

Agenda



HYNDBURN

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Cabinet

Wednesday, 3 February 2016 at 10.00 am,
Scaitcliffe House, Ormerod Street, Accrington

Membership

Chair: Councillor Miles Parkinson (in the Chair)

Councillors Clare Cleary, Paul Cox, Munsif Dad, Gareth Molineux and Ken Moss

This Agenda gives notice of an item to be considered in private, as required by Regulation 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

AGENDA

PART A: PROCEDURAL AND INFORMATION ITEMS

1. **Apologies for Absence**
2. **Declarations of Interest and Dispensations**
3. **Minutes of Cabinet - 6th January 2016** (Pages 5 - 12)

To approve the Minutes of the last meeting of Cabinet held on 6th January 2016 (attached).



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4. Minutes of Boards, Panels and Working Groups (Pages 13 - 16)

To receive the Minutes of the meeting of the Cabinet Public Transport Group held on 15th October 2015 (attached).

PART B: PORTFOLIO ITEMS

5. Reports of Cabinet Members

To receive reports from Cabinet Members.

Portfolio Holder for Resources (Councillor Gareth Molineux)

6. Prudential Indicators and Treasury Management and Investment Strategy 2016-17 to 2018-19 (Pages 17 - 78)

Report attached.

7. Medium Term Financial Strategy 2016-17 to 2018-19 (Pages 79 - 128)

Report attached.

PART C: EXEMPT ITEMS

8. Exclusion of the Public

Recommended

- That, in accordance with Section 100A(4) Local Government Act 1972, the public be excluded from the meeting during the following item, when it is likely, in view of the nature of the proceedings that there will otherwise be disclosure of exempt information within the Paragraphs of Schedule 12A of the Act specified at the item.

Details of any representations received by the Executive about why the following report should be considered in public - none received.

Statement in response to any representations - not required.

Portfolio Holder for Housing and Regeneration (Councillor Clare Cleary)

9. Disposal of Land at the Junction of Hermitage Street and Parker Street, Rishton
(Pages 129 - 134)

(The report will contain exempt information under the Local Government Act 1972, Schedule 12A, Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information))

Report attached.

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CABINET

Wednesday, 6th January, 2016

Present: Councillor Miles Parkinson (in the Chair), Councillors Clare Cleary, Paul Cox, Munsif Dad and Ken Moss

In Attendance Councillors Tony Dobson and Paul Thompson

Apologies Councillor Gareth Molineux

339 Apology for Absence

An apology for absence was submitted from Councillor Gareth Molineux (Portfolio Holder for Resources).

340 Declarations of Interest and Dispensations

There were no declarations of interest or dispensations.

341 Minutes of Cabinet - 2nd December 2015

The Minutes of the meeting of Cabinet held on 2nd December 2015 were submitted for approval as a correct record.

Resolved - That the Minutes be received and approved as a correct record.

342 Minutes of Boards, Panels and Working Groups

The Minutes of the following meetings were submitted:-

- a) Regeneration and Housing Panel - 23rd November 2015
- c) Learning and Development Panel - 8th December 2015

Resolved - That the Minutes of the above meetings be received and noted.

343 Report of Urgent Cabinet Decision - Hyndburn Used Furniture Store

The Leader of the Council (Councillor Miles Parkinson) submitted a copy of a signed Urgent Cabinet Decision form relating to the waiving of the Council's Contract Procedure Rules in respect of tendering the service provided by Hyndburn Used Furniture Store and entering into a Service Level Agreement with that Organisation for the collection and re-use/recycle of bulky goods to cover the period up to 31st March 2018.

Resolved - That the Urgent Cabinet Decision be noted.

344 Reports of Cabinet Members

There were no reports.

345 Development Management Development Plan Document Consultation Draft

The Leader of the Council submitted a report seeking approval to allow the Consultation Draft of the Development Management Development Plan Document to be publicised for a six week consultation period. The Consultation Draft, together with a Customer First Analysis (Equality and Diversity Implications) were appended to the report. Approval of the report was not deemed a key decision.

Reasons for Decision

- 1) The Development Management Development Plan Document formed an important part of the new Local Plan for Hyndburn and set out the more detailed planning policies to be used by Development Management Officers in determining planning applications for the Borough.
- 2) Once completed, the Document would sit alongside the Core Strategy and Accrington Area Action Plan adopted by the Council in 2012 as part of the statutory development plan for the Borough. It would replace the majority of Local Plan (1996) Policies that remained extant and were now considered to be out of date.
- 3) The Consultation Draft took account of relevant national policy and guidance, responses received to previous consultation exercises, recommendations of a sustainability appraisal and any up to date evidence of relevance. There would be around 40 policies in total and in addition to those, the Development Plan Document would set out maps relating to relevant policy constraints referred to in the main document. There would also be a number of more detailed guidance notes.

Alternative Options Considered and Reasons for Rejection

The Development Management Development Management Document had been prepared in accordance with the Town and Country (Local Planning) (England) Regulations 2012. As the preparation of the Document had to be in accordance with that legal framework there were no alternative options for its preparation.

Resolved

- (1) That the content of the Development Management Development Plan Document Consultation Draft be approved and that a six week public consultation period starting in February 2016 be agreed; and,**
- (2) That authority be delegated to the Executive Director (Legal and Democratic Services) and the Chief Planning and Transportation Officer, in agreement with the Portfolio Holder for Planning, to make further necessary changes to the Development Management Development Plan Document, as they considered necessary or appropriate, prior to commencing public consultation.**

346 Regulation of Investigatory Powers Act 2000 - Half Yearly Report

The Leader of the Council submitted a half-yearly update report summarising the use of the powers conferred on the Council by Part II of the Regulation of Investigatory Powers Act 2000 (RIPA). During the period 1st May to 30th October 2015, there had been no applications for authorisations under RIPA and there were no authorisations outstanding. The lack of applications was mainly the result of changes to the RIPA regime that had come

- (3) That in accordance with the Local Authorities (Calculation of Tax Base) Regulations 2012, the amount calculated by the Council for its Council Tax Base for the Parish of Altham for the financial year 2016/2017 be 301.**

The following item was submitted as urgent business with the Chair's agreement in accordance with Section 100B(4) of the Local Government Act 1972, the reason being to ensure the latest up to date information was included in the report.

348 Financial Position 2015/2016 - Report to End of November 2015

On behalf of the Portfolio Holder for Resources (Councillor Gareth Molineux), the Leader of the Council submitted a report on the financial spending of the Council at the end of November 2015 and the prediction of the outturn position to the end of the financial year in March 2016. The financial detail of the report was appended to the report. The spend against Budget in the eight months of the year was £7,351,796 against a Budget of £7,544,144 leaving a positive variance of just over £192,000. The forecast spend for the year to 31st March 2016 was £11,300,000 against a Budget of £11,489,000. A surplus of £188,000 by the end of the 2015/16 financial year was forecasted, making a Budget surplus of slightly more than 1.6% on the overall activities of the Council. There was a small overspend on Parks and Cemeteries and Regeneration and Property Services was predicting a large adverse variance of £195,000. However, savings across other Budget areas outstripped those negative variances and the current prediction was for an overall surplus of £188,000 by the end of the financial year. Approval of the report was not deemed a key decision.

Reasons for Decision

To inform Cabinet of the financial spending of the Council at the end of November 2015 and the prediction of the outturn position to the end of the financial year in March 2016.

There were no alternative options for consideration or reasons for rejection.

- Resolved** - **That the report be noted and Corporate Management Team asked to continue to identify savings and generate a surplus on the 2015/2016 Budget to assist with future potential financial pressures on the Council.**

The following item was submitted as urgent business with the Chair's agreement in accordance with Section 100B(4) of the Local Government Act 1972, the reason being that the Department for Communities and Local Government had only confirmed their acceptance of the Lancashire Pool on 17th December 2015 and now required Council to indicate whether they intended to progress the offer by 14th January 2016. This Cabinet meeting was the only date available to consider the proposal. Previously the report would have gone to the February Cabinet meeting and formed part of the Council's Budget proposals.

349 Business Rate Pool for Lancashire

On behalf of the Portfolio Holder for Resources, the Leader of the Council submitted a report relating to a mechanism to increase the Council's financial resources in 2016/2017

and beyond from Business Rates by joining a Pooling arrangement with a number of other Lancashire Councils. Approval of the report was not deemed a key decision.

Reasons for Decision

1) The Business Rate Retention Scheme had commenced in 2013 and had fundamentally changed how Councils were funded from business rates. Under the scheme, 50% of business rates was localised through a system of top-ups and tariffs. The new system of Business Rates Retention had been designed to give an incentive to local authorities to grow their business rates base and the scheme had been devised to allow local authorities to benefit from that growth by retaining some of the financial growth that occurred above a baseline figure.

2) Each local authority had been given a business rate baseline funding level and if a Council received more than that level, it had to pay a levy on that growth to the Government. The levy varied by authority and Hyndburn currently paid a levy of 50% on all business rates collected above its baseline. Effectively the Council transferred 50% of the growth over to Central Government and retained the remainder.

3) The current system also operated a protection mechanism for authorities who experienced a decrease in their retained business rates income and that safety net mechanism guaranteed 92.5% of an authority's baseline funding level with the Government paying additional funds to a Council in that position to return them to a 92.5% funding point.

4) A core principle of pooling was that it was voluntary and up to local authorities to establish whether pooling would benefit them. Local authorities were therefore free to come together to form pools for Business Rate purposes. The pools could result in a significantly lower levy rate, or even a zero levy rate, which meant that more or all of the business rate growth could be retained within a pool area instead of being payable to the Government. Pools had to be designated by the Secretary of State for Communities and Local Government.

5) Lancashire had previously not considered forming a pool but work undertaken by the Lancashire Chief Finance Officers' Group in 2015 had indicated that forming a Business Rate Pool for 2016/2017 and beyond would provide financial benefits to all those who participated, if certain conditions were met. A submission to create a Pool with Member Councils from Lancashire had been approved as part of the Local Government Settlement on 17th December 2015 and the Pool would be formally created from the 14th January 2016. Once that date passed, a Council would not be able to withdraw from the Pool until the following year.

6) It was currently estimated that Hyndburn would benefit financially from a Pool arrangement and the potential financial loss of the Government safety net addition would be limited by the Council's ability to withdraw from the Pooling arrangement the following financial year. If a loss was incurred, it would be limited to a one year impact. In addition, given Hyndburn's current business rate performance, the probability of business rates falling to below 92.5% was considered to be remote.

Alternative Options Considered and Reasons for Rejection

The alternative option to remain outside a pool was not recommended as the Council would suffer a reduction of its resources by following that strategy.

Resolved (1) **That the Council joining a Lancashire Business Rates Pool be agreed;**

- (2) That the Deputy Chief Executive be delegated responsibility to finalise any detail on the Business Pooling arrangements and if necessary to give notice to withdraw from the Pool at any future point if circumstances indicated that would be appropriate; and,
- (3) That it be agreed that the funds stemming from Business Rate Pooling form part of the Council's Budget and that payment to Lancashire County Council and Ribble Valley under that arrangement go ahead from 2016/17.

The following item was submitted as urgent business with the Chair's agreement in accordance with Section 100B(4) of the Local Government Act 1972, the reason being that Blackburn and Darwen Borough Council were seeking written confirmation from interested partners of their commitment to the project. They had been looking to have that by the end of December 2015 but this Cabinet meeting was the earliest appropriate meeting at which a decision could be made.

350 CCTV Hub

The Portfolio Holder for Health and Communities (Councillor Munsif Dad) submitted a report on the development of a CCTV Hub and seeking approval, subject to a satisfactory service level agreement being prepared, to confirm the Council's commitment to the project. Approval of the report was not deemed a key decision.

Reasons for Decision

The Council's CCTV service was delivered under contract by Blackburn with Darwen Borough Council which had secured funding from the Department for Communities and Local Government and from the Home Office for the development of a new CCTV Monitoring Hub on the ground floor of King George's Hall, Blackburn. Part of the rationale behind the Hub was to provide capacity to enable other local authorities to pool their existing CCTV monitoring facilities. That pooling would produce economies of scale which it was anticipated would result in reduced costs to the participating authorities. At present, indicative costs provided a saving to Hyndburn Council but as it was not possible at this stage to determine the actual financial implications it was recommended that the written commitment sought by Blackburn with Darwen Borough Council be subject to the development of an acceptable Service Level Agreement.

Alternative Options Considered and Reasons for Rejection

The Council could choose not to support the project but that was not recommended as it meant the Council would not have an operational CCTV network or would have to re-establish a CCTV monitoring facility or identify a suitable partner to provide monitoring services.

Resolved

- (1) That the contents of the report be noted; and,
- (2) That authority be delegated to the Head of Regeneration and Housing to:

a) Write to Blackburn with Darwen Borough Council confirming Hyndburn Council's commitment to the CCTV Hub project subject to the development of an acceptable CCTV Monitoring Service Level Agreement; and,

b) To agree a Service Level Agreement with Blackburn with Darwen Borough Council in respect of CCTV Monitoring.

Signed:.....

Date:

Chair of the meeting
At which the minutes were confirmed

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Cabinet Public Transport Group

Thursday, 15th October 2015

- Councillors:** Councillor Miles Parkinson (Chair); Councillors Judith Addison, Clare Cleary, Munsif Dad, Bernard Dawson, and Tim O' Kane
- LCC:** Chris Anslow & County Councillor John Fillis (Cabinet Member for Highways & Transport)
- Public Transport Organisations:** Shaun Walmsley (General Manager- Transdev Lancashire) & Alan Pilkington (Pilkingtonbus)
- Public User Representative:** Robert Kenyon
- Officers:** Michael Cunliffe (Democratic Services) & Simon Prideaux (HBC Chief Planning & Transportation Officer)
-

1. Apologies for Absence, Substitutions and Declarations of Interest

No apologies for absence had been submitted prior to the meeting.

2. Minutes of Last Meeting

The minutes of the last meeting of the Cabinet Transport Group held on 12th March 2015, were submitted for approval as a correct record.

Agreed - That the minutes be received and approved as a correct record.

3. Matters Airing

There were no matters arising for discussion from the previous meeting.

4. Public User View

The Chair introduced Mr Robert Kenyon, a public user representative who was present at the meeting. He had submitted a written report which was circulated with the agenda.

A number of points in the report were discussed and answers provided to some of the questions and comments:

- The contractors proposed to hand over the bus station to LCC on the 22nd April 2016 although this was subject to change due to weather conditions impacting upon building works.
- Around one month would be required to finish the facility before public use and a date around the 22nd May 2016 had been proposed.
- Routes for buses had not been completed and consultations were taking place with operators.
- Real time information boards would be fitted in selected shelters throughout Hyndburn.
- A leasing agreement was being drafted with a view to a mobility service being provided and there was scope for a small coffee shop operation, similar to the one located in Accrington train station. LCC would produce a formal invitation process to allow for suitable bids to be presented for providing such a service.

The final question of the public user report asked what name was to be given to the new facility. The Chair, Councillor Miles Parkinson reported that discussions had taken place on this subject and it would be named after the late George Slynn, who had dedicated his life to public service and was a regular user of public transport. The Accrington Pals name would be used for the heritage square project which would be completed at a later date.

Shaun Walmsley, Operations Director for Transdev Lancashire provided information on the types of buses that may be in operation around the town centre.

Talks also took place about a bus being branded with Accrington Pals material to highlight the 100th year anniversary taking place in 2016.

Agreed - That the contents of the report and discussions be noted.

5. Pennine Reach- Update

Chris Anslow provided an update of the Pennine Reach scheme and the latest update on the project:

- All works in Rishton were complete after problems with the traffic light junction.
- The heritage bus shelter at Towngate in Great Harwood was part complete.
- A TRO was out for consultation for Sparth Road in Clayton le Moors and if approved work would commence in early January 2016.
- The Hare and Hounds junction was not yet finished and once completed would function differently.

Simon Prideaux reported that the car park on Canal Street was now complete and who would provide future maintenance as there was no obligation in the section 106 for upkeep of that area. A resident parking scheme was subject to approval and LCC would pay for the upkeep as the scheme was funded on an annual basis by residents via parking permits. The Chair added that the Clayton triangle was an important site and HBC would not want any obstacles to fail the development which had planning permission granted until May 2016.

Simon Prideaux added he was happy for the car parks to be maintained by LCC and be placed into the relevant contracts.

Councillor Tim O' Kane asked if the bus shelter at the Hare and Hounds junction was to be replaced and details were given about TRO for bus lanes being delayed until issues about residential parking and landowner negotiations had been completed.

