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Date of meeting	**Wednesday, 24th January, 2018**
Time	**7.00 pm**
Venue	**Committee Room 1, Civic Offices, Merrial Street, Newcastle-under-Lyme, Staffordshire, ST5 2AG**
Contact	Jayne Briscoe 2250

NEWCASTLE UNDER LYME BOROUGH COUNCIL

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

Finance, Resources and Partnerships Scrutiny Committee

AGENDA

PART 1– OPEN AGENDA

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10 DISCLOSURE OF EXEMPT INFORMATION

To resolve that the public be excluded from the meeting during consideration of the attached report, because it is likely that there will be disclosure of exempt information as defined in paragraphs 1, 2 and 7 in Part 1 of Schedule 12A of the Local Government Act 1972.

Members: Councillors Astle, Fear, Frankish, Pickup, Proctor, Spence (Vice-Chair), Stubbs, P Waring, Winfield (Chair), Woolley and Wright

'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, 27th November, 2017
Time of Commencement: 7.00 pm

Present:-	Councillor Joan Winfield – in the Chair
Councillors	Burgess, Fear, Frankish, Proctor, Spence, Stubbs, S Tagg, P Waring, Wilkes and Wright
Officers	Interim Head of Paid Service- David Adams, Jennie Baines (Customer Relations Officer), Jayne Briscoe - Scrutiny Officer and Executive Director (Resources and Support Services) - Kelvin Turner
	Also in attendance Councillor T Turner, Portfolio Holder for Finance, IT and Customer and Councillor Naylon (Chair of Cleaner, Greener and Safer Scrutiny Committee and Councillor G Williams Chair of Active and Cohesive Scrutiny Committee.

1. **APOLOGIES**

An apology was received from Councillor Pickup.

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

3. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 5 October 2017 be agreed as a correct record.

4. **HOW COMPLAINTS ARE INVESTIGATED**

The Customer Relations Officer presented this report and set out the complaints process which was published as part of the Complaints, Comments and Compliments Policy, February 2016 alongside data about the number of complaints dealt with during the last financial year.

Members examined the number of complaints received and during discussions it was explained the customer promise helped to ensure that there was minimal delay in responding to complaints at the informal stage.

Complaints were analysed to drill down into the service areas to pick up any trends as every contact was a useful piece of information, including capturing avoidable contact. A member pointed out that the form on the web did not have the capabilities at present to help customers and suggested that google maps be included.

A member considered that it would be beneficial in the future to look at comparative data from our benchmark authorities.

Agreed That the report be received.

5. **REVENUE BUDGET 2018/19 - FIRST DRAFT SAVINGS PLANS**

The Executive Director (Resources and Support Services) presented this report which informed members of the current proposals being considered to balance the 2018/19 revenue budget.

The Councils updated Medium Term Financial Strategy and Efficiency Plan for 2018/19 to 2022/23 was considered by this Committee at the last meeting and subsequently approved by Cabinet on 18 October 2017. At this time a budget “gap” of £1.535m had been identified which required to be closed in order to produce a balanced budget.

As a result of the work carried out by the Budget Review Group alongside officers a number of savings and funding strategies had been identified and agreed with managers and these were set out in detail to enable detailed scrutiny, work was ongoing to identify further savings as a shortfall of £0.259m remained.

Members commented on the scale of the year on year savings which had been made from 2008/09 and the effect that these had made to the level of service offered to the public. The abolition of the Revenue Support Grant and the financial challenge to the Borough that this will bring was also highlighted.

Members examined the proposed savings and funding strategies and it was suggested that in respect of G3 – CCTV that the BID be asked to take on this cost.

The position in relation to the New Homes Bonus contribution would not be known until the Local Government Finance Settlement was received prior to Christmas.

Agreed That the report be received.

6. **SCALE OF FEES AND CHARGES**

The Executive Director – Resources and Support Services presented this report which reviewed the fees and charges which the Council makes in order to keep them in line with the cost of service provision, ensure compliance with the Charging Policy and to establish the amounts to be included in the 2018/19 budget.

Members asked if, in future, the amount of revenue generated could be shown alongside the charge and also asked if the actual cost of providing a service had been calculated.

Agreed That the report be received.

7. WORK PLAN

With regard to consideration of the report of the time taken to answer calls to the Contact Centre scheduled for the 24 January meeting Members agreed, that if necessary, this item be deferred to the 12 March to allow the officer to concentrate on the (delayed) move to Castle House.

Following a member suggestion it was agreed that future scrutiny work examine the way in which this authority engages with other organisations such as the BID.

Agreed That the report be received and the changes outlined above be made to the Work Programme.

8. PUBLIC QUESTION TIME

There were no members of the public present at the meeting.

9. URGENT BUSINESS

There was no Urgent Business.

10. DATE OF NEXT MEETING - 24 JANUARY 2018

The next meeting will be held on 24 January, 2018.

11. DISCLOSURE OF EXEMPT INFORMATION

Resolved That the public be excluded from the meeting during consideration of the following matter because it is likely that there will be disclosure of exempt information as defined in paragraph 3 in Part 1 of Schedule 12A of the Local Government Act, 1972.

12. TRADE REFUSE FEES AND CHARGES

Agreed That the report on the proposed trade refuse fees and charges - 1 April – 31 March 2018 be noted.

