector Partnership Hub to enable occupation by the end of August 2017.
j) Working with the Council's development partner and the County Council to facilitate commencement of the redevelopment of the Ryecroft site.
k) To continue with implementation of a Land Disposals programme in accordance with the forthcoming refresh of the Asset Management Strategy.
l) Optimise occupation of our commercial properties by continuing to work with the tenants and maximise revenue income from rental payments.
m) To approve and implement specific actions aimed at improving the attractiveness and viability of the Newcastle General Market.
n) Seek to deliver the third phase of the public art programme on Pool Dam Traffic Island in partnership with Newcastle BID and local business sponsors to promote economic development in Newcastle town centre.
o) Implement an improvement scheme for Queens Gardens to complement the new Civic Hub building.
p) Work to achieve Stage 2 award of £100k HLF funding for the Astley project.
q) Develop partnership exhibitions programme with Staffordshire Archives and Heritage.
r) Continue to support local small businesses to bid for council contracts.
s) Review, refine and continue to develop and deliver the Newcastle Partnership Commissioning Prospectus.

A Healthy and Active Community

a) Implement the Council's Sport & Active Lifestyles strategy and update the Playing Pitch strategy.
b) Develop a Festival of Sport for the borough with partners.
c) Progress a feasibility study for a new Kidsgrove Sports Centre.
d) Undertake a review of the GP referral programme.
e) Delivery of a Space Programme in Summer 2017 subject to funding from the Office of the Police and Crime Commissioner (OPCC).
f) Continue to support community centres to become sustainable and increase the adoption of leases.
g) Seek to secure 5250 volunteer hours from volunteer groups and individuals to care for the local green spaces and neighbourhoods through the delivery of the Community Engagement and Participation Framework.
h) Co-ordinate a fourth annual "Communities Day".
i) Deliver local priority projects at the Wammy, Audley and other sites.
j) Continue to support the Community Food Growing gardens at Queen Elizabeth Park, Chesterton Park and Clough Hall Park.
k) Adopt the new Open Space Strategy and Green Infrastructure Strategy following public consultation.
l) Complete Heritage Belong Gallery Project (HLF funded).
m) Develop summer activity programme in partnerships with Museum Friends and Landscape.
n) Contribution to the further development of Health and Wellbeing work with partners.
o) Design and launch of new web pages for Jubilee2 and the Brampton Museum.

Appendix 3 - 2017/18 Savings and Funding Strategies Being Considered (will require robustness checks and final review)

Ref	Service Area	Description	£000's	% of Budget Line(s)	Detail
			Procurement		
P1	Business Improvement and Partnerships	Insurance Premium Renewal	16	5.3%	Additional saving from 2016/17 tender and acceptance of increased excesses
			16		
			Income		
I1	Recycling and Fleet	Waste and Recycling Review	184	5.5%	Bringing in house of external contracts, full review and rationalisation of service (in addition to savings of £316k in 2016/17)
			184		
			Staffing Related Efficiencies		
S1	All	Vacant Posts Review	361	2.4%	Full review of current and future vacant posts: • Head of Governance and Partnerships • Partnerships Officer • Head of Revenues and Benefits • Operational Services Apprentice • Environmental Health Officer • Secretary (part time) • Planning Officer (part time) • Principal Solicitor (part) • Streetscene Operatives (x3)
S2	All	Flexible Retirements	117	0.8%	Employees approved for flexible retirement
S3	Environmental Health	Pest Control	13	10.3%	Reduction in Pest Control staffing from 2.5 full time employees to 2 full time employees
S4	Finance	Digital Delivery	100	TBC	Implementation of a programme of digital delivery to enable postage, stationery and resources efficiencies
S5	Finance	Car Leasing Scheme	27	23.3%	Car leases not renewed following expiry
S6	Operational Services	Employee Allowances	6	30.0%	Reduction in budgetary requirement for employee allowances
			624		