The Chair enquired if the Greyhound traffic lights would be upgraded. It was reported that this work should now be completed although Alan Pilkington noted that with a change in road markings, it meant the lanes had been narrowed meaning two HGVs could not fit side by side in separate lanes.

Councillor Judith Addison commented on the bus stop opposite the Oswaldtwistle Civic Arts Centre and not having any sides to provide shelter. Chris Anslow reported that it could be due to the width of the pavement and would look into the matter.

The Church roundabouts were working well and a footpath would be completed once a CPO process had taken place with a landowner. Councillor Munsif Dad added the roundabouts seemed to be a good addition to the road network although one of the directional arrow lane markings was causing some confusion for drivers.

Agreed - That the verbal update be noted.

6. Accrington Bus Station- Update

Consultations had taken place about Accrington Town Centre with representations from the Chamber of Trade. This involved discussions on making Blackburn Road one way along with maximising parking spaces and the possibility of re-opening St James Street to traffic for vehicles travelling up Union Street. Heritage funding would see the refurbishment of buildings facing Accrington Town Hall and the development of a new square.

Work was taking place on King Street with improvements to the junction with Blackburn Road and the creation of entrance points to the new bus station. It would close again at the end of February 2016 to allow the station road layout to link in with the road network.

Agreed - That the verbal update be noted.

7. Railway Improvement- Church & Oswaldtwistle Station

Information attached to the agenda provided details from the Rotary Club of Church and Oswaldtwistle who had been upgrading the appearance of the local railway station.

After 12 months work the first phase was complete and the next part of the project would be to improve the subway area.

The Chair praised the efforts of community groups and noted the good work also done in Huncoat and Rishton at their railway stations.

Agreed - That the report and update be noted.

8. Northern Rail & Network Rail Update

No report or update had been submitted by Northern Rail and Network Rail who were both unable to be present at the meeting.

Mr Kenyon commented that with the Todmorden Curve now in operation there could be capacity to run services from Accrington to Manchester Victoria every 30 minutes in both circular directions if improvements were completed in the Bromley Cross area.

Councillor Dad reported that a piece of land at Paxton Street which belonged to Network Rail was overgrown and encroaching to the rear of shops located between the single viaduct arch and the junction with Paxton Street and Blackburn Road. This was causing a problem for the businesses located there with access issues to the back path for refuse purposes and the retaining wall looked to be in a dangerous condition.

Agreed - That the report be noted and details passed to Network Rail.

9. Other Business

Councillor Judith Addison commented that with all the Pennine Reach improvements, would the work undertaken be in vain if unauthorised parking continued along bus routes, such was the case on Blackburn Road at present between the single viaduct and junction of Willows Lane.

Chris Anslow reported that the Pennine Reach scheme would be providing an operation on illegal parking on selected routes which impact upon bus operations. Shaun Walmsley added that it was difficult to enforce as there was a small period of time to issue a ticket lawfully.

County Councillor John Fillis provided the meeting with information on rural bus services and how these would be supported in the future by bus companies and local parishes with a reduction in subsidies.

Mr Kenyon reported on successful case study in Cumbria where a parish provides a cost effective operation due to the use of smaller vehicles and local knowledge around timetable issues.

10. Date/Time of next meeting

The Chair reported that the next meeting of the Hyndburn Cabinet Public Transport Group would be arranged around late February or early March 2016 and all interested parties would be informed when a date and time are confirmed.

Signed:

Date:

Chair of the meeting
at which the minutes were confirmed.

Agenda Item 6.

REPORT TO:		CABINET; COUNCIL	
DATE:		3 FEBRUARY 2016; 25 FEBRUARY 2016	
PORTFOLIO:		Cllr Gareth Molineux - Resources	
REPORT AUTHOR:		Amanda Martin – Principal Accountant Stephen Brindle – Head of Accountancy Services	
TITLE OF REPORT:		PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT & INVESTMENT STRATEGY 2016/17 – 2018/19. MINIMUM REVENUE PROVISION POLICY STATEMENT 2016/17. TREASURY MANAGEMENT POLICY STATEMENT 2016/17. TREASURY MANAGEMENT PRACTICES 2016/17	
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	No	The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.	
KEY DECISION:			
	No	If yes, date of publication:	

1. PURPOSE OF REPORT

- 1.1 To set out the Council's policy and objectives with respect to treasury management, to explain how it will achieve its objectives and manage its activities; and to agree an investment strategy for 2016/17.

2 RECOMMENDATIONS

- 2.1 Cabinet are requested to recommend Council to:

- (i) adopt the prudential indicators and limits detailed in the report
- (ii) approve the treasury management strategy, and associated indicators, as set out in section 8 of the report
- (iii) approve the investment strategy as set out in section 13 of the report
- (iv) approve that the Minimum Revenue Provision (MRP) for year 2016/17 – Appendix 1
- (v) approve the Treasury Management Policy Statement 2016/17 – Appendix 2
- (vi) approve the Treasury Management Practices Statement 2016/17 – Appendix 3

3 REASONS FOR RECOMMENDATIONS

3.1 Treasury management is defined as:

The management of the Council's investment and cash flows, its banking, money market and capital market transactions;

The effective control of the risks associated with these activities;

And the pursuit of optimum performance consistent with those risks.

3.2 The Council is required to operate a balanced budget which means that cash raised during the year will meet cash expenditure. Part of treasury management is to ensure the cash flow is properly planned with cash available when needed. Surplus monies are invested in line with the Council's low risk preferences.

3.3 The second function of treasury management is funding the Council's capital plans. The plans give a guide to the future borrowing need of the Council. The management of this longer term cash flow may involve arranging long or short term loans or using longer term cash flow surpluses. Occasionally outstanding debt may be restructured to reduce Council risk or meet cost objectives.

3.4 The report has been prepared in line with the Treasury Management Code and Guidance (2013) written by The Chartered Institute of Public Finance & Accountancy (Cipfa). In the case of local authorities in England and Wales, the Code is significant under the provisions of the Local Government Act 2003. This requires local authorities 'to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify'. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 in paragraph 24 require local authorities to have regard to this guidance. Acceptance of this report fulfills those obligations.

4 THE PRUDENTIAL CODE AND PRUDENTIAL INDICATORS

4.1 The Prudential Code is a professional code that sets out the framework for self-regulation of capital spending and financing. This allows councils to invest in capital projects without any limit as long as such investment is affordable, prudent and sustainable. The Code was produced by Cipfa.

4.2 The Code requires the Council to agree and monitor a minimum number of prudential indicators (including limits and statements). They relate to affordability, prudence, capital expenditure, external debt and treasury management.

4.3 The indicators are purely for internal use and are not designed to be used as comparators between councils.

5 CAPITAL EXPENDITURE AND THE CAPITAL FINANCING REQUIREMENT

5.1 There is currently no specific restriction by the Government on Local Authorities' capital investment, subject to reserve powers. The Government has withdrawn the use of Capital Grants for capital expenditure purposes since 1st April 2011 as part of its measures to reduce public sector expenditure. Hyndburn Council's future financial plans assume no reliance on any direct capital grants from Government; expenditure will be funded by external funding, section 106 monies, capital receipts and contributions from revenue.

5.2 The projections in these tables are based on current continuing operations and no assumptions have been included for availability of new external finance for capital schemes or assessment for major organisational restructure.

ESTIMATED CAPITAL EXPENDITURE

	2014/15 Actual £000	2015/16 Revised Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
General Fund	4,191	5,834	4,893	2,640	785

The programme in 2016/17 and beyond is reducing due to the reduction in external funding and capital receipts which are available.

5.4 The Capital Financing Requirement (CFR) represents the Council's 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 need to borrow. Any capital expenditure, which has not immediately been paid for, will increase the CFR.

5.5 The movement in the CFR over the next three years is dependent on capital expenditure decisions. The CFR is currently reducing due to the payment of Minimum Revenue Provision (MRP), a statutory annual revenue charge, which broadly reduces the borrowing need.

5.6 The limiting factors on the Councils ability to finance additional capital expenditure are:

- o Whether the revenue resource is available to support in full the implications of both resource and running costs.
- o Use of Government reserve powers.

5.7 The Council's expectations for the CFR in the next three years are shown in the table below. The table also shows the expected external debt for each year.

5.8 A key risk for these indicators is that the level of government support and other funding sources may change.

5.9 If and when borrowing is used to finance the Authority's additional spend, the full cost of the borrowing will be included within the revenue budget and forecasts.

	2014/15 Actual £'000	2015/16 Revised Estimate £'000	2016/17 Estimate £,000	2017/18 Estimate £,000	2018/19 Estimate £,000
Capital Financing Requirement					
CFR – General Fund	11,058	10,703	10,303	10,007	9,447
External Debt					
Borrowing	9,595	9,595	9,595	9,595	9,595
Other Long Term Liabilities	396	322	271	376	201
Total Debt 31 st March	9,991	9,917	9,866	9,971	9,796

Borrowing outstanding as at year-end 2014/15 and 2015/16 is based on, respectively, the Council's actual /revised estimated gross borrowing. The borrowing amount is also within the Operational Boundary (as defined below).

Other long-term liabilities relate to finance leases.

6 MINIMUM REVENUE PROVISION

- 6.1 Local Authorities are required each year to set aside an amount within their accounts to meet the cost of borrowings. This is historically known as the minimum revenue provision (for capital).
- 6.2 The MRP system was revised in March 2008 by regulation, which provides a duty on local authorities to make a prudent provision in respect of their debt levels rather than following a nationally set amount. In the statutory guidance issued by the Department for Communities & Local Government (DCLG), authorities were asked to prepare an Annual Minimum Revenue Provision (MRP) policy for approval by the Council. The four options are set out in (Appendix 1).
- 6.3 For year 2015/16, the Council's Budget has provided for MRP to be calculated on the regulatory basis (option 1). This will continue for 2016/17 for all current outstanding borrowing.
- 6.4 If and when the Council reconsiders the options (3) or (4), estimated life periods will be determined on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.
- 6.5 The Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the DCLG guidance would not be appropriate.

7 AFFORDABILITY PRUDENTIAL INDICATORS

- 7.1 Within the prudential code framework, the Council is required to assess the affordability of the capital investment plans. These provide an indication of the impact of capital investment plans on the Councils overall finances.
- 7.2 **Actual and Estimates of the ratio of financing costs to net revenue stream**
This indicator identifies the ratio of financing costs as a percentage of the net revenue budget.

Ratio of Financing Costs to net revenue stream

	2014/15 Actual	2015/16 Revised Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
General Fund	4%	4%	4%	4%	4%

7.3 Estimates of the incremental impact on capital investment decisions on the Council Tax

This identifies the revenue impact of the proposed changes in the three year capital programme on Band D Council Tax.

Incremental impact from 2015/16 of capital investment decisions on the Band D Council Tax

	Proposed Budget 2016/17	Forward Projection 2017/18	Forward Projection 2018/19
Council Tax – Band D	£-0.73	£0.10	£1.48

In calculating this indicator allowance is made for the impact of any borrowing supported by revenue grant from the Government.

8 TREASURY MANAGEMENT STRATEGY 2016/17 – 2018/19

8.1 The importance of treasury management has increased as a result of the freedoms provided by the Prudential Code. Treasury Management covers the borrowing and investment activities and the effective management of associated risks; and the activities are strictly regulated by statutory requirements and a professional code of practice (CIPFA Code of Practice on Treasury Management in public services, as revised or supplemented by CIPFA from time to time).

8.2 This strategy covers the:

- current treasury position;
- expected movement in interest rates;
- Council’s borrowing and debt strategy;
- Treasury Management indicators;
- Debt re-scheduling; and the
- Council’s investment strategy.

8.3 Current Treasury Position

	2014/15 Actual £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
External Debt					
Debt at 1 st April	11,295	9,595	9,595	9,595	9,595
Expected Change in Debt	(1,700)				
Other long-term liabilities	396	252	271	376	201
Actual Gross Debt at 31st March	9,991	9,847	9,866	9,971	9,796
The Capital Financing Requirement	11,282	10,702	10,303	10,007	9,447
Under / (Over) Borrowing	1,291	855	437	36	(349)

- 8.3.1 The current position of the treasury function, and its expected change in the future, introduces risk to the Council from an adverse movement in interest rates. The Prudential Code is constructed on the basis of affordability, part of which is related to borrowing costs and investment returns.
- 8.3.2 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. In general the requirement is that CFR exceeds gross debt. This is currently the situation in 2015/16, and it is expected to continue throughout 2016/17 and 2017/18. However in 2018/19 it is possible that the gross debt will exceed CFR. This will be due to the annual payment of Minimum Revenue Provision. The remaining debt would attract excessive premiums if it were prematurely repaid.
- 8.3.3 The requirement to have CFR exceed gross debt centers around providing an assurance that borrowing is not taking place for revenue purposes. However, as the Council is not borrowing any additional funds at this time, this is not an issue.

8.4 **Expected movement in interest rates**

- 8.4.1 The Council appointed Capita Asset Services Ltd as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Capita’s view of the movement in interest rates.

	Qtr 1 2016	Qtr 2 2016	Qtr 3 2016	Qtr 4 2016	Qtr 1 2017	Qtr 2 2017	Qtr 3 2017	Qtr 4 2017	Qtr 1 2018	Qtr 2 2018	Qtr 3 2018
Base Rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
5 yr PWLB	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%
10 yr PWLB	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%
25 yr PWLB	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%
50 yr PLWB	3.20%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%

- 8.4.2 Capita have also provided comprehensive economic forecasts which are available for inspection if required.

8.5 **Borrowing and Debt Strategy 2016/17 – 2018/19**

- 8.5.1 The Prudential Code and the uncertainty over future interest rates increases the risks associated with the treasury strategy. As a result the Council needs to take a cautious approach to its treasury strategy.
- 8.5.2 The borrowing strategy for 2016/17 should be set to take short dated borrowings at any time in the financial year. Short term borrowing is expected to be cheaper than long term borrowing and will therefore be attractive throughout the financial year compared to simply taking long term fixed rate borrowing.
- 8.5.3 The borrowing strategy will be to borrow on fixed rate terms rather than variable.

9 EXTERNAL DEBT OVERALL LIMITS

- 9.1 There are two Prudential Indicators which control the overall level of borrowing. These are:
- The authorised limit
 - The operational boundary
- 9.2 The authorised limit represents the Councils total borrowing limit, covering short and long term debt. It is the **maximum level** of borrowing which the authority is expected to experience at any point within the year, inclusive of headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003 and needs to be set by Members and later (if necessary) revised by Members.
- 9.3 The operational boundary is the **anticipated level** of external debt during the course of the year. This indicator is primarily an internal monitoring tool that provides a warning of the potential breach of the Authorised Limit for External Debt; and it also informs whether the plans regarding capital expenditure are on target and whether cash flows are proceeding as planned.

	2015/16 Revised Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
Authorised limit for external debt				
Borrowing	35,000	35,000	35,000	35,000
Other long term liabilities	0	0	0	0
Total	35,000	35,000	35,000	35,000
Operational boundary for external debt				
Borrowing	20,000	20,000	20,000	20,000
Other long term liabilities	0	0	0	0
Total	20,000	20,000	20,000	20,000

- 9.4 The Authorised Limit includes the borrowing requirement for unexpected cash movements, which is permitted under the Code. Examples of unexpected cash movements include service delivery failure, or possible clawback of government monies.

10 EXTERNAL v INTERNAL BORROWING

	2014/15 Actual £000	2015/16 Probable outturn £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
Actual external Debt	9,991	9,917	9,866	9,971	9,796
Cash balances	20,216	20,268	4,920	50	50
Net Debt	(10,225)	(10,351)	4,946	9,921	9,746

- 10.1 The Council currently has a difference between gross debt and net debt (after deducting cash balances) of £10.351m.

- 10.2 The general aim of this treasury management strategy is to reduce the difference between the two debt levels in order to reduce the credit risk incurred by holding investments. However, measures previously taken have already reduced substantially the level of credit risk so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.
- 10.3 The next financial year is expected to continue to be one of historically abnormally low Bank Rate, at least for most of the financial year.
- 10.4 Against this background caution will be adopted with the 2016/17 treasury operations. The Deputy Chief Executive will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body.

11 LIMITS ON ACTIVITY

- 11.1 The Prudential code in April 2004 introduced four indicators:
- Upper limits on variable rate exposure. This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.
 - Upper limits of fixed rate exposure. Similar to the previous indicator this covers a maximum limit on fixed interest rates.
 - Maturity structures of borrowing. These gross limits are set to reduce the Council's exposure to large fixed sums falling due for refinancing at the same time.
 - Total principal funds invested for a period longer than 364 days.
- 11.2 The aim of the prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest or borrowing decisions which could impact negatively on the Council's overall financial position.
- 11.3 The proposed local limit of 100% on variable rate loan debt, as shown in the following table, relates to the potential situation where maturing fixed rate is not replaced.