COUNCILLOR JOAN WINFIELD
Chair

Meeting concluded at 8.25 pm

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

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

24 January 2018

1. TREASURY MANAGEMENT STRATEGY 2018/19

Submitted by: **Head of Finance**

Portfolio: **Finance and Resources**

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

Purpose of the Report

To consider the content of and scrutinise the Treasury Management Strategy for 2018/19, 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 2018/19.***

b) ***That the Committee approve the strategy for submission to the Full Council on 21 February 2018.***

Reasons

The Council needs to have an approved Treasury Management Strategy for 2018/19 in place before the start of the 2018/19 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 21 February 2018.

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, 2018/19.

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.

1.4 The DCLG has recently consulted and sought views on proposals to update the guidance on Local Authorities Investments and on Minimum Revenue Provision. The results of the consultation and any impact on the Treasury Management Strategy are due to be received shortly.

2. Issues

2.1 The draft Treasury Management Strategy Report for 2018/19 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 2018/19 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 2018/19 is contained in Annex C to the report.

2.6 Some of the paragraphs and the economic commentary have been supplied by Arlingclose Ltd, the Council's treasury management advisors.

2.7 The Treasury Management Strategy for 2018/19 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 2018/19.

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		

Appendix 1

Treasury Management Strategy Report 2018/19

1 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."

The European Union (EU) published the final text of the second Markets in Financial Instruments Directive (MiFID II) in May 2014, aiming to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. The new rules come into effect on 3rd January 2018.

Although the UK has voted to leave the EU, MiFID II will still be implemented in the UK for three reasons. Firstly, we remain members of the EU and subject to its laws until we leave; secondly, the UK government is in favour of strengthening investor protection; and thirdly, UK firms will wish to continue providing financial services across the EU after we have left, so will need to comply with equivalent regulations.

Local authorities are currently treated by regulated financial services firms as professional clients (e.g. large businesses, which can be expected to employ professional staff with greater knowledge and therefore need less protection) who can "opt down" to be treated as retail clients (e.g. individuals and small businesses, which are expected to have the least knowledge of financial markets and therefore need the most protection) instead.

Due to the criteria that is set out by MiFID II the Council will be treated as a retail client, which provides additional protection, although limits the Council to regulated investments and, potentially, a lower net investment return.

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 Standards Committee and the Finance, Resources and Partnerships Scrutiny Committee.

1.3 Treasury Management Strategy for 2018/19

The strategy for 2018/19 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.

CIPFA consulted on changes to the Prudential Code in 2017, but has yet to publish a revised Code.

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

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

1.4 Treasury Management Consultants

The Council uses Arlingclose Ltd for its external treasury management advice service for the period 1st April 2017 to 31st March 2020.

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.

Changes to the provision of the external treasury management advice service may occur subject to the impact of the MiFID II legislation that is commencing from 3rd January 2018.

2 Prudential and Treasury Indicators

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 (21 February 2018).

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 asset's 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:

31/03/17 Actual (£000's)	31/03/18 Estimate (£000's)	31/03/19 Estimate (£000's)	31/03/20 Estimate (£000's)	31/03/21 Estimate (£000's)
828	6,000	5,000	4,000	3,000

The amounts shown above from 2018/19 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 (21 February 2018).

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:

	2016/17 Actual (£000's)	**2017/18 Estimate (£000's)**	**2018/19 Estimate (£000's)**	**2019/20 Estimate (£000's)**	**2020/21 Estimate (£000's)**
Net Revenue Stream	14,132	13,825	13,466	13,067	13,136
Financing Costs	(101)	59	59	59	59
Ratio	(0.71%)	0.43%	0.44%	0.45%	0.45%

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 2017 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 2018 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	**2018/19 Estimate (£000's)**	**2019/20 Estimate (£000's)**	**2020/21 Estimate (£000's)**	**2021/22 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	**2018/19 Estimate (£000s)**	**2019/20 Estimate (£000's)**	**2020/21 Estimate (£000's)**	**2021/22 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.

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

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds
- capital market bond investors.

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 2018/19.

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**
2018/19	100%	0%	100%	0%
2019/20	100%	0%	100%	0%
2020/21	100%	0%	100%	0%
2021/22	100%	0%	100%	0%

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

	Borrowing		**Investments**	
	Upper	**Lower**	**Upper**	**Lower**
2018/19	100%	0%	100%	0%
2019/20	100%	0%	100%	0%
2020/21	100%	0%	100%	0%
2021/22	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 31/03/18	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. In fact at present investments are being restricted to periods of one month 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 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 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.

5 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 Arlingclose Ltd, was awarded until 31 March 2020.

6 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:

	Mar 2018	Sep 2018	Mar 2019	Sep 2019	Mar 2020	Sep 2020	Mar 2021
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

6.2. Economic Situation (highlights of the report supplied by Arlingclose Ltd)

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

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

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

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

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

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

Interest rate forecast: The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%.

Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

7 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 Standards Committee

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

8 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 2018/19

1 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 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 2018/19 and in determining the period of such investment the principles and limits set out under "3 - 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.

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

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

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

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 2018/19 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 <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 31/03/19	5,000
Beyond 31/03/20	5,000
Beyond 31/03/21	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 <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 2018/19. 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 <u>Specific Strategy 2018/19</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 2018.