Good Housekeeping/General Other Savings/Changes in Base Budgets					
G1	All	Good Housekeeping Savings	256	TBC	Reductions in budgetary requirements for supplies and services
G2	Assets	Public Sector Hub	163	TBC	Revenue savings from occupation of new public sector hub when compared to occupation of Civic Offices
G3	Business Improvement and Partnerships	Grants	37	50.0%	Introduction of a Borough lottery to replace current grants process, with proceeds distributed to local good causes and charities
G4	Central Services	Elections	90	100.0%	No Borough Election to be undertaken during 2017/18. Budget to be reinstated as a pressure in 2018/19
G5	Communications	Printing Services	53	24.8%	Utilisation of external printers to provide printing service and reduction in the publication of the Reporter to twice per annum – electronic versions only to be produced
G6	Customer and ICT Services	Reduction in Computer Software Costs	20	4.9%	Reduction in budgetary requirement for computer software costs
G7	Environmental Health	Pest Control and Dog Warden Vehicles	15	71.4%	Purchase of vehicles as opposed to leasing costs
G8	Finance	Business Rates on Council Owned Properties	9	1.1%	Reduction in business rates for which the Council is liable (Knutton Recreation Centre)
G9	Leisure and Cultural	Community Centres	14	22.2%	Reduction in grant given by the Council and reduction in repairs and maintenance following grant of full leases to Community Centre committees, agreed as part of the 2015/16 budget setting process
G10	Leisure and Cultural	New Victoria Theatre Grant	10	12.8%	Phased reduction of grant given over a 5 year period agreed as part of the 2015/16 budget setting process
			667		
Alternative Sources of Finance/Other					
A1	Corporate	Invest to Save Savings	15	20.0%	Savings following financing of invest to save schemes (telephony)
A2	Corporate	Superannuation Lump Sum	179	14.9%	Negotiation of contribution rate and discount for payment to the Pensions Actuary in advance of superannuation lump sums
A3	Corporate	Council Tax Base	83	0.7%	Increase in Council Tax Base (forecast increase of 260 residential properties)
A4	Corporate	New Homes Bonus contribution	612	34.2%	Further additional funding to be received in 2017/18 (£237k) and transfer of capital funding to revenue (£375k)
A5	Corporate	Minimum Revenue Provision	66	100.0%	Minimum revenue provision (a statutory requirement to make a charge to the Councils general fund to make provision for the repayment of the Councils past credit liabilities) is no longer required following expiry of expenditure finance leases

A6	Corporate	Business Rates	50	1.2%	Additional revenue generated through the Business Rates Retention system
A7	Corporate	Revenue Investment Fund	35	100.0%	Contributions to the revenue investment fund to be ceased
A8	Corporate	Council Tax Increase	182	2.8%	Assumed increase of £5 per Band D equivalent property
A9	Corporate	Parish Council Section 136 Contributions	15	25.0%	Reduction of 25% of the payments made to Parish Councils for concurrent functions
			1,237		
		Grand Total	***2,728***		

Appendix 4

NEWCASTLE-U-LYME BOROUGH COUNCIL CAPITAL PROGRAMME 2016/17 TO 2017/18

PROJECTS WITHIN CAPITAL PROGRAMME THEMES	2016/17 Est Exp	2017/18 Est Exp	Total Exp	External Contribn	Council Financing
	£	£	£	£	£
IMPROVING HOUSING IN THE BOROUGH					
HIP Disabled Facilities Grants	1,034,300	1,000,000	2,034,300	2,034,300	0
Empty Homes	16,000	0	16,000	0	16,000
Choice Based Lettings	22,400	0	22,400	0	22,400
PSH/Emergency HHSRS Grants/Vulnerable H	27,500	0	27,500	0	27,500
Energy Efficiency Grants	11,400	0	11,400	0	11,400
Landlord Accreditation	19,200	0	19,200	0	19,200
IMPROVING HOUSING IN THE BOROUGH SUB TOTAL	**1,130,800**	**1,000,000**	**2,130,800**	**2,034,300**	**96,500**
INVESTING IN COMMUNITY FACILITIES					
Footpaths Repairs	0	25,000	25,000	0	25,000
Play Area Refurbishment	0	56,000	56,000	0	56,000
Railings,/Structures, Repairs	3,500	25,000	28,500	0	28,500
Public Railings Painting	0	25,000	25,000	0	25,000
Crematorium - Petal Garden	0	20,000	20,000	0	20,000
Crematorium - Monthly Gardens	0	5,000	5,000	0	5,000
Thistleberry Parkway	82,000	0	82,000	82,000	0
Cemetery Memorial Survey Works	10,000	10,000	20,000	0	20,000
Street Furniture Replacement	3,000	0	3,000	0	3,000
Ski Slope - Car Park & Path Replacements	15,000	0	15,000	0	15,000
Footpath Repairs Lyme Valley	1,200	0	1,200	0	1,200
Wolstanton Marsh Pavillion	7,000	0	7,000	0	7,000
Wolstanton Marsh Improvements	5,400	0	5,400	0	5,400
Parks Pavillions	1,500	0	1,500	0	1,500
Pool Dam Marshes Nature Reserve	0	47,000	47,000	47,000	0
S106 Works Lowlands Road	33,300	0	33,300	33,300	0
Clayton Sports Centre Works	5,000	0	5,000	5,000	0
Silverdale CC Roof Damage	18,400	0	18,400	0	18,400
Silverdale Community Facilities	7,500	0	7,500	0	7,500
INVESTING IN COMMUNITY FACILITIES SUB TOTAL	**192,800**	**213,000**	**405,800**	**167,300**	**238,500**
COMMUNITY CENTRES					
Red Street Community Centre - Stock Condition Work	5,000	0	5,000	0	5,000
COMMUNITY CENTRES SUB TOTAL	**5,000**	**0**	**5,000**	**0**	**5,000**