Treasury Management Indicators

	2015/16 Upper	2016/17 Upper	2017/18 Upper
Limits on fixed interest rates	0%	100%	100%
Limits on variable interest rates	100%	100%	100%
Maximum principal sums invested for over 364 days	£3m	£3m	£3m

11.4 The Council must set upper and lower limits for the maturity structure of its borrowings.

Proposed limits for Maturity Structure of Borrowing

Period to maturity of debt	Upper Limit	Lower Limit
Under 12 months	100%	0%
12 months and within 24 months	0%	0%
24 months and within 5 years	0%	0%
5 years and within 10 years	0%	0%
10 years and above	0%	0%

The maturity in the under 12 month period relates to a short term fixed rate loan and also Lender Option, Borrower Option (LOBO) loans. From 2011/12 the maturity date of a LOBO is now deemed to be the next call date. The LOBO's have six monthly call dates.

12 DEBT RESCHEDULING

12.1 CIPFA issued an updated Statement of Recommended Accounting Practice (SORP 2007) incorporating, for financial instruments, Financial Reporting Standard 25 (Presentation & Disclosure), FRS 26 (Recognition & Measurement) and FRS 29 (replacement disclosure requirements). This presented major potential changes in the treatment of the valuation of debt and investments, the calculation of interest and the treatment of premiums and discounts arising from debt rescheduling. The SORP removed the ability to spread premiums and discounts arising under debt rescheduling over the life of replacement borrowing.

In the main, the above mentioned financial reporting standards have converged with international standards for 2011/12 and onwards reporting.

In exceptional circumstances the Deputy Chief Executive may approve rescheduling under emergency powers, e.g. where swift action is required to secure favourable rates.

This action would be reported to Cabinet.

13 INVESTMENT STRATEGY

13.1 The Council will have regard to the DCLG revised guidance on Local Government Investments; and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance notes revised in 2011. The Council's investment priorities are:-

- The security of capital
- The liquidity of its investments

The Council will also aim to achieve optimum return on its investments commensurate with proper levels of security and liquidity.

13.2 The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council does not engage in the activity.

13.3 If the Council is in a position where it has surplus funds for a period of time, competitive quotations will be sought from a range of institutions with a view to making a temporary investment. Investments will be placed with the most cost-effective institution, taking dealing

costs into account. The Council uses the services of City brokers to identify the optimum investment opportunities.

13.4 The Council uses the credit ratings available from the three major credit rating agencies; Fitch, Moodys and Standard & Poor, to derive its lending criteria. All credit ratings will be monitored weekly. The Council is alerted to changes in Credit ratings through its use of the Capita Asset Services Ltd creditworthiness service. The creditworthiness service uses a sophisticated modeling approach with credit ratings from all three credit rating agencies. If a downgrade results in the counterparty no longer meeting the Councils minimum criteria, its further use as a new investment will be withdrawn immediately. If required new counterparties which meet the criteria are added to the list. The Credit ratings are supplemented by use of Credit Default Swap (CDS) spreads which give an early warning of likely changes in credit ratings.

13.5 Fully Nationalised Banks in the UK have credit ratings which do not conform to the credit criteria usually used by local authorities to identify banks which are of high credit worthiness. In particular, as they are no longer separate institutions in their own right, it is impossible for Fitch to assign to them an individual rating for their stand alone financial strength. Accordingly, Fitch have assigned an F rating which means that at a historical point of time, this bank has failed and is now owned by the Government. However, these institutions are now recipients of an F1+ short term rating as they effectively take on the credit worthiness of the Government itself i.e. deposits made with them are effectively being made to the government. They also have a support rating of 1; in other words, on both counts, they have the highest rating possible.

The other situation which could arise is where the Bank hasn't been fully nationalised but receives support from the UK Government, in which case the individual rating is E i.e. the Fitch definition is "A bank which requires external support".

13.6 Investment instruments identified for use in the financial year are classified as 'Specified' and 'Non-Specified' Investments. Counterparty limits will be as set through the Council's Treasury Management Practices.

13.7 Specified Investments are sterling investments of not more than one-year maturity. These are low risk assets and the possibility of loss of principal or investment income is very low. The investments are defined as:

1. The UK Government (such as the Debt Management Office, UK Treasury Bills or a gilt with less than one year to maturity).
2. A local authority, parish council or community council.
3. An investment scheme that has been awarded a high credit rating by a credit rating agency such as Standard and Poor, Moody's or Fitch.
4. Pooled Investment Vehicles (such as Money Market Funds) that have been awarded a high credit rating by a credit rating agency.
5. A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society).

13.8 Non Specified Investments include any other type of investment (i.e. not defined as specified above). These are sterling investments with:

1. Securities admitted to the Official List of the Stock Exchange, which are guaranteed by the UK Government (such as supranational bonds).
2. Gilt edged securities with a maturity of greater than one year.
3. Institutions not meeting the basic security requirements under the specified investments.

4. A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society), for deposits with a maturity of more than one year.

At the present time, the Council has no immediate plans to invest in non specified investments, in order to maintain the high security and liquidity of Council funds.

14 TREASURY MANAGEMENT PRACTICES (TMP)

CIPFA recommend that all of the following TMPs should be adopted, with the schedules where appropriate to the scope and nature of the treasury management activities undertaken:

TMP1 Risk Management

The Deputy Chief Executive will implement and monitor all arrangements for the identification, management and control of treasury management risk, reporting at least annually on this; relevant issues include liquidity risk management, interest rate risk management, security of investments, refinancing risk management, legal and regulatory risk management, fraud error and corruption issues, market risk management.

TMP2 Best Value and Performance Measurement

Commitment to best value and performance measurement in treasury management activities.

TMP3 Decision-making and Analysis

Full records to be maintained.

TMP4 Approved Instruments, Methods and Techniques

To list the instruments, methods and techniques that the authority will use to ensure that any risks involved are fully understood and evaluated.

TMP5 Organization, clarity, segregation of responsibilities, dealing arrangements.

Clear written statements of responsibilities, and arrangements for absence cover.

TMP6 Reporting requirements and management information arrangements

As a minimum, reports to be submitted to the Executive and Council on the strategy and plan to be pursued in the coming year, and on performance in the past year.

TMP7 Budgeting, accounting and audit arrangements

To be fully documented.

TMP8 Cash and cash flow management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the Deputy Chief Executive and aggregated for cash flow and investment management purposes. Cash flow projections to be prepared on a regular and timely basis.

TMP9 Money laundering

Where appropriate, to be alert to the possibility of money laundering, and to maintain procedures for verifying and recording the identity of counterparties etc.

TMP10 Staff training and qualifications

Recognising the importance of ensuring that staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them.

TMP11 Use of external service providers

Recognising the potential value of employing external providers of treasury management services in order to access specialist skills and resources, subject to evaluation of costs and benefits and proper documentation.

TMP12 Corporate governance

Commitment to the pursuit of proper corporate governance and the key recommendations of this Code; accordingly, the treasury management function to be undertaken with openness and transparency, honesty, integrity and accountability.

A full description of each TMP is at appendix 3.

15 POLICY ON THE USE OF EXTERNAL SERVICE PROVIDERS

The Council uses Capita Asset Services Ltd as its external treasury management advisor.

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

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

16 TREASURY MANAGEMENT STRATEGY IN-YEAR AND YEAR-END REPORTING

As well as the half-year update report to Cabinet , treasury management features, when appropriate, in revenue budget monitoring reports during the year; and the annual outturn of treasury management and indicators is reported to Cabinet as soon as practicable after the year end. In addition, in light of the revised code of practice, the Resources Overview and Scrutiny Committee was given by the Full Council, from March 2010 via addition to terms of reference, a role to monitor and review the Council's treasury management strategy and policies; and changes made to the Financial Procedures Rules include for that.

17 IMPLICATIONS

Issue	Comments
Financial Implications (including any future financial implications for the Council)	There are none arising directly from this report.
Legal and human rights implications	The Local Government Act 2003 (part 1) and associated regulations gave statutory recognition to the Prudential Code. Therefore there is a statutory backing to the background and local purpose of the report. Treasury Management activities of local authorities are prescribed by statute – the source of powers is, in England & Wales, the 2003 Act. ‘Statutory Guidance’ on investment is given by the DCLG to local authorities.
Assessment of Risk	There are inherent risks in capital finance and treasury management. When appropriate the risks are identified and assessed as part of the various recommendations made on Prudential Capital Finance and in the Council’s Treasury Management Strategy. Risks arising from Financial Instruments are also described and addressed in the Statement of Accounts’ related note.
Equality and diversity implications <i>A Customer First Analysis should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	There are no specific implications for customers’ equality and diversity arising directly from the recommendations in this report.

18 LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

List of Background Papers:

- [Part 1](#) of the Local Government Act 2003 and related regulations
- [The Prudential Code for Capital Finance in Local Authorities \(CIPFA 2011\)](#)
- CIPFA Code of Practice on Treasury Management in Public Services (revised 2011)
- The Council’s [Policy Statement on Treasury Management](#) (Full Council February 2015)
- The Council’s [Policy on Treasury Management Practices](#) (Full Council February 2015)
- Capital Programme reports
- Revenue Budget reports.

19 FREEDOM OF INFORMATION

The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.

Appendix 1

Minimum Revenue Provision Policy Statement 2016/17

Options in statutory guidance

Option 1: Regulatory method

Under the previous MRP regulations, MRP was set at a uniform rate of 4% of the adjusted CFR (i.e. adjusted for "Adjustment A") on a reducing balance method (which in effect meant that MRP charges would stretch into infinity). This historic approach must continue for all capital expenditure incurred in years before the start of this new approach. It may also be used for new capital expenditure up to the amount which is deemed to be supported by Government through the 'SCE allocation' (supported capital expenditure).

Option 2: Capital Financing Requirement method

This is a variation on Option 1 which is based upon a charge of 4% of the aggregate CFR without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation. The CFR is the measure of an authority's outstanding debt liability as depicted by their balance sheet.

Option 3: Asset Life method.

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure.

There are two methods of calculating charges under option 3:

- a. equal instalment method – equal annual instalments;
- b. annuity method – annual payments gradually increase during the life of the asset.

Option 4: Depreciation Method

Under this option, MRP charges are to be linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions) i.e. this is a more complex approach than option 3.

Appendix 2

Treasury Management Policy Statement 2016/17

Hyndburn Borough Council defines its treasury management activities as follows:-

1. The management of the 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.
2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

**Hyndburn Borough Council
Treasury Management Practices 2016/17**

Contents

		Paragraph
TMP 1	Treasury risk management	1.1 – 1.8.1
TMP 2	Performance measurement	2.1 – 2.3.5
TMP 3	Decision–making and analysis	3.1 – 3.1.3.3
TMP 4	Approved instruments, methods and techniques	4.1 – 4.6
TMP 5	Organisation, clarity and segregation of responsibilities, and dealing arrangements	5.1 – 5.10
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TMP 7	Budgeting, accounting and audit arrangements	7.1 – 7.4
TMP 8	Cash and cash flow management	8.1 – 8.6
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TMP 10	Training and qualifications	10.1 – 10.7
TMP 11	Use of external service providers	11.1 – 11.2
TMP 12	Corporate governance	12.1

TMP1 Risk Management

The responsible officer – Deputy Chief Executive - will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation’s objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and Management Information Arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set below.

1.1 Credit and Counterparty Risk Management

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty’s diminished creditworthiness, and the resulting detrimental effect on the organisation’s capital or current (revenue) resources.

This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods And Techniques. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

1.1.1 Policy on the use of credit risk analysis techniques

This organisation will use the Capita Asset Services creditworthiness service based on using the Fitch matrix tabled below and secondly applying the colours determined by minimum combinations of ratings to derive maturity limits as follows: -

Fitch Table

Minimum ratings 1	Fitch	Fitch
Short term	F1+	F1
Long term	AA-	A
Viability	AAA to A+	AAA to A+
support	1 or 2 or 3	1 or 2 or 3

Colour Table

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)

- Orange 1 year
- Red 6 months
- Green 100 days
- No Colour not to be used

In addition a credit default swap overlay is used as a further safeguard to give early warning of potential creditworthiness problems which may only belatedly lead to actual changes in credit ratings.

As this methodology is complex, readers are referred to the document “Capita Asset Services Credit Policy 2013-14” and “Modification to the Capita Suggested Methodology November 2015” for a full explanation. This document is available on the Capita website (www.capitaassetservices.com)

1. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors
3. The Treasury Management Consultant will also provide regular updates of changes to all ratings relevant to the council.
4. The responsible officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.
5. Credit ratings for individual counterparties can change at any time. The Principal Accountant is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties
6. The Council will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -
 - The quality financial press

- Market data
- Information on government support for banks
- The credit ratings of that government support

7. Maximum maturity periods and amounts to be placed in different types of investment instrument are as follows: -

Maturities up to a maximum of 1 year

Organisation	Minimum 'High' Credit Criteria	Max Amount	Max Period
Debt Management Agency Deposit Facility	-	£2m	1 year
Term Deposits - Local Authorities	-	£2m	1 year
Term Deposits – Banks & Building Societies	Short-term, Long-term, Viability, Support.	£2m	Colour Code Dependant but max of 1 year
Liquid Deposits - Nat West Bank	Short-term, Long-term, Viability, Support.	£3m	1 year
Money Market Funds	AAA long-term rating	£2m	1 year
UK Government Support to the banking sector	Sovereign Rating	£2m	1 year

Maturities in excess of 1 year

Organisation	Minimum 'High' Credit Criteria
Debt Management Agency Deposit Facility	-
Term Deposits - Local Authorities	-
Term Deposits – Banks & Building Societies **	Short-term, Long-term, Viability, Support.

Money Market Funds	AAA long-term rating
UK Government Support to the banking sector	Sovereign Rating

8. Diversification: this organisation will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following: -
- Maximum amount to be placed with any one institution - £2m - with the exception of a deposit in Nat West Liquidity Account where the investment will not exceed £3m.
 - Group limits where a number of institutions are under one ownership – maximum of £10m.
9. Investments will not be made with counterparties that do not have a credit rating in their own right. The definition of ‘**high credit quality**’ in order to determine what are specified investments as opposed to non specified investments which do not have high credit ratings is set out at the end of TMP1 in schedule 1.

1.2 Liquidity Risk Management

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation’s business/service objectives will be thereby compromised.

This organisation will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. This organisation will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

1.2.1. Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to minimise the balance held in the Council’s main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim.

1.2.2. Details of:

- a. Standby facilities

At the end of each financial day any unexpected surplus funds are transferred to the Nat West Liquidity Account which is available from the Council’s main bank. The balance on this account is instantly accessible if the group bank account becomes overdrawn.

- b. Bank overdraft arrangements

There is no overdraft arrangement for the Council's accounts. Bank Charges will be calculated on overdrawn amounts at base rate (currently 0.5%) plus 4%.

c. Short-term borrowing facilities

The Council may access temporary loans through approved brokers on the London money market. The approved borrowing limit for short term debt is £10m.

d. Insurance/guarantee facilities

There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

1.3 Interest Rate Risk Management

There is a risk that fluctuations in the levels of interest rates would create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

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

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

1.3.1 Details of approved interest rate exposure limits

The Treasury Indicators for 2016/17 include a figure of £35 million for External Debt – Authorised Limit.

1.3.2 Trigger points and other guidelines for managing changes to interest rate levels

The Treasury Indicators for 2016/17 include a figure of £20 million for External Debt – Operational Boundary.

1.3.3 Upper limit for fixed interest rate exposure

The Prudential Indicators for 2016/17 include an estimated exposure of 100% of principal sums outstanding in respect of borrowing at fixed interest rates.

1.3.4 Upper limit for variable interest rate exposure

The prudential Indicators for 2016/17 include an estimated exposure of 100% of principal sums outstanding in respect of borrowing at variable interest rates.

1.3.5 Policies concerning the use of instruments for interest rate management.

a. Forward Dealing

Consideration will be given to dealing from forward periods dependent upon market conditions.

b. Callable Deposits

The Council may use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non Specified Investments appended to the AIS.

c. LOBOS (borrowing under lender's option/borrower's option)

Use of LOBOs are considered as part of the annual borrowing strategy. All borrowing for periods in excess of 364 days must be approved by the Deputy Chief Executive.

1.4 Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

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

1.5 Refinancing Risk Management

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

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

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

1.5.1. Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a) the generation of cash savings at minimum risk;

- b) to reduce the average interest rate;
- c) to amend the maturity profile and /or the balance of volatility of the debt portfolio.