Period of Investment

This will be determined in accordance with 3 - 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 2017/18. It is possible that forward commitments may be employed in 2018/19 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 2018/19.

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 2019 – 0.50%
- 31st March 2020 – 0.50%
- 31st March 2021 – 0.50%

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.

ANNEX B

Counterparty Listing Criteria

This Council applies the creditworthiness service provided by Arlingclose 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.

Arlingclose Ltd. then recommend the maximum unsecured duration that monies should be invested for with individual banks and building socities.

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.

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 A+ 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 2018/19. 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 positive. This means that there is a requirement to set aside a MRP for the redemption of 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.

- **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

24 January 2018

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 7 February 2018.

Background

The attached report was presented to the Cabinet at their meeting on 17 January 2018.

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 2018/19.

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 7 February 2018?

Outcomes

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

Supporting Information

The report to the Cabinet is attached.

Relevant Portfolio Holder(s)

Councillor Sweeney – Portfolio holder for Finance and Resources

Local Ward Member (if applicable)

All

REVENUE AND CAPITAL BUDGETS 2018/19

Submitted by: Executive Director (Resources and Support Services)

Portfolio: Finance and Resources

Wards(s) affected: All

Purpose of the Report

To review progress on the completion of the revenue and capital budgets for 2018/19 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 2018/19.

(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 on 7 February 2018.

Reasons

To enable the Cabinet to recommend a robust and affordable budget for 2018/19 to the Council meeting on 21 February 2018.

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 2018/19 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.”

1.3 There has been good progress in the current year, with high standards of service delivery being achieved overall. Key Outcomes so far in 2017/18 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 2018/19 Budget have been compiled against a continuing national picture of reduced funding from central government for local authorities.

1.6 The draft 2018/19 budget is based upon the assumptions made in the MTFS which was approved by the Cabinet at its meeting on 18 October 2017 and scrutinised by the Finance, Resources and Partnerships Scrutiny Committee at its meeting on 5 October 2017.

2. **Budget 2017/18**

2.1 Monthly reports monitoring actual spending against budget have shown adverse variances during the first eight months of the year, the latest reported variance being £0.102m as at the end of November.

2.2 The main reasons for this overall adverse variance were:

- Waste Services is operating at a net overspend.
- Income from car parking is below the amount budgeted for

2.3 It was also reported at the cabinet meeting on 4 January 2018 that the situation may become significantly worse due to additional expenditure associated with the elections service, the redundancies of the cleaners as part of the Castle House project and the interim senior management arrangements.

2.4 The savings of £2.728m incorporated in the 2017/18 budget are on target to be achieved. This means that altogether over the ten years from 2008/09 to 2017/18 £22.010m 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
2017/18	2.728

3. **Draft Budget 2018/19**

3.1 In 2018/19, whilst aiming to continue delivering high performing, good quality services and ensuring efficiencies in Council operations, there are a number of key 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 18 October 2017. This illustrated that the Council would have a shortfall of £1.535m in 2018/19 which could be addressed by a combination of actions, such as efficiency measures, reductions in expenditure, increases in income and a council tax increase.

3.3 The Council has accepted the government's offer of a four year funding settlement, which provide it with provisional allocations for the next two years, 2018/19 and 2019/20. The MTFS assumes that these allocations will be the ones which the Council will receive. Based on the provisional amounts, in 2018/19 funding will reduce by £0.359m, which is a 7.8% reduction compared to the 2017/18 settlement and by a further £0.399m (9.5%) 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 2018/19 should be announced in late January/early February 2018, and should not differ from the provisional amount which the Council has accepted under the four year offer.

3.4 There has been one change to the MTFS since its approval in October, resulting in an increase of £0.161m in the funding "gap" to £1.696m for 2018/19 and this is in respect of the 2018/19 pay settlement where a 2 per cent offer has been made by the national employers whereas the MTFS had assumed 1 per cent.

The table below shows the factors which give rise to the £1.696m "gap" for 2018/19:-

CHANGES TO BASE BUDGET	**£'000**
ADDITIONAL INCOME	
Fees and Charges	114
TOTAL ADDITIONAL INCOME (A)	**114**
ADDITIONAL EXPENDITURE & LOSS OF INCOME	
Reduction in Government Funding	471
Government funding re Business Rates Baseline	(112)
New Homes Bonus - Revised Scheme	518
Provision for Pay Awards	301
Incremental Pay Rises for Staff	64
Superannuation increase in employers contribution	296
Price Increases e.g. energy, fuel, rates, insurances, supplies & services	46
Adjustments re One-Off items in 2017/18	126
TOTAL ADDITIONAL EXPENDITURE AND LOSS OF INCOME (B)	**1,710**
OTHER ITEMS	
NEW PRESSURES	
Castle House Project - holding costs in respect of the Civic Offices	(100)
Other New Pressures, e.g. debit/credit card charges, insurance premiums, reduction in summons costs	200
TOTAL NEW PRESSURES (C)	**100**
NET INCREASE IN BASE BUDGET (B + C- A)	**1,696**

3.5 Members, under both the previous administration and the new one, and your officers have been identifying and considering ways of eliminating the 2018/19 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 both feasible and sustainable. The proposed savings, totalling £1.676m to £1.696m (dependent on the level of council tax increase proposed), are outlined in the table below and set out in detail in Appendix 3:

Category	Amount	Comments
	£'000	
Procurement	50	Rationalisation of Multi-Function devices and negotiation of contract pricing
Staffing Efficiencies	461	No redundancies are anticipated to arise from these proposals
Good Housekeeping Efficiencies, General Other Savings, Changes in Base Budgets	289	Various savings arising from more efficient use of budgets
Alternative Sources of Finance/ Other Savings	794 to 814	New Homes Bonus funding, savings from negotiated contribution rates and advanced

		payments of superannuation contributions, effect of forecast Council Tax Base increase, savings from Parish Council concurrent functions contributions, capitalisation of equipment purchases. An increase in Council Tax of either £5 per band D property (equivalent to 2.7%) or 2.99% per band D property.
Savings Currently Being Reviewed	82	Savings to be confirmed
Total	**1,676 to 1,696**	

3.6 As in previous 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 27 November 2017. The Committee did not request any additional information as a result of its consideration of the plan and will scrutinise this Cabinet report at its meeting on 24 January.

3.7 A decision is required as to how much to increase council tax from its 2017/18 level. When the 2017/18 council tax was considered Cabinet and Council decided to increase the tax by £5.00 (an increase of 2.77%).

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 2018/19. He is proposing that district councils are permitted to increase the tax levy by up to 3 per cent or by an additional £5, if this produces a larger amount of income, which is the same principle as applied to 2017/18 but using 3 per cent rather than 2 per cent as one of the two measures. If the Council were to increase tax to a point below the referendum threshold, the amount of additional income would equate to £68k for a 1.00 per cent increase (the equivalent of a 3.6p per week on a Band D property) and a proportionate amount for a different percentage. An increase of £5.00 (2.70 per cent) would result in £184k of additional income, whilst an increase of 2.99 per cent would result in £204k of additional income. The table below shows the effect of a £5 (2.70 per cent) and a 2.99 per cent Band D increase across all the council tax bands, as an annual amount and a weekly amount.

Band	£5 (2.70 per cent) Increase		2.99 per cent Increase	
	Annual Increase	Weekly Increase	Annual Increase	Weekly Increase
	£ p	£ p	£ p	£ p
A	3.33	0.06	3.69	0.07
B	3.89	0.07	4.31	0.08
C	4.44	0.09	4.92	0.09
D	5.00	0.10	5.54	0.11
E	6.11	0.12	6.77	0.13
F	7.22	0.14	8.00	0.15
G	8.33	0.16	9.22	0.18
H	10.00	0.20	11.07	0.21

Currently the savings and funding strategy, referred to in paragraph 3.5 and set out in Appendix 3, shows two possible scenarios for a tax increase: a 2.99 per cent increase producing £204k of additional income and a £5 (2.70 per cent) increase producing £184k additional income. If it is proposed to increase it by less than 2.99 per cent, then there will be a need to find further savings to make good the shortfall.

4. Medium Term Financial Strategy - 2018/19 to 2022/23

4.1 The MTFS is being continually reviewed for 2018/19 to 2022/23. The shortfalls were estimated as follows in the MTFS approved by Cabinet in September 2017:

£1.497m in 2019/20
£0.894m in 2020/21
£0.606m in 2021/22
£0.433m in 2022/23

4.2 The national local government employers' pay offer of a pay increase of 2.0% for both 2018/19 and 2019/20 means that the shortfall in 2019/20 will increase by at least £0.165m. Certain decisions taken in respect of the 2018/19 budget could also impact on future years' budgets.

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.

5. Capital Programme 2017/18 - 2018/19

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 2018/19 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 The Council has commissioned a stock condition survey of its operational and commercial buildings and structures. This will identify and cost work that needs to be done in respect of each asset over the next few years, categorising it according to degree of urgency. The survey is not due to be completed until April/May 2018, after the capital programme is submitted to Full Council for approval on 21 February. It is possible that the survey will identify some urgent work which needs to be carried out in 2018/19 and which has not been included in the draft capital programme. Additionally, the cost of already identified works may change. Should this be the case, it will be necessary to reflect this in a revised Asset Management Strategy and Capital Programme in due course.

5.3 Attached at Appendix 4 is the updated capital programme 2017/18 to 2018/19 based on current commitments and agreed schemes plus a number of new schemes which are vital to ensure continued service delivery. New schemes total £1.552m. The remainder of items included in the Programme (totalling £1.047m) relate to continuing expenditure on current schemes, funding for which has already been approved and the externally funded disabled facilities grants.

5.4 The programme for 2018/19 is 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 significant capital receipts arising (and will not now do so until at least towards the end of the final quarter of

2018/19), only a limited programme of schemes can be supported. Accordingly, the programme to be funded from Council resources has been limited to an amount of £1.552m, which is considered to be the most that can be prudently put forward at the present time following an assessment of receipts thought reasonably likely to arise by the end of 2018/19. The schemes included are those which most urgently need to be carried out to ensure continued service delivery or to safeguard income. If the anticipated capital receipts are not forthcoming the Council will have to borrow to fund the expenditure which will have an impact on the Revenue Budget in 2019/20.