PROJECTS WITHIN CAPITAL PROGRAMME THEMES	2016/17 Est Exp	2017/18 Est Exp	Total Exp	External Contribn	Council Financing
	£	£	£	£	£
SAFEGUARDING THE BOROUGH'S HERITAGE					
Museum - Boiler replacement, electrical refurb & window replacements	5,700	0	5,700	0	5,700
SAFEGUARDING THE BOROUGH'S HERITAGE SUB TOTAL	**5,700**	**0**	**5,700**	**0**	**5,700**
INVESTING FOR THE FUTURE					
Strategic Investment Framework/Markets Software	10,500	0	10,500	0	10,500
Ryecroft Development	35,100	0	35,100	0	35,100
Knutton Lane Depot - Garage Repairs/Resurfacing of Yard	50,000	0	50,000	0	50,000
Asset Site Disposal Tranche 2 Fees	289,600	0	289,600	0	289,600
New Waste Service - Vehicles, Equipment and Premises	2,409,000	0	2,409,000	0	2,409,000
ICT Projects	284,200	0	284,200	0	284,200
ICT PC Replacements	1,400	0	1,400	0	1,400
Customer Relationship Management	4,700	0	4,700	0	4,700
Public Sector Hub	4,600,000	1,500,000	6,100,000	0	6,100,000
Civic Offices/Public Buildings Stock Condition Works	54,500	0	54,500	0	54,500
Midway Car Park Safety Works	20,000	0	20,000	5,000	15,000
Midway Car Park – Structural Repairs & Lighting Maintenance	0	20,000	20,000	0	20,000
Newcastle Town Centre Public Works	1,700	0	1,700	0	1,700
Subway Improvement Programme	15,000	0	15,000	15,000	0
Knutton Recreation Centre - Demolition	40,000	0	40,000	0	40,000
Engineering Structures	46,500	0	46,500	0	46,500
Carbon Management Plan	10,000	0	10,000	0	10,000
INVESTING FOR THE FUTURE SUB TOTAL	**7,872,200**	**1,520,000**	**9,392,200**	**20,000**	**9,372,200**
VEHICLES AND PLANT					
Vehicles	2,437,500	289,000	2,726,500	0	2,726,500
Waste Bins	100,000	25,000	125,000	0	125,000
VEHICLES AND PLANT SUB TOTAL	**2,537,500**	**314,000**	**2,851,500**	**0**	**2,851,500**
GRAND TOTAL	**11,744,000**	**3,047,000**	**14,791,000**	**2,221,600**	**12,569,400**

Sources of Funding	2016/17 Est Exp	2017/18 Est Exp	Total Exp
	£	£	£
External Contributions:			
Bettercare Fund (Disabled Facility Grants)	1,034,300	1,000,000	2,034,300
S106 Planning Contributions	97,000	47,000	144,000
External Grants/Contributions	43,300	0	43,300
Sub Total External Contributions	*1,174,600*	*1,047,000*	*2,221,600*
Council Financing:			
Other Revenue Funds (ICT Devel Fund)	284,200	0	284,200
Borrowing (Public Sector Hub)	3,900,000	1,500,000	5,400,000
Right to Buy Receipts (Public Sector Hub)	700,000	0	700,000
New Homes Bonus	375,000	0	375,000
Capital Receipts	5,310,200	500,000	5,810,200
Sub Total Council Financing	*10,569,400*	*2,000,000*	*12,569,400*
Capital Programme	**11,744,000**	**3,047,000**	**14,791,000**