All rescheduling will be reported to the Cabinet at as soon as possible after the debt rescheduling exercise.

1.5.2. Projected Capital Investment Requirements

The Deputy Chief Executive will prepare a three year plan for capital expenditure for the Council. The capital plan will be used to prepare a three year revenue budget for all forms of financing charges.

The definition of capital expenditure and long term liabilities used in the Code will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

1.5.3. Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax. It will also take into account affordability in the longer term beyond this three year period.

The Council will use the definitions provided in the Prudential Code for borrowing (65), capital expenditure (66), capital financing requirement (67), debt (68), financing costs (69), investments (70), net borrowing (71), net revenue stream (72), other long term liabilities (73).

1.6 Legal and Regulatory Risk Management

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

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

1.6.1. References to Relevant Statutes and Regulations

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

English Authorities: -

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position
- Requirement to set a balanced budget – Local Government Finance Act 1992 section 32
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- Guidance on Investments ODPM 12.3.2004 (revised 1.4.10)
- Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006 Statutory Instrument No. 521
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- S.I. 2009 no. 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 no.265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
- S.I.2012 no 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.2) Regulations 2012

- S.I. 2013 no 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- 2012 no.1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulation 2012

Guidance and codes of practice

- CLG Revised Guidance on Investments 1.4.2010
- CLG guidance on minimum revenue provision – Feb 2012
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2011,
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2011
- CIPFA Prudential Code for Capital Finance in Local Authorities – guidance notes for practitioners 2013
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB circulars on Lending Policy
- The Non Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- Financial Conduct Authority's Code of Market Conduct
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

1.6.2. Procedures for Evidencing the Council's Powers/Authorities to Counterparties

The Council's powers to borrow and invest are contained in legislation.

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

Required Information on Counterparties

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

1.6.3 Statement on the Council's Political Risks and Management of Same

The Deputy Chief Executive shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

1.6.4 Monitoring Officer

The monitoring officer is the Executive Director – Legal & Democratic Services; the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

1.6.5. Chief Financial Officer

The Chief Financial Officer is the Deputy Chief Executive; the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

1.7 Fraud, Error and Corruption, and Contingency Management

There is a risk that an organisation could fail to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fail to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. This is commonly referred to as operational risk.

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

The Council will therefore:-

- a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
- b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.

- c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
- d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.7.1. Details of Systems and Procedures to be Followed, Including Internet Services

Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the responsible officer or authorised persons.
- Loan procedures are defined in the Council's Financial Regulations.

Procedures

- Electronic Banking procedures – A password and PIN number is required to access the Bankline system which is used to make electronic payments.
- CHAPS payments – Payments can only be authorised by agreed officers who have been notified to the current provider of our banking services.

Investment and borrowing transactions

- A detailed register of all loans and investments is maintained by the treasury team. This is regularly checked to the ledger.
- Adequate and effective cash flow forecasting records are maintained on spreadsheets to support the decision to lend or borrow.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Principal Accountant for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Principal Accountant for resolution.

Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution that the Council invests with.
- Brokers have a list of named officials authorised to agree deals..
- There is a separation of duties in the section between dealers and the checking and authorization of all deals.
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- Payments can only be authorised in a formal letter by an authorised signatory, the list of signatories having previously been agreed with the current provider of our banking services.
- There is adequate insurance cover for employees involved in loans management and accounting.

Checks

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- A debt charge/investment income listing is produced monthly when a review is undertaken against the budget for interest earnings and debt costs.

Calculations

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Treasury Team.

1.7.2. Emergency and Contingency Planning Arrangements

Disaster Recovery Plan.

Treasury Management related files (word and excel) are stored on the Council's 'H' Drive with arrangements for contingency/back-up. Backup facilities can be accessed off site.

In the event of a 'Bankline System' failure, manual procedures would be followed with information being provided from the Council's Bankers by telephone.

All members of the treasury management team are familiar with this plan and new members will be briefed on it.

1.7.3. Insurance Cover Details

Fidelity Insurance

The Council has 'Fidelity' insurance cover with Zurich Municipal Insurance. This covers the loss of cash by fraud or dishonesty of employees.

This cover is limited to £2m for 12 designated officers, and for all other officers £140k, for any one event with an excess of £5,000 for any one event

Officials Indemnity Insurance

The Council also has an 'Officials Indemnity' insurance policy with Travellers which covers loss to the Council from the actions and advice of its officers in the course of their duty which are negligent and without due care. This cover is limited to £2m for any one event with an excess of £25,000 for any one event.

Business Interruption

The Council also has a 'Business Interruption' cover as part of its property insurance with Zurich Municipal Insurance

1.8 Market Risk Management

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

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

1.8.1. Details of Approved Procedures and Limits for Controlling Exposure to Investments Whose Capital Value May Fluctuate (Gilts, CDs, Etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy.

TMP 1 SCHEDULE 1 – SPECIFIED AND NON SPECIFIED INVESTMENTS

The guidance and CIPFA TM Code distinguishes between specified and non-specified investments, as follows:-

- **Specified Investments:** All such investments will be sterling denominated with maturities up to a maximum of 1 year, meeting the minimum 'high' quality criteria where applicable.
- **Non-Specified Investments:** These are investments which do not meet the Specified Investment Criteria.

Organisation – Specified unless otherwise stated	Minimum credit criteria / colour band	Max Amount	Max Period
Term deposits with UK Clearing Banks	Purple Blue Orange Red Green No Colour	£2m	Up to 2 years Up to 1 year* Up to 1 year Up to 6 months Up to 100 days Not for use
Liquid deposits with Nat West Liquidity Account	Purple Blue Orange Red Green No Colour	£3m	Up to 2 years Up to 1 year* Up to 1 year Up to 6 months Up to 100 days Not for use
Term deposits with UK Building Societies	Purple Blue Orange Red Green No Colour	£2m	Up to 2 years Up to 1 year* Up to 1 year Up to 6 months Up to 100 days Not for use
UK Local Authorities	N/A	£2m	Up to 1 year
Money Market Funds	Minimum AAA	£2m	Up to 1 year

* Nationalised and part Nationalised banks

TMP 2 Performance Management

2.1 Evaluation and Review of Treasury Management Decisions

The Council has a number of approaches to evaluating treasury management decisions: -

- a. reviews with our treasury management consultants
- b. annual review after the end of the year as reported to full council
- c. half yearly reports to Cabinet

2.1.1 Reviews with our treasury management consultants

The treasury management team holds reviews with our consultants every 12 months to review the performance of the investment and debt portfolios.

2.1.2 Review reports on treasury management

An Annual Treasury Report is submitted to the Council each year after the close of the financial year which reviews the performance of the debt and investment portfolios. This report contains the following: -

- a. total debt and investments at the beginning and close of the financial year and average interest rates
- b. borrowing strategy for the year compared to actual strategy
- c. investment strategy for the year compared to actual strategy
- d. explanations for variance between original strategies and actual
- e. debt rescheduling done in the year
- f. actual borrowing and investment rates available through the year
- g. compliance with Prudential and Treasury Indicators
- h. other

2.1.3 Half Yearly Monitoring Reports

A half yearly Report on Treasury Management is submitted to Cabinet in October which reviews the performance of the debt and investment portfolios. This report contains the same information as the annual report but only includes information for the first 6 months

2.1.4 Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with

similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data used will be sourced from: -

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club
- other

2.2 Benchmarks and Calculation Methodology:

2.2.1 Debt management

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year
- Average rate on internal borrowing
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year

2.2.2 Investment.

The performance of investment earnings will be measured against the following benchmarks: -

- a. in house investments
- b. Capita Asset Services model

Performance will also be measured against other local authority funds with similar benchmark and parameters managed by other fund managers.

2.3 Policy Concerning Methods for Testing Value for money in Treasury Management

2.3.1 Frequency and processes for tendering

Tenders are normally awarded on a 3 year basis. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

2.3.2 Banking services

The Council's banking arrangements are to be subject to competitive tender unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate.

2.3.3 Money-broking services

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

2.3.4 Consultants'/advisers' services

This Council's policy is to appoint full-time professional treasury management consultants (Capita Asset Services) and separate leasing advisory consultants (Chrystal Consulting Ltd).

2.3.5 Policy on External Managers (Other than relating to Superannuation Funds)

The Council's policy is not to appoint external investment fund managers.

TMP 3 Decision-Making and Analysis

3.1 Funding, Borrowing, Lending, and New Instruments/Techniques:

3.1.1 Records to be kept

All loan transactions are recorded on a spreadsheet.

The following records will be used relative to each loan or investment.

- Daily cash balance forecasts
- Money market rates obtained by telephone and e-mail from brokers or direct
- Dealing slips for all money market transactions
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing /lending institutions where deals are done directly
- PWLB loan confirmations
- PWLB debt portfolio schedules.
- Certificates for market loans, local bonds and other loans

3.1.2 Processes to be pursued

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring (if applicable)
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
- Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).

3.1.3 Issues to be addressed.

3.1.3.1. In respect of every treasury management decision made the Council will:

- a) Above all be clear about the nature and extent of the risks to which the Council may become exposed
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained

- c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- d) Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
- e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

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

- a) consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets
- b) evaluate the economic and market factors that might influence the manner and timing of any decision to finance capital schemes
- c) consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and external grant providers
- d) consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

3.1.3.3 In respect of investment decisions, the Council will:

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

TMP 4 Approved Instruments, Methods and Techniques

4.1 Approved Activities of the Treasury Management Operation

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

4.2 Approved Instruments for Investments

Refer to the Annual Investment Strategy (updated February 2016)

4.3 Approved Techniques

- Forward dealing
- LOBOs – lenders option, borrower's option borrowing instrument
- The use of structured products such as callable deposits

4.4 Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Internal (capital receipts & revenue balances)	●	●
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

Other Methods of Financing

Government and EC Capital Grants

Lottery monies

Operating leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Deputy Chief Executive has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.5 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.6 Borrowing Limits

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

5.1 Allocation of responsibilities

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

(ii) Full Council / Cabinet

- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Resources Overview & Scrutiny Committee

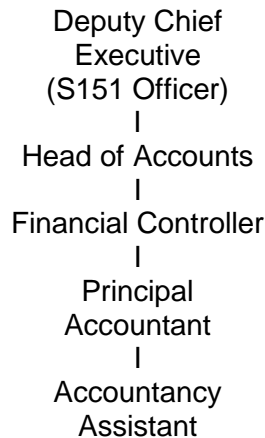
- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

5.2 Principles and Practices Concerning Segregation of Duties

5.2.1 The following duties are undertaken by separate officers: -

Dealing	Negotiation and approval of deal. Receipt and checking of brokers confirmation note against loans diary. Reconciliation of cash control account. Bank reconciliation
Accounting Entry	Processing the expenditure or income i.e.posting the entries into the accounting system.
Authorisation/Payment of Deal	Entry onto system. Approval and payment. Approval of deals

5.3 Treasury Management Organisation Chart



5.4 Statement of the treasury management duties/responsibilities of each treasury post

5.4.1. The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Deputy Chief Executive (*This post is also the S151 officer.*) This person will carry out the following duties: -

- a) Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- b) Submitting regular treasury management policy reports
- c) Submitting budgets and budget variations
- d) Receiving and reviewing management information reports
- e) Reviewing the performance of the treasury management function
- f) Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- g) Ensuring the adequacy of internal audit, and liaising with external audit
- h) Recommending the appointment of external service providers.
- i) The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- j) The responsible officer may delegate his power to borrow and invest to members of his staff. The Financial controller, the Principal Accountant or the Accountancy Assistant Treasury Management Team must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the named officers above.

- k) The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
- m) It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

5.4.2. Financial Controller / Principal Accountant

The responsibilities of this post will be: -

- a) Execution of transactions
- b) Adherence to agreed policies and practices on a day-to-day basis
- c) Maintaining relationships with counterparties and external service providers
- d) Supervising treasury management staff
- e) Monitoring performance on a day-to-day basis
- f) Submitting management information reports to the responsible officer
- g) Identifying and recommending opportunities for improved practices

5.4.3. The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented
- b) Ensuring that the Deputy Chief Executive reports regularly to the full Council and Cabinet on treasury policy, activity and performance.

5.4.4. The Monitoring Officer – Executive Director – Legal & Democratic Services

The responsibilities of this post will be: -

- a) Ensuring compliance by the Deputy Chief Executive with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.

- c) Giving advice to the Deputy Chief Executive when advice is sought.

5.4.5. Internal Audit

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practices.
- b) Reviewing division of duties and operational practice.
- c) Assessing value for money from treasury activities.
- d) Undertaking probity audit of treasury function.

5.5 Absence Cover Arrangements

The Head of Accounts is also the deputy S151 Officer.

5.6 Dealing Limits

The following posts are authorised to deal: -

- Head of Accounts
- Financial Controller
- Principal Accountant

The dealing limits are set out in TMP 1.1.1

5.7 Direct Dealing Practices

The Council will consider dealing direct with counterparties if it is appropriate and the Council believes that better terms will be available. At present, most deals are arranged through brokers. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

5.8 Settlement Transmission Procedures

For payments a transfer will be made through the CHAP's system to be completed by the appropriate bank deadlines in place that day.

5.9 Documentation Requirements

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

5.10 Arrangements Concerning the Management of Third-Party Funds.

The Council holds a number of trust funds. The cash in respect of these funds is held in the Council's bank account but transactions are separately coded. Interest is given on credit balances at the bank base rate for internal balances for the year.

TMP 6 Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

- a) Annual reporting requirements before the start of the year: -
 - a. review of the organisation's approved clauses, treasury management policy statement and practices
 - b. strategy report on proposed treasury management activities for the year comprising of the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement

- b) Mid-year review

- c) Annual review report after the end of the year

6.2 Annual Treasury Management Strategy Statement

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

2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter term variable interest rates. For instance, the Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

3. The Treasury Management Strategy Statement is concerned with the following elements:
 - a) Prudential and Treasury Indicators
 - b) current Treasury portfolio position
 - c) borrowing requirement
 - d) prospects for interest rates
 - e) borrowing strategy
 - f) policy on borrowing in advance of need
 - g) debt rescheduling
 - h) investment strategy

- i) creditworthiness policy
 - j) policy on the use of external service providers
 - k) any extraordinary treasury issue
 - l) the MRP strategy
4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.3 The Annual Investment Strategy Statement

At the same time as the Council receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following: -

- a) The Council's risk appetite in respect of security, liquidity and optimum performance
- b) The definition of 'high credit quality' to determine what are specified investments as distinct from non specified investments
- c) Which specified and non specified instruments the Council will use
- d) Whether they will be used by the in house team, external managers or both (if applicable)
- e) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- f) Which credit rating agencies the Council will use
- g) How the Council will deal with changes in ratings, rating watches and rating outlooks
- h) Limits for individual counterparties and group limits
- i) Country limits
- j) Levels of cash balances
- k) Interest rate outlook
- l) Budget for investment earnings
- m) Policy on the use of external service providers

6.4 The Annual Minimum Revenue Provision Statement

This statement will set out how the Council will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

6.5 Policy on Prudential and Treasury Indicators

1. The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to Cabinet and then full Council.

6.6 Mid year review

The Council will review its treasury management activities and strategy on a six monthly basis. This review will consider the following: -

- a) activities undertaken
- b) variations (if any) from agreed policies/practices
- c) interim performance report
- d) regular monitoring
- e) monitoring of treasury management indicators for local authorities.

6.7 Annual Review Report on Treasury Management Activity

An annual report will be presented to the Cabinet and then to the full Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following: -

- a) transactions executed and their revenue (current) effects
- b) report on risk implications of decisions taken and transactions executed
- c) compliance report on agreed policies and practices, and on statutory/regulatory requirements
- d) performance report
- e) report on compliance with CIPFA Code recommendations
- f) monitoring of treasury management indicators

6.8 Management Information Reports

Management information reports will be prepared every month by the Principal Accountant and will be presented to the Financial Controller.

These reports will contain the following information: -

- a) a summary of transactions executed and their revenue effect; and
- b) the effect on loan charges/investment income; and
- c) any non compliance with Prudential limits or other treasury management limits.

6.9 Publication of Treasury Management Reports

Reports presented to Council and Cabinet are available to view on the Council's website www.hyndburnbc.gov.uk.

TMP 7 Budgeting, Accounting and Audit Arrangements

7.1 Statutory/Regulatory Requirements

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

The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 Sample Budgets / Accounts / Prudential and Treasury Indicators

The Deputy Chief Executive will prepare a three year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Deputy Chief Executive will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

7.3 List of Information Requirements of External Auditors.

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision

7.4 Monthly Budget Monitoring Report

Monthly Budget Monitoring reports are produced for the Deputy Chief Executive, whilst a six monthly budget monitoring report goes to Cabinet. The report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within this report.