5.5 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) In summary, expenditure of £2.599m shown in the proposed programme for 2018/19 at Appendix 4 comprises:

	£m
(a) New Schemes funded by the Council from Capital Receipts	1.552
(b) New Schemes funded from External Sources (Disabled Facilities Grants)	1.000
(c) Schemes brought forward from the original 2017/18 Programme	0.047
Grand Total	2.599

Funding for Item (c) has already been approved in February 2017 when the 2017/18 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	Funding: Capital Receipts
	£'000s	£'000s	£'000s
Housing Programme			
Disabled Facilities Grants	1,000	1,000	0
Replacement Vehicles and Equipment			
Vehicles	938		938
Waste Bins	150		150
Baler	25		25
Capitalisation of Equipment Purchases and Repairs previously included in Revenue Budget	160		160
Stock Condition Works			
Jubilee 2 - Stairs, Roof and Glazing Works	80		80
Depot - Garage Workshop	20		20
Car Park Rear High Street Newcastle	60		60

Public Railings Painting	13		13
Roadbridge over former railway, Audley	50		50
Merrial Street - Water main diversions	30		30
Lancaster Buildings	6		6
Commercial Portfolio - Energy Efficiency Works	20		20
TOTAL	**2,552**	**1,000**	**1,552**

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 2018/19 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 2018/19 since the underlying strategies remain the same (although Members will note an item elsewhere on this agenda regarding the latter).

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 2017/18 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 7 February 2018 and the full Council on 21 February 2018.

7. Legal and Statutory Implications

7.1 The Council is required to set its Council Tax for 2018/19 by 11 March 2018. However, it is planned to approve the final budget and council tax rates on the 21 February 2018.

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 2018/19 budget and Council Tax levels is:-

When	Who	What
17 January	Cabinet	Consideration of draft budget proposals
24 January	FRAPSC	Scrutiny of the draft budget proposals
7 February	Cabinet	Final budget proposals to be recommended for approval by Full Council
21 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 2018/19 to 2021/22 (Cabinet 18 October 2017);

11. **List of Appendices**

Appendix 1: Key Council Plan Outcomes in 2017/18
Appendix 2: Key Future Activities 2018/19
Appendix 3: Savings and Funding Strategies
Appendix 4: Capital Programme 2017/18 to 2018/19.

Appendix 1

Key Council Plan Outcomes in 2017/18

Reference number	Achievements 2017-18
1.1	The Council's website achieved three stars out of four in the Society of Internet Management (SOCITM) annual assessment of all public sector websites, rising from two stars rating the year before and also received the Plain English Crystal Mark.
1.2	Customer Services has maintained its Customer Service Excellence (CSE) accreditation for the 6th year, by demonstrating continuous improvement in all areas of the Standard. Customer Services has supported relevant front line services to achieve accreditation, with the Planning Service, Leisure Services and Revenues & Benefits all now achieving accreditation.
1.3	In 2017, improvements have been delivered to the taxi licensing service to make it more responsive to customers, and improve efficiency and process in the back office.
1.4	Environmental Health worked with other agencies to undertake a review of HS2 proposals and also to develop an action plan to improve air quality within the Borough.
1.5	Public Space Protection Orders for dog control implemented across the Borough.
1.6	Undertaken a multi-agency review of licensed premises to protect and safeguard public use of premises and ensured the continuity of service from Licensing Administration.
1.7	A review of the Safeguarding Policy was undertaken this year and a range of Safeguarding training was delivered to Members and staff. There was also a programme of Child Sexual Exploitation (CSE) awareness training to staff, members, partners and taxi drivers.
1.8	With regard to housing, we have removed 174 hazards to health from rented properties. 86 empty homes were also brought back into occupation (focussed on long term empty properties in poor condition with hard to reach owners. 62 residents were supported to live safely and independently by investing in home adaptations (year-end figure projected to be 120).
1.9	Continuation of the national food hygiene rating scheme work for food businesses, with a total of 270 food safety inspections undertaken in 2017-18 with businesses in the borough and improved standards within several, consistently poor performing food businesses.
1.10	Obtained two successful prosecutions in the Magistrates Court for breach of a noise abatement notice with a full investigation costs award to the Council.
1.11	A successful multi- agency investigation of significant fly-tipping incidents and effective removal of the waste at a number of locations across the Borough
1.12	The Domestic Abuse service contract was extended this year, and saw the delivery of awareness campaigns and training to staff, members and partners.
1.13	The council has served a total of 790 pest control clients, 433 Dog clients and seized 50 stray dogs this year to date.
1.14	The Council have also worked with County colleagues to implement the Sustainable Transport Strategy resulting in £700K of investment to improve pedestrian access to the town centre bus station and create the much improved Red Lion Square.