TMP 8 Cash and Cash Flow Management

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

8.2 Bank Statements Procedures

The Council receives daily bank statements and a monthly download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc. A formal bank reconciliation is undertaken on a monthly basis by the Finance Department.

8.3 Payment Scheduling and Agreed Terms of Trade With Creditors

Our policy is to pay creditors (including sub-contractors) as per the agreed terms of trading.

8.4 Arrangements for Monitoring Debtors / Creditors Levels

The Administration Services Manager is responsible for monitoring the levels of debtors and creditors.

8.5 Procedures for Banking of Funds

All money received by an officer on behalf of the Council will without unreasonable delay be passed to the collection office to deposit in the Council's bank accounts. Cash and cheques banked the previous day will be taken into account in the daily cash flow.

8.6 Practices Concerning Prepayments to Obtain Benefits

The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the responsible officer.

TMP 9 Money Laundering

9.1 Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

9.2 The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment

9.3 The Money Laundering Regulations 2007

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FSA) are required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions. In December 2007 the UK Government published the Money Laundering Regulations 2007, which replaced the Money Laundering Regulations 2003.

9.4 Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's

anti-terrorist financing, and anti-money laundering, regimes. Accordingly this Council will do the following: -

- a) evaluate the prospect of laundered monies being handled by them
- b) determine the appropriate safeguards to be put in place
- c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- d) make all its staff aware of their responsibilities under POCA
- e) appoint a member of staff to whom they can report any suspicions. This person is Head of Accounts.
- f) in order to ensure compliance is appropriately managed, this Council will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
- g) The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is Executive Director – Legal & Democratic Services and it shall be a requirement that all services and departments implement this corporate policy and procedures.

9.5 Procedures for Establishing Identity / Authenticity Of Lenders

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence and this will be effected by following the procedures below.

The Council does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA website on www.fca.gov.uk.

When repaying loans, the procedures in 9.6 will be followed to check the bank details of the recipient.

9.6 Methodologies for Identifying Deposit Takers

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FCA register can be accessed through their website on www.fca.gov.uk.

All transactions will normally be carried out by CHAP's for making deposits or repaying loans.

TMP 10 Training and Qualifications

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

- a) Treasury management staff employed by the Council
- b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Personal Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Deputy Chief Executive to ensure that all staff under his authority receives the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

10.1 Details of Approved Training Courses

Treasury management staff and members attend courses provided by our treasury management consultants, CIPFA, money brokers etc.

10.2 Records of Training Received by Treasury Staff

The relevant line manager will update the relevant officers Personal Development Review with details of training received. This will be passed the Human Resources Department who will maintain records on all staff and the training they receive.

10.3 Record of Secondment of Senior Management

Records will be kept of senior management who are seconded into the treasury management section in order to gain first hand experience of treasury management operations.

10.4 Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

10.6 Member training records

Records will be kept of all training in treasury management provided to members.

10.7 Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

MP 11 Use of External Service Providers

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

This Council will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks and
- The credit ratings of that government support

11.1.1 Banking Services

- a) Name of supplier of service is the National Westminster Bank.
- b) Regulatory status – banking institution authorised to undertake banking activities by the FSA
- c) The branch address is:

PO Box No.2
St James Street
Accrington
Lancashire
BB5 1NB
Tel :- 0845 366 0613
- d) Contract commenced 13/6/1975 and is reviewed annually.
- e) Cost of service is variable depending on schedule of tariffs and volumes
- f) Payments monthly and quarterly

11.1.2 Money-Broking Services

The Council may use money brokers for temporary borrowing and investment and long term borrowing. It will seek to give an even spread of business amongst the approved brokers.

- Name of supplier of service:
- a) RP Martin Brokers (UK) Ltd

20th Floor
1 Churchill Place
Canary Wharf
London
E14 5RD
Tel: 0207 894 8698
Regulatory Status: FCA registered counterparty 187916

 - b) Tullet Prebon Europe Ltd
155 Bishopsgate
2nd Floor
London
EC2M 3TQ
Tel: 020 7200 7042
Regulatory Status: FCA Authorised 146880

When undertaking temporary borrowing. The brokers currently charge commission at 0.1% of the amount borrowed for the duration of the loan. There is no commission charge for undertaking investment transactions.

11.1.3 Consultants'/Advisers' Services

Treasury Consultancy Services

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc.

The performance of consultants will be reviewed by the Deputy Chief Executive annually to check whether performance has met expectations.

- a) Name of supplier of service is Capita Asset Services Limited. Their address is 40 Dukes Place, London, EC3A 7NH Tel: 0871 664 6800
- b) Regulatory status: Investment Adviser authorised by the FCA
- c) Contract commenced 2003 and is re-negotiated annually.
- d) Cost of service is currently £9,100 per year.
- e) Payments due annually

Leasing Consultancy Services

- a) The name of the supplier is Chrystal Consulting Ltd.

- b) Their address is 500 Styal Road, Manchester, M22 5HQ.
- c) Tel: 0161 493 9770
- d) Fee is agreed at 0.5% of the capital cost of drawdown and at 25% of any savings negotiated on secondary lease rentals.

Other Consultancy services may be employed on short term contracts as and when required.

11.1.4 Credit Rating Agency

The Council receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee.

11.2 Procedures & Frequency for Tendering Services

The procedure for awarding contracts will be as per the Councils contract procedure rules.

TMP 12 Corporate Governance

12.1 List of Documents to be Made Available for Public Inspection

- a. The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b. It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c. The following documents are available for public inspection: -

- Treasury Management Policy Statement
- Treasury Management Strategy Statement
- Annual Investment Strategy
- Minimum Revenue Provision policy statement
- Annual Statement of Accounts
- Annual revenue budget and capital programme
- 3 Year Capital Plan
- Medium Term Financial Plan

Minutes of Council / Cabinet / committee meetings

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REPORT TO : **CABINET**
DATE : **3rd February 2016**
REPORT OF : **Councillor Gareth Molineux**
Portfolio Holder Resources
PREPARED BY : **Joe McIntyre**
Deputy Chief Executive

MEDIUM TERM FINANCIAL STRATEGY

2016/17 TO 2018/19

February 2016 Update

1. Purpose of Report

The report informs the Cabinet of the 3 year projections of income and spending for the Council ahead of formulating its 2016/17 Revenue and Capital Budget.

2. Recommendations

The Cabinet approves the report and the accompanying Medium Term Financial Strategy (MTFS).

3. Summary

The Medium Term Financial Strategy is attached to this report.

4. Detail

See the attached report on the Medium Term Financial Strategy.

5. Reasons for Recommendations

The Cabinet requires an update on its medium term financial outlook ahead of setting the Budget for 2016/17 and determining the level of Council Tax. This report also ensures those decisions are taken with a view to the overall position of the Council going forward and are not limited to a narrow one year perspective.

6. Alternative Options considered & Reasons for Rejection

Not applicable

7. Implications

Issue	Comments
Financial (inc mainstreaming)	As outlined in the report
Legal (including Human Rights Act requirements)	Not applicable
Assessment of Risk	<p>The Report contributes to the effective risk management of the Council by contributing to the overall financial context in which the Council takes budgetary and other operational decisions.</p> <p>The MTFS is revised on a regular basis to ensure it remains current and that changes in the financial outlook of the Council over the Medium Term are communicated to Members and appropriate action taken.</p>
Equality : Customer First Analysis	Not applicable as this report is for information only.
Key Decision	No

8. Consultations

Service Managers and their key staff are consulted during the early work on the compilation of the MTFS. CMT and Senior Councillors are regularly engaged in formulating forward views and policy objectives and these are taken into consideration when formulating the MTFS. Also an updated version of this report will be presented to the Council's Overview & Scrutiny Panel during February 2016, where both Councillors and Members of the Public are invited to attend and make comment on the report. All input is considered.

9. Links to Corporate Priorities

Priority	Comments
Corp Governance and Community Leadership	The Medium Term Financial Strategy covers all aspects of these objectives.
Community Safety	
Housing and the Environment	
Economy and Employment	
Culture and Leisure	
Other priorities with partners: Health and Social Care Education and Lifelong Learning	

10. Local Government (Access to Information) Act 1985: List of Background Papers

[Medium Term Financial Strategy October 2016](#)

11. Freedom of Information

The report does not contain any exempt information under the Local Government Act 1972, Schedule 12a and all information can be disclosed under the Freedom of Information Act 2000.

12. Equality Impact Assessment

There are no specific measures within the report that require an Equality Impact Assessment. Individual proposals stemming from the budgetary process will be Equality Impact Assessed as required over the coming months.

HYNDBURN BOROUGH COUNCIL

MEDIUM TERM

FINANCIAL STRATEGY

February 2016

INTRODUCTION

1. This document sets out, for the next three years,
 - the way in which the Council goes about its financial planning processes, especially in relation to the corporate budget planning cycle, which is subject to the Budget and Policy Framework Procedure Rules,
 - an updated action plan for the process and arrangements for reporting on progress to date in formulating and updating future years' budgets. Specifically this report updates the Medium Term Financial Strategy presented to Cabinet in October 2015.
2. Appendix 1 sets out the background to the current budget predictions in figures to give an idea of commitments, funding and potential Council Tax levels. It indicates that the Council will see a reduction in its resources of £235,000 in 2016/17 compared to the previous year with costs increasing by £666,000. In the following year 2017/18, the Council will lose £913,000 of revenue compared to the previous year and it is likely to see its cost rise by £961,000. In the final year of the MTFs, the resource decrease compared to the previous year is £448,000, with expected extra costs of £1,773,000.
3. Two further scenarios are provided in the following appendices to outline the potential range of values over the coming period, the first at Appendix 2 indicating the outer level of what the Council could face in a

pessimistic future, while Appendix 3 shows an optimistic forecast based on many things going in the Council's favour over the next 3 years.

4. There is significant divergence in the financial predictions for the 3 years between the Pessimistic and Optimistic Models. The divergence between the Pessimistic and Optimistic Models in terms of annual savings that need to be identified is almost £1.95m in 2017/18 and over £1.6m in 2018/19.
5. The Pessimistic Scenario shows, in addition to the losses caused by the reduction in Revenue Support Grant (RSG), a loss of 5% of Business Rates income over the next two years, decreasing resources by £175,000 in 2017/18 and £166,000 in 2018/19. Cost pressures over the same two years add £1,926,000 in 2017/18 and £2,113,000 in 2018/19. The largest items of cost increases are the ending of the Cost Share Agreement with Lancashire County Council and the potential need to fund Capital expenditure from the Revenue Account.
6. The Optimistic Scenario sees increased revenues from NNDR and Council Tax adding £382,000 of Revenue thereby offsetting the £713,000 loss of Revenue Support Grant in 2017/18 and a further £386,000 in 2018/19 to offset the RSG £447,000 loss. While costs only increase by £733,000 in 2017/18 and £1,051,000 in 2018/19, with the removal of the need to finance capital expenditure in 2018/19, the largest single contributor to the improved financial position.
7. Both scenarios are meant to show the outer limits of what might occur and what the Council would face in these circumstances and the reality is that the Council is very unlikely to suffer from all bad news or all good

news over the next 3 years and its fortunes will therefore lie somewhere between the two scenarios.

8. The figures in Appendix 1 therefore remain our current best estimate of the likely financial position over the next 3 years.

OBJECTIVES

9. The objectives of the Medium Term Financial Strategy are:

- to be the financial expression of the Corporate & Performance Plan; it is a financial strategy's role to provide the resources to deliver this plan, and in turn, the Corporate & Performance Plan and service plans need to be consistent with the Financial Plan,
- to ensure that commitments do not exceed forecasted anticipated resources over the period and for each year,
- that expenditure is increasingly focused on those areas which the Council has determined are its priority areas,
- that the level of Council Tax is planned in line with what the Council and the community as a whole regard as being acceptable, albeit within the context of guidelines from Central Government,
- to review the effectiveness of delivery of additional resources into priority areas, to ensure that the objectives set for these target areas are actually being achieved,

- to ensure that the Council is in a strong financial position as measured by size of balances and reserves (consistent with the Chief Financial Officer's recommendations),
- to improve value for money assessments in all services by delivering increased efficiency savings,

All of which must ensure compliance with the Council's Budget and Policy Framework Procedure Rules.

ELEMENTS OF THE MEDIUM TERM FINANCIAL STRATEGY

10. The key elements of the Medium Term Financial Strategy (MTFS) are:-

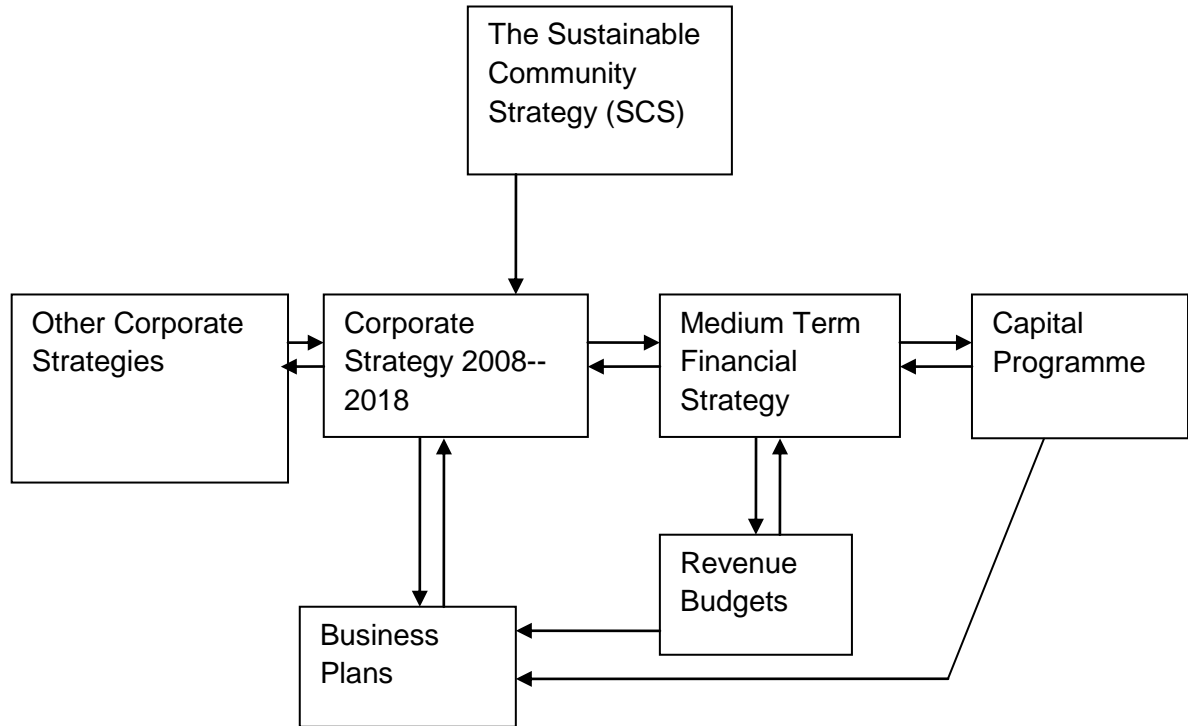
Forecasting Resources	The Medium Term Financial Strategy needs to be underpinned by sound forecasting mechanisms for the likely resources available to the Authority over a three year period. The Cabinet receives reports on the achievement of the financial plan with future projections for the following three years at regular intervals.
Budget Monitoring & Forecasting Commitments	Budget monitoring reports and forecast commitments are reported to Cabinet, and are developed as the year progresses, as indeed are ways of balancing resources with any new commitment if potentially outside the financial plan.
Corporate strategic direction & priorities	In the context of the Medium Term Financial Strategy (MTFS) the Council

of the Council

has a clear hierarchy of strategy documents (see chart below) headed by the Sustainable Community Strategy (SCS) which sets out the vision and high level priorities for the Council. The SCS drives the Corporate Strategy 2008-18 which links to the MTFS with details of committed events and their budget implications. These commitments are reflected in accordance with the Budget and Policy Framework Rules and consequently in Services' Business Plans. This hierarchy of plans gives clear direction on the Council's priorities and actions.

It is for the Cabinet, subject to overall decision by the Council, to recommend precisely which areas are their priorities to receive additional investment and which will receive less in the light of such priorities. This process reaches its natural conclusion in the Annual Budget Report.

11. Strategy Hierarchy:-



Service planning to support overall strategy

12. The Corporate Strategy, together with Service Business Plans, provides a service planning structure that translates the priorities and aims of the overall strategy into measurable actions at the point of service delivery.

13. The Medium Term Financial Strategy, as it impacts on individual services' budgets, is reflected in service plans so that proper planning can take place in line with available resources. The preparation of service plans is also required in parallel with future years' budget plans since realistic levels of savings have to be determined for services in line with any overall shortfall in corporate funding. The Coalition Government's steps to balance the overall financial pressure stemming from the Economic

Recession have led to significant reductions of funds available from Government to support Hyndburn's activity up to the General Election in May 2015 and the new Conservative Government has announced plans to further reduce the public sector funding over the course of the new Parliament. This has further increased the pressures on Hyndburn to reduce costs. The impact of these changes can be seen at Appendix 1 and requires the Council to continue to make savings over the lifetime of the MTFS.

Integrated Resource Planning with Service

Plans

14. Growth items in future years (both revenue and capital schemes as applicable) and areas for savings, need to be identified in the Service Plans and Financial Plans should be developed consistently so that the impact of one on the other is fully appreciated, subject of course to Service Plans remaining within the limits allowed in the agreed Medium Term Financial Strategy. This precludes bids for extra resources arising during the course of the year for implementation in that year unless other funding can be identified. Developments are planned in accordance with a timetable well ahead of the year of implementation. They form part of an agreed strategy and need to be consistent with the priorities identified within the plan. Individual bids for resources, taken in isolation from the overall planning process, should therefore not occur.

Capital Strategy and Asset Management Plan

15. The Capital Strategy and the Asset Management Plan have been approved by Cabinet. Having determined the Capital Strategy it will be

vital for the Council to comply with it in determining schemes within the Capital Programme. Not doing so will have a detrimental effect on the achievement of the Medium Term Financial Strategy.

Background Information

16. The MTFS covers the period from 2016/17 to 2018/19. It is set against a background of continuing global financial volatility stemming from worldwide Recession that began as a result of the banking crisis in 2007/8. There are some indications that parts of the globe have recovered and are achieving positive economic growth.
17. However the picture remains fragile in both the US and the UK and there remains a concern of a long period of stagnation before any meaningful economic recovery is achieved.
18. There is continuing concern that Greece may not be able to meet its financial commitments and may not be able to continue with the Euro as its currency. If Greece defaults on its debts or exits the Euro there is concern this may lead to other Governments defaulting on their debts or leaving the Euro, all of which could create a long period of sustained economic uncertainty and a potential sharp downturn in the global economy.
19. Elsewhere, China and other nations are continuing to show strong relative growth compared to the West but with some indications the level of growth is slowing compared to recent years. There is also a continuing backdrop of increasing concern over currency rates and the potential escalation of these tensions into increased protectionism of national economies and the danger of trade wars emerging which will

further inhibit global recovery. The continuation of conflicts in Ukraine, Iraq and Syria, the mass migration into Europe, the recent Volkswagen emission scandal, North Korea's claim to have successfully tested the detonation of a nuclear bomb and recent falls in the Chinese Stock Market are all contributing to nervousness over the potential extent of any sustained world-wide economic recovery. The large drop in oil prices over the last 12 months is also causing some economists to express concerns over the future of worldwide economic growth.

20. Against this backdrop Britain has emerged from Recession and currently has the strongest level of growth among the major Western economies. The recovery has however been achieved on the back of major reductions in public spending and a commitment that this will need to continue for the next 3 to 5 years.

21. Local Government and particularly District Councils have faced significant reduction in Government funding as a consequence and the Local Government Settlement announced in late December 2015 maps out a continuing reduction in funding from Central Government to Local Government over the next 4 years, with District Councils again suffering the most from these reductions.

22. The estimated figures for the next 3 years, 2016/17 to 2018/19 are shown at the end of this document in Appendix 1. They show that by

2018/19, Hyndburn will be receiving £1.9m from Government compared to the £7.1m, it was receiving in 2010/11.¹ This is a reduction of 78%.

23. The Medium Term Financial Strategy assumes that the Council is able to deliver its 2015/16 Budget as planned. The Cabinet has requested that the Corporate Management Team continue to look to improve the position during 2015/16 to ensure value for money is being delivered across all services and further savings are made. The Council currently predicts that it will achieve a surplus on its Budget for 2015/16. The General Fund Balance stands at £2.5m at the end of March 2015, though with a number of commitments already against it². This level of Reserve would normally be viewed as providing strong cover against the potential liabilities the Council faces. However with:-

- large reductions in Central Government support for the next 3 to 5 years,
- Council Tax revenues likely to remain static over the period, due to strong local political desires to avoid increasing the burden of taxation on the public at the time of other significant financial pressures for the people of Hyndburn and changes in collection rates due to Council Tax Support replacing Council Tax Benefit.

¹ The figure is adjusted for a like for like basis and now excludes Business Rate funding which was part of government funding in 2010/11 but no longer forms part of Government funding in 2016/17. An adjustment of £3.1m has been applied to earlier figures to allow for like for like comparisons over the period. This is based on the Government's figure that £3.1m is the correct business rate figure currently for Hyndburn Council. No adjustment for inflation has been made as it is viewed this would be relatively small compared to the overall figure.

² These include repayment of taxi license fees incorrectly charged in previous years, amounts relating to Municipal Mutual Insurance which was liquidated in the 1990s and for which the Council has continuing liabilities, potential land search fees which may have to be repaid, historic insurance claims and invest to save and other expenditure authorised since the 31st March 2015.

- Cost inflation continuing while overall revenues decline,
- and the need to incur upfront costs to secure long term savings,

the level of Reserves at £2.5m can be viewed as just above the minimum level of provision in the much more volatile financial climate which we now face.

24. The format of the Medium Term Financial Strategy considers the current estimated resources available for 2016/17 and builds upon anticipated changes to income and costs over the 3 year period beyond. At this stage, the Medium Term Financial Strategy considers the broad strategic impact of known changes. As always, it is possible for new events to affect the budget position and these will be considered in future revisions to the Medium Term Financial Strategy. It is anticipated that the next update to the Medium Term Financial Strategy will occur in October 2016, immediately ahead of the Council starting its Budget process for 2017/18.

25. Despite the difficulties over the last 3 financial years the Council has continued to maintain its finances and provide value for money services. Balances stand in excess of £2.5m and we have generated significant savings in each of the last 10 financial years and expect to manage our finances during 2015/16 to once more achieve an underspend. It is likely that any savings this year will be used to fund the achievement of future savings, capital spend and investment.

Financial Analysis 2016/17 to 2018/19

26. This report at Appendices 1, 2 and 3 sets out the numerical values of the combined impact of the different financial assumptions for the next 3 years. Detailed commentary on the assumptions and their financial value is provided below. The report looks at the strategic shift in a number of the largest areas of the Council's Budget, before examining those changes which are a more persistent element within our financial forecasts.

Resources

27. From April 2011 the Council faced major changes in how it is funded as a result of Central Government decisions taken to reduce overall public sector spending in light of the worldwide recession and pressure to reduce the national deficit. These changes include:-

- ❖ The ending of the system of direct government funding to local government based on need;
- ❖ The introduction of a new system centred around how much revenue is collected locally as business rates, adjusted via a series of tariffs and top-ups;
- ❖ The transfer of the risk of non-collection of business rates and the cash flow impact to Councils away from HM Treasury;
- ❖ The ending of the national universal system for Council Tax benefit and its replacement by locally determined schemes with an accompanying 10% reduction in funding at a national level.

28. These changes have a high potential to significantly reduce the core funding of the Council in future years. The changes also create a much greater risk of volatility between years as business rate collection is much more prone to fluctuate than the previous system of government grants and Council Tax Support levels may vary significantly depending on the state of the economy and the number of claimants.
29. These changes effectively signal a period of decline in the overall resources available to the Council over the period of the Medium Term Financial Strategy. More detail on the nature of the changes and their impact is provided below.

Government Grant

30. The Local Government Settlement for 2016/17 has furthered altered the funding allocations for the Council compared to previous years. In 2015/16 Hyndburn Council was receiving Revenue Support Grant, Efficiency Support Grant and Council Tax Freeze Grant, as well as Homelessness Prevention Grant, Housing Benefit Administration Grant and New Homes Bonus. For 2016/17, the Government has merged Efficiency Support Grant and Council Tax Freeze Grant into Revenue Support Grant so that the individual amounts can no longer be identified and reduced the overall funding by £806,000 or 16%%.
31. The impact on the overall Revenue Budget is 14% or £600,000 as our previous practice has been not to use all Government funding for Revenue purposes with some elements of Efficiency Support Grant, Council Tax Freeze Grant and all of New Homes Bonus being used to

support the Capital Programme³. Funding of the money we used to finance Capital Spend is down £206,000 or 24%. The impact of Capital Funding within the MTFS is dealt with later in the report.

Change In Government Support 2016/17 compared to 2015/16				
	2015/16	2016/17	Variance	Percentage Change
Overall Change				
HBC REVENUE				
Revenue Support Grant	£ 2,312,430	£ 3,159,264	£ 846,834	
Efficiency Support Grant	£ 1,272,186		-£ 1,272,186	
Council Tax Freeze Grant Part 1	£ 78,146		-£ 78,146	
Housing Benefit Admin Grant	£ 605,143	£ 508,403	-£ 96,740	
Homelessness Prevention	£ 35,339	£ 35,423	£ 84	
HBC Revenue Change	£ 4,303,244	£ 3,703,090	-£ 600,154	-13.9%
HBC CAPITAL				
Efficiency Support Grant Part 2	£ 223,435		-£ 223,435	
Council Tax Freeze Grant Part 2	£ 106,814		-£ 106,814	
Council Tax Freeze Grant 2015/16	£ 53,171		-£ 53,171	
New Homes Bonus Main	£ 451,787	£ 639,204	£ 187,417	
New Homes Bonus Additional	£ 10,564		-£ 10,564	
HBC Capital Change	£ 845,771	£ 639,204	-£ 206,567	-24.4%
HBC Total Change	£ 5,149,015	£ 4,342,294	-£ 806,721	-15.67%

32. The Local Government Settlement for 2016/17 comes with an offer from the Government of a 4 year funding deal. It is not clear as yet what this offer entails. So far the Government has provided settlement figures for the next 4 years assuming local Councils accept the offer and has only so far stated that local Councils accepting the offer would have to produce an efficiency plan. More detail is expected to emerge over the next few months of any further criteria in return for the 4 year offer. Caution is also required over the published figures for the next 4 years as the Government will no doubt reserve the right to alter them in the future if

³ This was done to remove the dependency on Government Funds that were considered to be time limited and avoid building into the Revenue Budget additional spending which would subsequently be removed and thereby create further funding pressures once withdrawn by the Government. Using these “extra” funds from the Government for Capital purposes allowed us to finance key capital projects.

they need to and may alter them for all sorts of other reasons that they consider necessary. However, the published figures from DCLG are the best guide to the likely settlement we will receive over the next 4 years and they are presented below and used as the new basis for forecasting the most likely financial position of Government funding for the Council in its Medium Term Financial Strategy.

Change in Government Funding 2016/17 to 2019/20

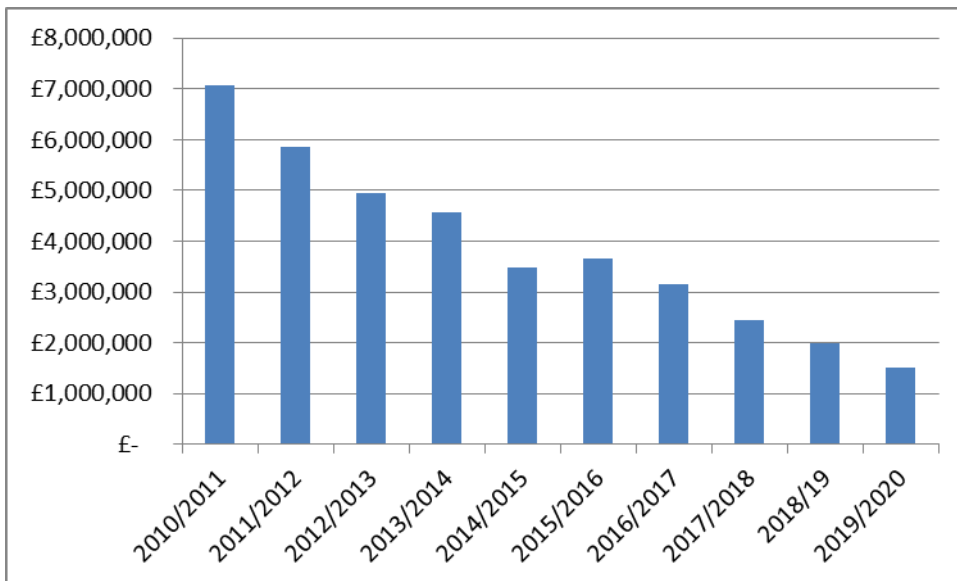
Year	RSG	Change	Cumulative Change	Percentage Change
2016/17	£ 3,159,264			
2017/18	£ 2,449,264	£ 710,000		22.5%
2018/19	£ 1,999,264	£ 450,000	£ 1,160,000	18.4%
2019/20	£ 1,499,264	£ 500,000	£ 1,660,000	25.0%

33. This shows a total reduction of £1.6m over the next 4 years, with a 22.5% reduction of £710,000 in 2017/18, a 18.4% further reduction in 2018/19 with a further loss of £450,000 of government funding, followed by another £500,000 removed from Revenue Support Grant in 2019/20, which will be a 25% reduction. Given we received £3.66m in RSG or the equivalent Government funding in 2015/16 this is a total loss of £5.54m of resources over the period 2016/17 to 2019/20 compared to having been funded at the same level as 2015/16 and represents a loss of 38% of potential revenue for that period.⁴

⁴ The total reduction in funding is likely to be higher than this in reality as we expect New Homes Bonus (which is not included in the figures above) to decline over this period as the Government has announced that it intends to cut funding for New Homes Bonus by around a third in additions to the reductions in RSG.

34. The total reduction in core Government funding for our Revenue Budget since 2010/11 is shown in the diagram below. This shows a drop from just over £7m in 2010/11 to £1.5m by 2019/20. A fall of £5.5m or 78%.

Reduction In Government Funding to Hyndburn Council 2010/11 to 2019/20



35. For the purposes of the MTFs the reduction in Government Funding remains significant over the next 3 years and is the largest variable factor in the Council's finance over this period. Setting aside the actual physical loss of cash over the period the Government's offer of a 4 years funding settlement is attractive if the requirements for accessing this certainty are not too onerous and the Government does not use other methods to adjust the figures subsequently. If the Government conditions are not onerous and some assurance around the stability of the commitment to 4 years funding can be substantiated it would be sensible to accept this

offer and recommendations will be made within the Revenue Budget 2016/17 papers to this effect.

Business Rates

36. The Government introduced changes to Council funding from April 2013, which ended the previous system of business rates collected locally but pooled nationally and redistributed by the Government via an assessment of “need”.

37. The new system from April 2013 attempts to allow Councils to retain the business rates raised locally. However the implementation of the new system significantly altered the original aspiration of local business rates retained locally and the current system sees the vast majority of business rates transferred away from Hyndburn. This is due to Government rules which firstly top-sliced 50% of locally collected business rates into a Central Government pot to support a variety of Government policies across Local Government. A further 10% of the monies collected is transferred to Lancashire County Council and the Fire and Rescue Authority, leaving Hyndburn with only 40% of the locally raised business rates. The 40% remaining is then further reduced under the rules introduced by the Government to further redistribute funds between local Councils. In a system called “Top-Ups and Tariffs” the Government determined amounts to be deducted from “Tariff” Councils to help fund Councils which did not have sufficient funding in their view to meet their expenditure needs.

38. As a consequence Hyndburn which raises around £20m in Business Rates each year is only allowed to retain about £3.1m from this source of funding.

39. The current system is designed to encourage local Councils to benefit from economic growth in its local area and therefore currently Hyndburn can benefit from local economic growth that increases business rates within its borders. The growth is split 50:50 with the Government, unless the Council enters into a Pooling arrangement for business rates with other Councils in which case it can retain 100% of the growth locally.⁵
40. The new system while providing a vehicle for local Councils to potentially benefit from growth in the local economy also has transferred the financial risk of declining business rates to local Councils and a local Council that was seeing local business premises close or move away from their local area would suffer declines in revenues. As well as closures, local councils are also facing the financial consequences of large scale business rating appeals, where businesses claim their properties have been over valued for business rating purposes and they require lowering. Successful appeals lead to both a lowering of the amount of business rates we can collect locally going forward and therefore to a lower amount of resources for the Council to spend and for the need to recompense for previous “over charged” years reducing further the sums that can be deployed to finance local public services.
41. The current estimate for 2016/17 of Business Rates income for the Council is £3,495,000. This is up from £3,245,000 in 2015/16 to reflect some local growth slightly outstripping local closures and appeals, the benefit of a proposed pooling agreement across 10 Lancashire Councils and a small surplus from previous years. The assumption over the

⁵ The downside to Pooling arrangements are that outside of a Pool, the Government guarantees every local council a minimum of 92.5% of their baseline funding, once a Pool is formed this guarantee is ended and Councils run the risk of being financially worse off if their business rates income plunges.

following two years within the MTFS is that this figure remains constant, with growth continuing to outperform negative factors such as closures, appeals and bad debts but only marginally, the Business Rate Collection Fund remaining in surplus and Business Rate Pooling continuing.