1.15	The Council has worked with the Council's preferred developer Henry Davidson Developments and the County Council to facilitate the redevelopment of the Ryecroft site for a retail led scheme including student accommodation to support the regeneration of the town centre.
1.16	In 2017-18, with the County Council and partners, the Council have worked to complete Castle House which will provide improved customer services with other statutory partners, including an improvement scheme to Queens Gardens.
1.17	Officers have worked to find an alternative delivery provision for the management of Newcastle Outdoor Market and have now procured a contract.
1.18	The Newcastle Business Boost Awards has the aim inspiring enterprise activity in the Borough by getting businesses to think more strategically about their future development – thus increasing the wealth and employment opportunities available. In 2017, 18 submissions reached the final stage. The entrants came from a variety of sectors including manufacturing, design, retail, hospitality, transport, recruitment and finance. The value of the prizes awarded was approximately £10,500.
1.19	In 2017, 7 Green Flag Awards were gained for our strategic parks and cemeteries and the Council won the Regional and National Britain in Bloom competition in the small city category.
1.20	The Open Space Strategy and Green Infrastructure Strategies was adopted to support the development of the joint Local Plan, and work was undertaken with community groups and partners to implement the recommendations of the Playing Pitch Strategy.
1.21	Working in partnership with a range of local partners the Council has secured a £165,000 Heritage Lottery funding bid to celebrate the life of Philip Astley in 2018. In addition, match funding was received from the Civic Society (£1,000) and the Weston Loan Fund (£1000) to support the Brampton Museum exhibition in 2018. The New Vic has secured £750,000 Arts Council funding for related events with support from Brampton Museum.
1.22	The Festival of Sport 2017 was a great event which ran throughout the month of May this year offering a variety of sports (17), with 98 activities and events, and encouraging 2,881 participants to engage and involving 127 volunteers.
1.23	Leisure services supported the delivery of the OPCC's SPACE scheme over the summer holidays.
1.24	The Council in partnership with Stoke on Trent City Council continued its preparation of a Joint Local Plan by completing a public consultation on Strategic Options in the summer of 2017 and with the publication of a Preferred Options document that will be the subject of a further consultation in February 2018.

Appendix 2

Key Future Activities 2018/19

Reference number	Planned Activities for 2018-19
1.1	In 2018-19 we will see the Council working towards a corporate Customer Service Excellence Accreditation across all service areas.
1.2	It is planned to increase Customer Self – Serve, and drive more services to encourage customers to access them online (to include, web chat, usage of mobile apps, texting, web forms, social media – twitter/face book, improve telephone functionality etc).
1.3	Improvements will continue in the Taxi Licensing service with the development and implementation of a new Taxi policy.
1.4	Implementation of new licensing regulations in relation to houses in multiple occupation which will enable the Council to tackle properties in poor condition and further investment in adaptations to homes of disabled residents to allow them to live independently or be cared for at home.
1.5	Environmental Health will implement the new Air Quality Action Plan.
1.6	The Local Police and Crime Plan for 2017-2020 has been reviewed and the Council will work to assist Office of Police Crime Commissioner (OPCC) to deliver key objectives in the year ahead.
1.7	Officers will assist the OPCC and the County Council with Joint Commissioning of pan-Staffordshire Domestic Abuse service from October 2018.
1.8	Work will continue with implementation of a land disposals programme in accordance with the forthcoming refresh of the Asset Management Strategy.
1.9	Officers will continue working with the Council's preferred developer Henry Davidson Developments and the County Council to facilitate the redevelopment of the Ryecroft site.
1.10	The masterplanning for Newcastle Western Extension in partnership with Staffordshire County Council and Keele University will continue in 2018-19.
1.11	Officers will work with the LEP Education Trust Programme Group to implement the Skills Strategy 2016-2020.
1.12	Compete in the Regional and National Champion of Champions Britain in Bloom competition.
1.13	In 2018/19, the museum will look to secure external funding to redevelop the museum in order to increase access and income thereby improving resilience and sustainability.
1.14	Another Festival of Sport is planned for May 2018 and officers plan to build on the excellent engagement and results from the event in April/May 2017.
1.15	The Council will continue to work with Stoke on Trent City Council on the preparation of a joint Local Plan including public consultation on a draft Local Plan during autumn 2018.

Appendix 3 - 2018/19 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	Communications	Multi-Functional Devices	50	67.6%	Rationalisation of number of devices following the move to Castle House, and entering into a new contract
			50		
			Staffing Related Efficiencies		
S1	All	Flexible Retirements	190	1.2%	Employees approved for flexible retirement
S2	Environmental Health	Health and Safety	12	28.7%	Replacement of Health and Safety Officer post with shared resource (South Staffordshire District Council)
S3	Environmental Health	Restructure	43	4.5%	Minor restructure of Environmental Health section
S4	Finance	Car Leasing Scheme	36	42.4%	Car leases not renewed following expiry
S5	Waste & Recycling	Restructure	20	6.5%	Minor restructure of Waste Strategy section
S6	Streetscene	Restructure	150	8.4%	Restructure of Streetscene, Community Wardens and Parks Attendant Service. This net saving of £150,000 allows for additional resources to be spent on tree work. It also includes full cost recovery from Staffordshire County Council in respect of Highways Ground Maintenance.
S7	Central Services	Staffing	10	9.6%	Minor change following the retirement of the Mayor's Secretary
			461		
			Good Housekeeping/General Other Savings/Changes in Base Budgets		
G1	Finance	Subscriptions	20	17.1%	Reductions in corporate subscriptions including CIPFA service for revenues and benefits and the Co-Operative Councils Innovation Network membership
G2	Assets	Public Sector Hub	37	TBC	Remainder of revenue savings from occupation of new public sector hub when compared to occupation of Civic Offices
G3	Assets	CCTV	20	33.3%	Reduction in costs of monitoring and equipment maintenance
G4	Business Improvement &Partnerships	Grants	37	50.0%	Balance of grants budget following the introduction of a Borough lottery to replace current grants process, with proceeds distributed to local good causes and charities
G5	Customer & ICT Services	Reduction in Computer Software Costs	20	4.8%	Reduction in budgetary requirement for computer software costs
G6	Central Services	Council 2018	60	19.7%	Reduction of the number of elected members
G7	Leisure & Cultural	Community Centres	14	25.9%	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