42. While for financial forecasting purposes it is assumed that Business Rate income to the Council will remain constant over the period between 2016/17 and 2018/19, it is possible that it could move in either direction, positively for the Council if local businesses continue to grow and appeals on business rates are largely unsuccessful. Or negatively, if the local or national economy weakens or appeals on business rate values are largely successful. This is covered in detail later in the report on the section on the various financial scenarios the Council faces.
43. The negative impact from a declining economy is currently viewed as less likely to occur given the signs of local business expansion and investment, as well as the United Kingdom's recovery from the Recession. However world markets remain volatile and there are a small but significant number of warnings in the financial press of the dangers of another major contraction in the global economy.
44. Business Rates growth does provide one of the few areas in which the Council could substantially increase its income and in the Optimistic Scenario up to £500,000 in each year of extra revenue is viewed as potentially possible in the right economic circumstances.

Council Tax

45. The Council expects to raise £4.4m in Council Tax in 2016/17. This is up 1.3% on the previous year and represents an additional £56,000 of

revenue at the Council's disposal. The increased revenue comes from growth in the council tax base via a small increase in the number of houses eligible to pay Council Tax from a combination of new builds and declining numbers of empty properties.

46. The assumption in the MTFs is that the charge to individual households for Council Tax by Hyndburn Council does not increase in any of the three years covered by the financial forecasts. Council Tax has not increased in Hyndburn since 2009/10 and there has been strong local political commitment not to add to the burden of local residents through the Recession by increasing Council Tax.
47. The Government has however signalled a change in the position it held throughout the last Parliament. Previously it strongly promoted that Council Tax should not be increased. Now the Government is indicating that a small amount of increase is to be expected. It has done this by building into its own forecasts for each local council an amount of revenue growth stemming directly from Council Tax increases, increasing the cap from 2% to 4% for adult social care councils, allowing small councils to increase their council tax by £5 or 2% whichever is the greater and not providing a council tax freeze grant.
48. In these circumstances and given the further reductions the Council faces in core Government Grant the Council may need to consider raising Council Tax from 2017/18 and this is considered in the Optimistic Scenario, where it added approximately £90,000 to the Council's revenue in 2017/18 and a similar amount in 2018/19. The cumulative impact of increasing council tax is important as raising Council Tax by 2% in both 2017/18 and 2018/19 leads to the Council having £180,000 more

revenue in 2018/19 than it had in 2016/17. It is not expected that Council Tax income will decline over the coming period and therefore the Pessimistic Scenario mirrors the Standard prediction.

Collection Fund Adjustment

49. The Collection Fund is the account into which all Council Tax is paid and then distributed to the relevant precepting authorities, Lancashire County Council, the Lancashire Police and Crime Commissioner, the Lancashire Fire & Rescue Authority and Altham Parish Council. The Fund should fluctuate year on year around a neutral position and for forecasting purposes for 2016/17 we have assumed a surplus of £200,000 with the Fund in balance in the following two years. Any additional surplus above this figure of £200,000 will be held used in the first instance to assist in balancing the overall budget and any remaining funds above the requirement will be used to support Capital Expenditure or Invest to Save initiative or transferred to Reserves.

Expected Loss of Income

50. As part of its proposed reforms to the national Benefits System the Coalition Government announced plans to consolidate most benefit payments into a single system called Universal Credit. As part of this process Housing Benefit which is administered by local authorities will end, as least for those of working age and as such the Government is substantially reducing the amount it pays local councils to undertake this work. The Government announced an original timetable in which it envisages that all working age Housing Benefit Claims will cease by the start of the financial year 2018/19. This deadline does not look like it will now be achieved and the MTFs therefore adjusts for the loss of this

income over the next three years. The Optimistic Scenario shows a slightly lower reduction in the grant, assuming that the Government is unable to keep to its current timetable and has to delay the transfer of work away from the Council and continues to fund the work at a higher level.

51. The Government cancelled its direct funding for the Housing Market Renewal from the end of 2010/11. Our remaining activity in this area is limited to the residual funds we hold and as this funding is deployed our ability to fund capitalised costs disappears.
52. The remaining funds are expected to allow between one and two more years of funding in this area based on the money available to be carried forward. This reduction in Housing Market Renewal activity will bring with it a reduction in the amount of fees and capitalised time the Council can charge against this project. It is estimated that we will see no decline in income in 2016/17, with the remainder of the funding largely disappearing over the following 2 years. Again, for financial forecasting purposes we have shown this change as leading to an increase in the net spending of the Council, though clearly as this work comes to an end, we would expect to reduce the resources committed to this area or to switch the resource and funding to other programmes such as Empty Homes Cluster and Town Centre Regeneration.
53. Similar to the decline in the Housing Market Renewal Programme, our declining Capital Programme will also have a knock-on impact on our Revenue position. (See the section below for the impact on Capital Expenditure within the MTFs.) Over the last decade the Council has operated a significant Capital Programme in excess of £15m. The ending

of HMR and the substantial decline in external funding and the Council's other sources of finance for capital projects, has led to a large decline in Capital spend and the subsequent impact on fees and capitalisation of staff time to these types of projects. For 2016/17 we have reduced this income source from capital projects to revenue budgets by around £50,000 and we expect this to further decrease by £58,000 in 2017/18.

54. Currently the Council's Waste Service activity receives around £800,000 from recycling activities. This money comes from a combination of payments from Lancashire County Council for helping to avoid waste going to landfill and the sale of material which can be re-used. The County Council has announced that it will stop the payments to District Councils under this scheme known as "Cost Sharing" from 2018/19 and therefore the MTFS recognises the loss of this income and the potential knock-on loss of income from the money earned from recycling other materials. The combined loss of income of £800,000 is reduced by estimated savings of £150,000 that would have to be made as a minimum should this activity cease. More detailed figures will be produced when the final details are known nearer the time. The potential redundancy costs from these changes are also shown in the MTFS in 2017/18 and are covered below.

Changes in Costs

Salaries Costs

55. As an individual line across all budget areas the cost of employing staff at over £10m is the largest expense faced by the Council. Upward pressures

on this budget stemming from pay awards should be very low over the period of the MTFS.

56. The Government has signalled that it intends to limit pay increases in the public sector to 1% in each of the next few years. While no formal agreement has been reached between the local government employers side and the Trade Unions it is expected that pay settlements will be in line with the Government's objective and a 1% increase has been used over the 3 years.
57. It is possible that wage settlements will be higher if the economy shows stronger signs of recovery and this scenario is covered in the Pessimistic model. Given that resource levels are likely to shrink over the period, wage increases add to the overall pressures to make savings and may lead to redundancies.
58. There is no uplift in payroll costs expected to occur due to the introduction of the Living Wage. Currently the Council is paying above the levels proposed and estimates indicate that it will only have a small impact on our overall wage bill in 2018/19.
59. The 2017/18 salary projections figure also includes an uplift in National Insurance Contributions of £140,000 due to the additional charge all employers will face from the introduction of the Common State Pension.

60. The Government has also announced an Apprentice Levy on all employers of 0.5% of the payroll bill from April 2017. It is estimated that this could cost the Council an additional £50,000 per year depending on how it is to be calculated.

Pension Costs

61. Pension costs are not expected to increase over the period except in line with the small increase in the overall wages bill and therefore are considered negligible. A new Triennial Review of the Pension Funds overall position is expected over the next 3 years. Historically the Council has faced increased employer's contributions when the new rates are announced by the Actuary. However the Council has taken a number of steps to stem the tide of increased costs over recent years including paying contributions at a higher level than required by the Actuary and making one-off additional contributions into the Pension Fund whenever it could do so. This ensured at the last Triennial Valuation the Council's employer's contribution level was reduced for the first time and we would expect this to be the case at the next revaluation. It has also seen the Council move from one of the Employers required to make the highest contribution amongst Lancashire Districts to the third lowest. The MTFS does not show a saving resulting from this potential reduction at this time as it is expected we will continue our existing policy of paying at the current levels to further reduce the overall deficit and ease our long term financial commitments. The Council also intends to continue to make additional contributions to the Pension Fund when it has funds available to do so.

Pension Auto-Enrolment

62. The auto-enrolment of staff into pensions will enter its final phase in October 2017 with full years costs of £166,000 expected to be created. The MTFS therefore carries an additional £83,000 of costs for 2017/18 with a further £83,000 to be included the following year.

Potential Redundancy Costs

63. The MTFS recognises the potential for the Council to face significant redundancy costs in 2017/18 as it prepares to deal with a major shift in the funding of Waste Services in 2018/19. (Previous potential redundancy costs in relation to Housing Benefit have been removed from the forecast as the Government has indicated that it will reimburse any such costs to local government.⁶ .

64. The proposed changes that lead to the redundancy costs stem from proposals from Lancashire County Council to end a Cost Share Agreement for the separate collection of different types of waste material that can be recycled. These changes are explained in detail above in the section on loss of income.

Supplies and Service Costs

65. General inflation continues across the economy and has been close to 5% in the recent past but has been declining over the last few years. It has fallen below the Bank of England target of 2% over the last year and dipped into deflation in the recent published figures. There is some belief that it will remain

⁶ The offer on redundancy costs will be closely monitored over the coming years, as the Government's offer on this point was not unconditional and there is potential scope for disagreement over the actual costs to be reimbursed.

below 2% over the next few years as well as some concern that it might be too low and that the Bank of England should take steps to push it upward.

66. Predicting the level of general inflation in the economy remains therefore a major challenge and one fraught with uncertainty. The MTFS therefore assumes that there is no need to increase Budgets for goods and services in 2016/17, but that inflation will push prices up in 2017/18 and 2018/19 by around an additional £200,000 per year. Fuel and utility costs which in previous years have been separately reported upon within the MTFS are now subsumed within the general inflationary category.

Capital Costs

67. The Council has over the last 11 years maintained a strong commitment not to borrow to finance Capital Expenditure. In doing so, it has ensured that it has not added to the burden of its revenue budget by having to pay increased loan costs. The intention within the MTFS is to maintain that commitment. The Capital Programme will be funded from a mixture of carry forward receipts from the Housing Market Renewal Programme, the use of one-off grants from the Government, external funding and existing Capital resources.
68. The ending of direct Housing Market Renewal Programme (HMR) has led to a substantial reduction in the overall size of the Capital Programme.

Residual HMR funds will be used over the next 36 months to complete work in this area.

69. External Funds are also likely to be less in abundance and this will further restrict the amount of capital works we will be able to undertake. It should however remain possible to secure some external funds to deliver specific projects.
70. The MTFS in February 2012 showed a need for the Council to begin to set aside a substantial amount (£750,000) from within its Revenue Budget in both 2013/14 and 2014/15 to fund a modest Capital Programme in these years. However due to careful financial management of the Capital Programme and effective husbandry of other resources, it should be possible in this MTFS to delay the need to fund future Capital Programmes from revenue spend until 2018/19.
71. This assumes a continuing commitment to limiting financial spend to a modest programme with only the highest priority capital projects receiving approval to proceed. It also assumes we will continue to earmark one-off grants such as New Homes Bonus for Capital and we will also support the Capital Programme from any additional revenue from surpluses on the Collection Fund or the Pooling of Business Rates etc. as well as any in-year savings that are generated and capital receipts.
72. This will enable us to escape the need to borrow over the period of the MTFS and we will therefore not increase our debt burden over the next 3 years.
73. The Capital Programme is always oversubscribed and the Council will continue to have to make tough choices over which projects to support in

line with its key objectives. It should however be able to fund its highest priority projects over the coming 3 years, without burdening future tax payers with an increased legacy of debt and interest payments, but this will mean earmarking an amount of revenue resources from 2018/19 to fund capital projects and this will have a big impact in the initial years in which this money is earmarked for this purpose, forcing the Council to generate additional savings in order to make that money available unless additional capital receipts or grants are generated.

74. Being able to delay having to start to make this revenue contribution to finance our capital expenditure is the single largest contribution to savings the Council can make on its MTFS in 2018/19. In the standard prediction (Appendix 1) this costs the Council £500,000 in 2018/19 and is equivalent to 22.5% of the savings it has to make that year. Therefore husbanding its current capital resources and applying intense scrutiny to any Capital Programme proposals over the next 3 years to determine if they are truly necessary will be the major factor at the Council's disposal in limiting the squeeze on spending and job reductions in those years. If the Council is able to make a major asset sale over the next few years, this would allow this receipt to fund future Capital Spend for a number of years and therefore delay substantially the need to finance future capital spend directly from the Revenue Budget.

Growth

75. With the current intense pressure around generating savings, no allowance has been made for additional finance within the MTFS for growth. Any such bids for new items of expenditure would need to be

considered very carefully as they would add pressure to the savings target in any year that they are proposed and would lead to further reductions in expenditure in other areas of Council funding as this would be the only means to fund them.

76. The Council does however need to find the £64,000 of corporate saving costs it committed to finding during 2014/15 on a permanent basis and this has been included as a growth item for 2016/17 as a means of ensuring the budget position for 2016/17 commences in a balanced state.

Reserves

77. Over the last 10 years, the Council has been able to rebuild its Revenue Reserves. This has seen the negative position of 2003/04 replaced by Balances at the 31st March 2015 of just over £2.5m though there are a number of commitments already against this balance that will see it reduced during the year unless further sums are added to it from in-year surpluses or other sources.
78. This level of Reserve would normally be viewed as healthy given an overall spend of around £11.4m in 2015/16, with a prediction this level of spend will decrease over the next few years. However the level of challenges faced by the Council would indicate that this level of Reserve may only be a minimum level of what is needed given the significant increase in costs and the reduction to its revenue funding that it faces. It is therefore recommended that Reserves are maintained at a minimum of £2.0m or strengthened at this time to meet any major challenges

which might occur over the next 3 years, which could not be dealt with via the normal budgetary process.

79. The threats to the Council outside its normal budgetary pressures include,

- ❖ the continuing economic uncertainty which may lead to the Government having to reduce public sector expenditure further or requiring Local Government sector to shoulder more of the burden
- ❖ the Government's transfer of responsibility to local Councils for determining Council Tax Benefit and capping the amount it will reimburse in the future regardless of whether there is a surge in the numbers claiming
- ❖ the continuing risk of challenges to planning decisions and the costs of defending these through the legal process
- ❖ the threat of substantial claims under employment law
- ❖ the threat of having to repay some land charge search fees following a claim that these fees may have been levied contrary to European Environmental Law.
- ❖ the increased threat of industrial action during a period of public sector pay restraint and job losses
- ❖ emergency spend pressures in-year, due to one-off items of capital or revenue spend
- ❖ risks around the conclusion of the Housing Market Renewal Programme

- ❖ the continuing trading difficulties experienced by Hyndburn Leisure and the financial pressures on partner organisations and the third sector in general
- ❖ insurance claims for which cover is not in place, in particular claims relating to items formerly covered by Municipal Mutual Insurance which has gone into liquidation and historic employee health claims dating back to the 1960s, 1970s and 1980s.
- ❖ supplier failure during an elongated recession
- ❖ environmental warranties on our land and guarantees provided to Hyndburn Homes over land transferred to them
- ❖ the threat that Central Government will pass fines from Europe directly to Councils if the UK fails to meet its targets on climate change and environmental improvements.
- ❖ continuing reductions in our fees and charges income as the Recession continues
- ❖ the need to meet the cost of land acquisitions under the Community Right to Purchase legislation.

Other Assumptions

80. The MTFS assumes that the Council is able to present a balanced budget each year and operate within that budget and that it does not need to draw upon reserves or overspend within any financial year.

81. It assumes that any draw down of reserves is either immediately replenished within the financial year or a top slice of funding from the next year's budget is made to ensure they remain at the stated level.
82. It assumes that service provision remains largely within the current confines and that no major initiatives are imposed upon the Council without suitable funding provision. For instance, the MTFS does not allow for the return to weekly refuse collection without the Government providing the necessary funds not only to manage the change process, but also to meet the additional on-going revenue costs.