G8	Leisure & Cultural	New Victoria Theatre Grant	10	14.9%	Phased reduction of grant given over a 5 year period agreed as part of the 2015/16 budget setting process
G9	All	Good Housekeeping Savings	50	TBC	Reductions in budgetary requirements for supplies and services
G10	Central Services	Members Expenditure	21	6.3%	Members allowance savings re. reduction in Cabinet members from 7 to 6, reduction in Mayoral Allowance of 25% and discontinuation of members' IPAD's scheme
			289		
		Alternative Sources of Finance/Other			
A1	Corporate	Superannuation Lump Sum	137	7.9%	Negotiation of contribution rate and discount for payment to the Pensions Actuary in advance of superannuation lump sums
A2	Corporate	Capitalisation	160	TBC	Capitalisation of anticipated equipment purchases
A3	Corporate	Council Tax Base	48	0.7%	Increase in Council Tax Base (forecast increase of 260 residential properties)
A4	Corporate	New Homes Bonus contribution	157	9.7%	Further additional New Homes Bonus funding to be received in 2018/19.
A5	Corporate	Council Tax Increase	184 to 204	2.7% to 2.99%	Assumed increase of either £5 per Band D equivalent property (£184,000), or 2.99% per Band D equivalent property (£204,000)
A6	Corporate	Parish Council Section 136 Contributions	15	25.0%	Reduction of 25% of the 2016/17 payment made to Parish Councils for concurrent functions as agreed as part of the 2017/18 budget setting process
A7	Corporate	Business Rates	43	1.0%	Additional revenue generated through the Business Rates Retention system
A8	Corporate	Contributions to Earmarked Reserves	50	40.0%	Reduction of contributions to the Cremators and Jubilee 2 equipment replacement funds by 40%
			794 to 814		
		Savings Currently Being Reviewed			
TBC1	Corporate	Potential savings currently being reviewed	82	TBC	A number of other areas are currently being looked at e g. payment of town centre CCTV costs by the Business Improvement District and savings associated with the Council's Digital Delivery project
			82		
		Grand Total	***1,676 to 1,696***		

Appendix 4

NEWCASTLE-U-LYME BOROUGH COUNCIL CAPITAL PROGRAMME 2017/18 TO 2018/19

PROJECTS WITHIN CAPITAL PROGRAMME THEMES	2017/18 Est Exp	2018/19 Est Exp	Total Exp	External Contributn	Council Financing
	£'000	£'000	£'000	£'000	£'000
IMPROVING HOUSING IN THE BOROUGH					
HIP Disabled Facilities Grants	1,000	1,000	2,000	2,000	0
SUB TOTAL	**1,000**	**1,000**	**2,000**	**2,000**	**0**
INVESTING IN COMMUNITY FACILITIES					
Footpaths Repairs	25	0	25	0	25
Play Area Refurbishment	56	0	56	0	56
Railings,/Structures, Repairs	25	0	25	0	25
Public Railings Painting	25	13	38	0	38
Crematorium Petal Garden	20	0	20	0	20
Crematorium Monthly Gardens	5	0	5	0	5
Thistleberry Parkway	1	0	1	1	0
Cemetery Memorial Survey Works	10	0	10	0	10
Wolstanton Marsh Improvements	2	0	2	0	2
Pool Dam Marshes Nature Reserve	0	47	47	47	0
S106 Works Lowlands Road	27	0	27	0	27
Jubilee 2 Stairs, Roof and Glazing Works	0	80	80	0	80
SUB TOTAL	**196**	**140**	**336**	**48**	**288**
COMMUNITY CENTRES					
Silverdale CC Roof Damage	18	0	18	0	18
SUB TOTAL	**18**	**0**	**18**	**0**	**18**
SAFEGUARDING THE BOROUGH'S HERITAGE					
Museum	6	0	6	0	6
SUB TOTAL	**6**	**0**	**6**	**0**	**6**
INVESTING FOR THE FUTURE					
Strategic Investment Framework/Markets Software	9	0	9	0	9
Ryecroft Development	3	0	3	0	3
Knutton Lane Depot - Garage Workshop	0	20	20	0	20
Asset Site Disposal Tranche 2 Fees	165	0	165	0	165
New Waste Service - Vehicles, Equipment and Premises	439	0	439	0	439
ICT Projects	72	0	72	0	72
Customer Relationship Management	5	0	5	0	5
Castle House *	3,676	0	3,676	0	3,676
Midway Car Park - Structural Repairs & Lighting Maintenance	20	0	20	0	20
Car Park Rear High Street Newcastle - Stock Condition Works	0	60	60	0	60
Roadbridge over former railway, Audley	0	50	50	0	50
Merrial Street - Water Main Diversions	0	30	30	0	30
Lancaster Buildings - Stock Condition Works	0	6	6	0	6
Commercial Portfolio - Energy Efficiency Works	0	20	20	0	20
Subway Improvement Programme	15	0	15	15	0
SUB TOTAL	**4,404**	**186**	**4,590**	**15**	**4,575**
VEHICLES PLANT AND EQUIPMENT					
Vehicles	289	938	1,227	0	1,227

Waste Bins	25	150	175	0	175
Baler	0	25	25	0	25
Equipment and capitalised repairs	0	160	160	0	160
SUB TOTAL	**314**	**1,273**	**1,587**	**0**	**1,587**
GRAND TOTAL	**5,938**	**2,599**	**8,537**	**2,063**	**6,474**

* A small amount of Castle House expenditure may fall into 2018/19, for example in relation to retention payments.

Sources of Funding	**2017/18 Est Exp**	**2018/19 Est Exp**	**Total Exp**
	£'000	**£'000**	**£'000**
External Contributions:			
Bettercare Fund (Disabled Facility Grants)	1,000	1,000	2,000
S106 Planning Contributions	16	47	63
Sub Total External Contributions	*1,016*	*1,047*	*2,063*
Council Financing:			
Other Revenue Funds (ICT Devel Fund)	72	0	72
Borrowing (Castle House)	3,677	0	3,677
Capital Receipts	1,173	1,552	2,725
Sub Total Council Financing	*4,922*	*1,552*	*6,474*
Capital Programme	**5,938**	**2,599**	**8,537**

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Members: Astle, Fear, Frankish, Pickup, Proctor, Spence, Stubbs, S. Tagg (Vacancy) P. Waring and Wright

FINANCE, RESOURCES AND PARTNERSHIP SCRUTINY COMMITTEE WORK PLAN

NEWCASTLE UNDER LYME BOROUGH COUNCIL

Chair: Councillor Mrs Winfield
Vice Chair: Councillor Spence

Portfolio Holder(s) covering the Committee's remit:
Councillor Stephen Sweeney – Deputy Leader (Finance & Resources)
Councillor Simon Tagg – Leader (Corporate & Services Improvement People and Partnerships)

This document sets out the work programme of the Finance, Resources and Partnerships Scrutiny Committee 2017/18
The Finance, Resources and Partnerships Scrutiny Committee may wish to scrutinize the following topic areas which fall under the remit of the Committee:

- Communications and consultation
- Council structure and democracy and constitutional review
- Customer contact and customer service centres
- Neighbourhood and locality working
- Partnerships: Newcastle Partnership Strategic Board
- Performance management and monitoring
- Revenues and benefits
- Risk Champion
- Accountancy
- Budget

- Capital and Revenue Expenditure
- Efficiency savings
- Financial monitoring
- Health & Safety Champion
- Human Resources
- Information and Communication Technology
- Procurement Champion
- Treasury Management
- Workforce Development
- Co-operative Council

We review the work programme from time to time. Sometimes we change it if something comes up during the year we should investigate as a priority. **Councillor Joan Winfield, Chair, Finance, Resources & Partnerships Scrutiny Committee.**

If you would like to know more about our work programme please get in touch with Jayne Briscoe, Democratic Services Officer on
01782 742250 or jayne.briscoe@newcastle-staffs.gov.uk

FINANCE, RESOURCES AND PARTNERSHIPS SCRUTINY COMMITTEE

Date of Meeting	Item	Reason For Undertaking
14 June 2017	Finance, Resources and Partnership Scrutiny Committee Work Plan	To discuss the Work Plan and potential topics that Committee Members would like to scrutinise over the forthcoming year
5 October 2017)	Draft Medium Term Financial Strategy	To review an update on the Medium Term Financial Strategy for 2018/2019 and the followihng four years, indicating the projected budgets for these eyars and the shortfall compared to available resources
	Report on the investigation by the Association of Election Administrators into the 8th June Election Process	To review the report and recommendations
1 November 2017 (agenda dispatch 24 October 2017)	Revenue Budget Savings 2018/19	To review progress on the completion of the revenue and capital budgets for 2018/2019 to enable a robust and affordable budget to be approved
	Scale of Fees and Charges	Review of the fees and charges which the Council makes in order to keep them in line with the cost of service provision and to establish the amounts to be included in the 2018/2019 budget
	Finance, Resource and Partnership Scrutiny Committee Work Plan	To discuss the work plan and potential topics that Committee Members would like to scrutinise over the forthcoming year
	Scrutiny of the time taken to answer calls to the Contact Centre including those transferred to the call holding system	Scrutiny Member request (now moved to 24 January meeting)

Date of Meeting	Item	Reason For Undertaking
1 November 2017 (agenda dispatch 24 October 2017)	Scrutiny of the process of how complaints are investigated following first contact via the Web Site	Scrutiny Member request
24 January 2018 (agenda dispatch 16 January 2018)	Draft Treasury Management Strategy 2018/19	
	Revenue and Capital Budgets 2018/2019	To consider the Revenue and Capital Budget 2018/2019 before it is considered by Council
	Scrutiny of the time taken to answer calls to the Contact Centre including those transferred to the call holding system	Scrutiny Member request
12 March 2018 (agenda dispatch 2 March 2018)	Review of the move to Castle House - specifically the HR implications and workforce development	Scrutiny Member request
13 June 2018 (agenda dispatch 5 June 2018)		