Equality Impact Assessment

83. There are no specific proposals within the MTFS that would require the completion of an Equality Impact Assessment (EIA). This document remains a high level strategic overview. Individual EIAs will be completed for relevant policy developments, service alterations and savings plans as they occur, as a response to the overall financial plans of the Council.

Scenarios

84. As with the previous MTFS we have attempted to outline the potential range of scenarios around the Council's Finances over the next few years, by varying some of the key assumptions. In order to avoid a myriad of possible scenarios, we have presented in Appendix 2 and Appendix 3, two scenarios towards either extreme side of the MTFS forecast. This allows the potential maximum and minimum range of savings over the next 3 years to be broadly established.

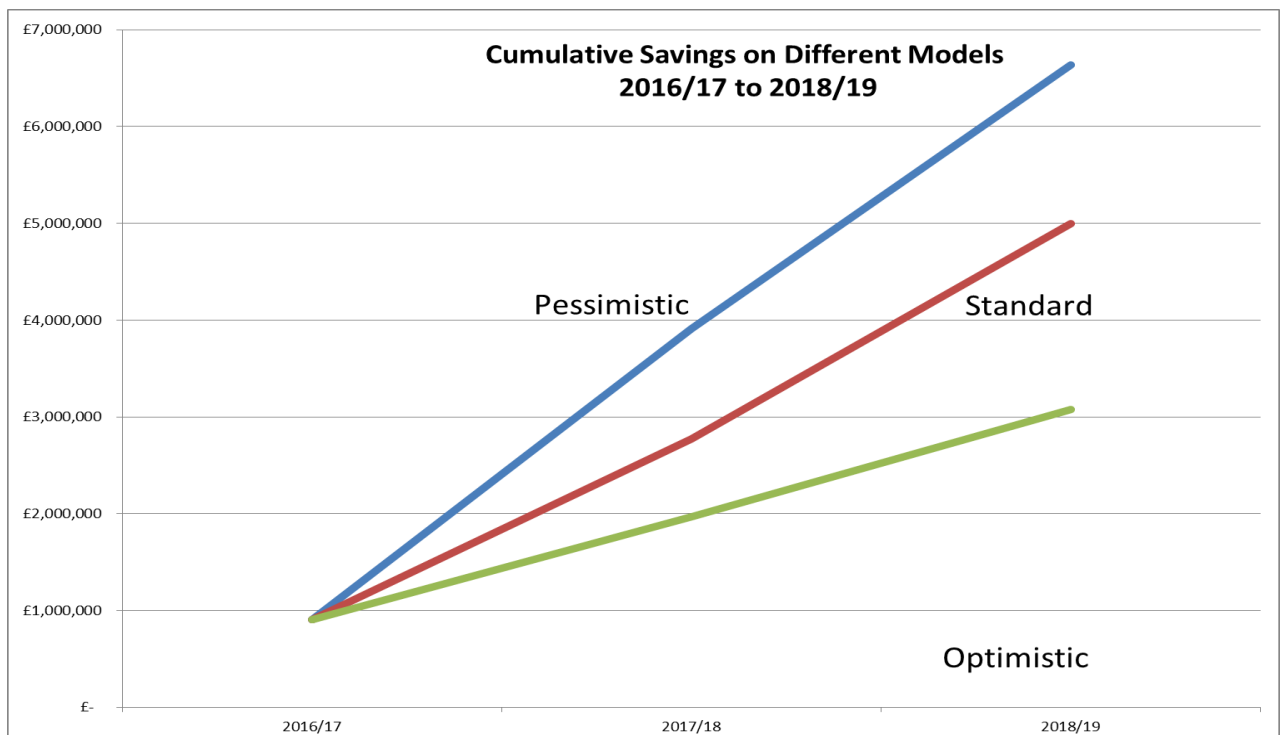
85. The Pessimistic Scenario presented at Appendix 2 looks at the baseline assumptions for the MTFs and adjusts them for the following reasons.
86. Business Rate Income is shown to decline by 5% each year representing a down turn in economic activity in Hyndburn, either due to local or national or international factors coupled with a lowering of the overall amounts collectable as a result of business rate appeals. A 5% downturn in these figures is the equivalent loss of around £170,000 per year. This is the only Revenue forecast altered in the Pessimistic Scenario as the Government Grant figures and Council Tax figures used in the Standard Model are not subject to variation and the Collection Fund is unlikely to trip into a deficit over the coming few years.
87. Housing Benefit Administration Grant is also shown as reducing by a further £175,000 in 2017/18 compared to the Standard Model on the basis that the conversion to Universal Credit is more aggressively pursued and reduction in local government support reduced as a consequence.
88. The Pessimistic Scenario also assumes that the Housing Market Renewal work moves at a faster pace in 2016/17 and as such there is less monies remaining in 2017/18 to finance revenue fees by £50,000. (This however does reduce the decrease the following year by £50,000, as there is only a finite amount of money remaining in the programme.)
89. Finally in the “Reductions to Income Section” of the calculation we have assumed that the Council is unable to extract £150,000 worth of savings from its Waste Services operations under the new arrangement that replaces the Cost Share Agreement and it is therefore left with the full impact of the £800,000 loss in income.

90. In our standard MTFs we have assumed a 1% pay award over each year of three years of the forecast. The Pessimistic Scenario allows for a 2% wage settlement in the two later years within the forecast, recognising that upward pressure may build for an enhanced settlement after a large number of years of enforced pay restraint. This potentially adds £280,000 to our costs over these years. This is not seen as a likely occurrence as the economy is unlikely to have sufficiently recovered to finance such rises and with little prospects of additional funding to finance such wage increases this level of wage settlement would simply lead to a reduction in the workforce.
91. General inflation continues to be difficult to predict. For the Pessimistic Scenario an assumption has been made that the costs of supplies and services rise by £300,000 in each of the next 2 years beyond 2016/17. This level of inflation to some extent would indicate an economy on the mend with suppliers confident of passing price increases on to customers and excess supply disappearing from the economy.
92. The combined impact of all these potential changes are illustrated at Appendix 2 and show that the savings target for 2017/18 would rise to £3.0m from £1.8m and increase the savings target to 26% from 16%. The savings target for 2018/19 of the MTFs increases from £2.2m to £2.7m.
93. While it is viewed as unlikely, though possible, that all these factors would combine against the Council, the Pessimistic Scenario at Appendix 2 indicates the Council does face a number of potential challenges, which would require the Council to take a number of much tougher decisions around its spending plans and priorities.

94. The level of savings required under the Pessimistic Scenario would put the Council's finances under severe strain and it is likely it would need to use a considerable amount of its reserves while it attempted to reconfigure its operations so that it could achieve the cost reductions necessary to continue to set a long term balanced budget.
95. The Optimistic Scenario is presented at Appendix 3. It assumes that an expanding local economy contributes to a growth in Business Rate Funding available to the Council of £250,000 each year and that Pooling operates in all 3 years. There is some indication that local manufacturing businesses are looking to increase their output and invest to expand which will lead to higher business rates being paid. This has however to be tempered by a potential downturn in the retail sector which could potentially limit any real gains achieved from the manufacturing side. In these circumstances a £250,000 annual growth figure would be viewed as towards the top end of what could be achieved.
96. The Optimistic Model also assumes the Council will be able to boost its Council Tax income from growth in the number of houses, reducing the number of people claiming Council Tax Support, increasing the yield from reducing empty properties, improving collection rates and raising council tax levels. There is some indication that Developers are now returning to Hyndburn and planning applications are being discussed for new housing in a variety of locations. Again assuming a high level of performance in all these areas it would be possible to boost council tax income by around £130,000 per year. The model also assumes that the Collection Fund can generate a surplus of £200,000 in each of the three financial years.

97. These changes see the Council's increased resources from business rates and council tax offset a large chunk of the loss of income from the Government and the Council has almost £600,000 more to spend in 2017/18 compared to the Standard Model and almost £1m more in 2018/19.
98. The model also assumes that the Department of Work & Pensions will not reduce the Grant for the administration of Housing Benefit at the level predicted in the Standard Model, but that it will slow down the reductions by £100,000 in 2017/18.
99. The speed at which the Housing Market Renewal programme uses its available fees budget is also assumed to be slower and therefore the reduction in 2017/18 is not as great as in the Standard Model and the residual amount is removed in 2018/19.
100. There is also an assumption that the cost impact of the ending of the Cost Share Agreement with Lancashire County Council over the collection of waste will not impact at the level of £650,000 as originally predicted but can be reduced downwards to around £500,000, by either agreeing a further funding stream from the County Council or finding further savings within the operational budgets from not doing this work.
101. Inflation is also assumed to be lower with the reductions we have seen over the last few months feeding into much lower prices in 2017/18 and 2018/19 leading to a reduced forecast by £100,000 in each of these years for the general impact of inflation.
102. The Optimistic Scenario considerably eases the overall savings required in each of the three years with the level of savings required below 8% in

2016/17 and around 10% in the following years. However this is a very optimistic view of what might occur and the most likely outcome remains those predicted in Appendix 1. The diagram below shows the potential range from the most optimistic to the most pessimistic put forward in this document.



103. The Overall best prediction of the savings required for the next three years are those presented at Appendix 1 of the report. This requires £900,000 of savings to be generated in 2016/17 to balance the Council’s budget with further savings of £1.8m in 2017/18 and £2.2m in 2018/19. The Pessimistic and Optimistic Scenarios at Appendix 2 and Appendix 3 provide the most likely boundaries within which the savings target will fluctuate over the coming three years. There remains a potential for the savings target to fall outside these boundaries, though this is viewed as remote.

104. It is likely that the Council will encounter a mix of fortunes over the coming three years with some income and expenditure moving in a positive manner while others move negatively.

Robustness of Forecast

105. The robustness of the forecasts within the MTFS has improved with the announcement of a potential 4 year funding deal from the Government. This has removed a significant amount of the uncertainty around a major element of revenue forecasting. However there remains a number of large scale potential variables that will need to be closely monitored over the coming years to ensure the Council is able to effectively manage its Budget.

Overall Net Position

106. The Council faces continuing pressure on its finances over the next 3 years. The reductions in the level of government grant for 2016/17 and beyond are significant and the Council will need to take tough decisions over service provision to maintain a balanced budget in these circumstances. In addition it faces two major challenges around the ending of the Cost Share Agreement and the potential need to fund Capital Expenditure from Revenue resources in 2018/19, which add over a £1m to its budget problems. This is in addition to the usual pressures around wage settlements, goods and service inflation and changes to tax and pension rules which add costs to its operation.

107. The key to the future financial wealth of the Council remains tied to the performance of the national economy and Central Government finances

but a significant additional risk has been transferred to local government around the performance of business rates.

108. The Council therefore needs to continue to manage its revenue costs aggressively over the next 3 years. The single largest area of influence it can exert on its future financial position is around its Capital Programme. If the Capital Programme can continue to be self-financing beyond 2017/18 this will substantially ease the cumulative financial pressures on the Council over the 3 years of the MTFS.

Appendix 1

Three Year Standard Model Medium Term Financial Strategy 2016/17 to 2018/19

Available Resources	2016/17	2017/18	2018/19
Revenue Support Grant	£ 3,159,265	£ 2,446,543	£ 1,998,601
Efficiency Support Grant		£ -	£ -
Business Rates Funding	£ 3,494,786	£ 3,494,786	£ 3,494,786
Council Tax Freeze Grant		£ -	£ -
Council Tax	£ 4,400,396	£ 4,400,396	£ 4,400,396
Collection Fund Surplus Council Tax	£ 200,000	£ -	£ -
Total Available Resources	£ 11,254,447	£ 10,341,725	£ 9,893,783
Prior Year Spend	£ 11,489,122	£ 11,254,447	£ 10,341,725
Reductions in Income			
HB Admin Grant	£ 200,000	£ 200,000	£ 100,000
Operational Budget Adjustments	£ -	£ -	
Ending of ABG Support	£ -	£ -	
Reduction in Capitalisation	£ 50,000	£ 58,000	
Decreased HMR Fees	£ -	£ 100,000	£ 100,000
Corporate Savings Target Adjustment	£ 64,000	£ -	
Waste Service Ending of LCC Recycling Payments			£ 650,000
Expected Cost Increases			
Salaries & Pension Costs	£ 212,376	£ 140,000	£ 140,000
Additional National Insurance Costs	£ 140,000		
Apprenticeship Levy		£ 50,000	
Pension Auto Enrolment		£ 83,000	£ 83,000
Redundancy Costs		£ 130,000	
General Supplies & Services	£ -	£ 200,000	£ 200,000
Capital Funding Direct From Revenue			£ 500,000
Growth Items		£ -	£ -
Predicted New Operating Cost	£ 12,155,498	£ 12,215,447	£ 12,114,725
Costs Exceed Resources by	£ 901,051	£ 1,873,722	£ 2,220,942
Percentage Savings Required to Balance Budget	7.84%	16.65%	21.48%

**Three Year Pessimistic Model
Medium Term Financial Strategy
2016/17 to 2018/19**

Available Resources	2016/17	2017/18	2018/19
Revenue Support Grant	£ 3,159,265	£ 2,446,543	£ 1,998,601
Efficiency Support Grant		£ -	£ -
Business Rates Funding	£ 3,494,786	£ 3,320,047	£ 3,154,044
Council Tax Freeze Grant		£ -	£ -
Council Tax	£ 4,400,396	£ 4,400,396	£ 4,400,396
Collection Fund Surplus Council Tax	£ 200,000	£ -	£ -
Total Available Resources	£ 11,254,447	£ 10,166,986	£ 9,553,041
Prior Year Spend	£ 11,489,122	£ 11,254,447	£ 10,166,986
Reductions in Income			
HB Admin Grant	£ 200,000	£ 375,000	£ 100,000
Operational Budget Adjustments	£ -	£ -	
Ending of ABG Support	£ -	£ -	
Reduction in Capitalisation	£ 50,000	£ 58,000	
Decreased HMR Fees	£ -	£ 150,000	£ 50,000
Corporate Savings Target Adjustment	£ 64,000	£ -	
Waste Service Ending of LCC Recycling Payments			£ 800,000
Expected Cost Increases			
Salaries & Pension Costs	£ 212,376	£ 280,000	£ 280,000
Additional National Insurance Costs	£ 140,000		
Apprenticeship Levy		£ 50,000	
Pension Auto Enrolment		£ 83,000	£ 83,000
Redundancy Costs		£ 130,000	
General Supplies & Services	£ -	£ 300,000	£ 300,000
Capital Funding Direct From Revenue		£ 500,000	£ 500,000
Growth Items		£ -	£ -
Predicted New Operating Cost	£ 12,155,498	£ 13,180,447	£ 12,279,986
Costs Exceed Resources by	£ 901,051	£ 3,013,461	£ 2,726,944
Percentage Savings Required to Balance Budget	7.84%	26.78%	26.82%

**Three Year Optimistic Model
Medium Term Financial Strategy
2016/17 to 2018/19**

Available Resources	2016/17	2017/18	2018/19
Revenue Support Grant	£ 3,159,265	£ 2,446,543	£ 1,998,601
Efficiency Support Grant		£ -	£ -
Business Rates Funding	£ 3,494,786	£ 3,744,786	£ 3,994,786
Council Tax Freeze Grant		£ -	£ -
Council Tax	£ 4,400,396	£ 4,532,396	£ 4,668,368
Collection Fund Surplus Council Tax	£ 200,000	£ 200,000	£ 200,000
Total Available Resources	£ 11,254,447	£ 10,923,725	£ 10,861,755
Prior Year Spend	£ 11,489,122	£ 11,254,447	£ 10,923,725
Reductions in Income			
HB Admin Grant	£ 200,000	£ 100,000	£ 100,000
Operational Budget Adjustments	£ -	£ -	
Ending of ABG Support	£ -	£ -	
Reduction in Capitalisation	£ 50,000	£ 30,000	£ 28,000
Decreased HMR Fees	£ -	£ 100,000	£ 100,000
Corporate Savings Target Adjustment	£ 64,000	£ -	
Waste Service Ending of LCC Recycling Payments			£ 500,000
Expected Cost Increases			
Salaries & Pension Costs	£ 212,376	£ 140,000	£ 140,000
Additional National Insurance Costs	£ 140,000		
Apprenticeship Levy		£ 50,000	
Pension Auto Enrolment		£ 83,000	£ 83,000
Redundancy Costs		£ 130,000	
General Supplies & Services	£ -	£ 100,000	£ 100,000
Capital Funding Direct From Revenue			£ -
Growth Items		£ -	£ -
Predicted New Operating Cost	£ 12,155,498	£ 11,987,447	£ 11,974,725
Costs Exceed Resources by	£ 901,051	£ 1,063,722	£ 1,112,970
Percentage Savings Required to Balance Budget	7.84%	9.45%	10.19%

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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