Stafford
BOROUGH COUNCIL

Civic Centre
Riverside
Stafford
ST16 3AQ

22 January 2018

Dear Members

Council Meeting

I hereby give notice that a meeting of the Council will be held in the Council Chamber, County Buildings, Martin Street, Stafford on **Tuesday 30 January 2018 at 7.00pm** to deal with the business as set out on the agenda.

Please note that this meeting will be recorded.

Tim Clegg

Tim Clegg
Chief Executive

COUNCIL MEETING - 30 JANUARY 2018
MAYOR, COUNCILLOR AIDAN GODFREY

A G E N D A

1 Approval of the Minutes of the last Meeting of the Council held on 21 November 2017 as published in Digest No 238 on Friday 8 December 2017.

2 Apologies for Absence

3 Declarations of Interest

4 Announcements (paragraph 3.2(iii) of the Council Procedure rules)

5 Public Question Time - Nil

6 Councillor Session - Nil

7 Notice of Motion - Nil

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8	General Fund Revenue Budget 2018-19 to 2020-21 and Capital Programme 2017-18 to 2020-21	3 - 55
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11	Any Items Referred from Scrutiny Committee(s)	-

Chief Executive

Civic Centre
Riverside
Stafford
ST16 3AQ

ITEM NO 8

ITEM NO 8

Contact Officer:	**Bob Kean**
Telephone No:	**01785 619241**
Ward Interest:	**Nil**
Report Track:	**Cabinet 18/1/18** **Council 30/1/18**

COUNCIL

30 JANUARY 2018

General Fund Revenue Budget 2018-19 to 2020-21 and Capital Programme 2017-18 to 2020-21

The following report was considered by Cabinet at its meeting held on 18 January 2018 and is submitted to Council for approval.

1 Purpose of Report

1.1 To propose to the Council the General Fund Revenue Budget for 2018-19 to 2020-21 and the updated Capital Programme 2017-18 to 2020-21.

2 Recommendation

2.1 The Committee considers and notes the following decision of the Cabinet and records any comments they wish to make.

Decision of the Cabinet

That the following be recommended to the Council:-

(a) the Budget Requirement for the General Fund Revenue Budget for 2018-19 be set at £12.003 million (with indicative requirements for 2019-20 and 2020-21 of £12.420 million and £13.110 million respectively);
(b) that the detailed portfolio budgets as set out in **APPENDIX 2** be approved;
(c) the detailed capital programme as set out in **APPENDIX 3,** be approved;
(d) that the Council Tax for 2018-19 be increased by 1.9% to £153.39;
(e) the Council's Tax Base be set at 46,593.31 (as determined by the Head of Finance);
(f) that no changes are made to the current Local Council Tax Support Scheme

3 Key Issues

3.1 This report sets out the current position on the General Fund Revenue Budget for 2018-19 as well as indicative budgets for 2019-20 and 2020-21. It also sets out the position on the Local Government Finance Settlement 2018-19, New Homes Bonus Grant allocation, the position on the Council's Collection Fund, the Council's Tax Base for 2018-19 and the consequential Council Tax for 2018-19.

3.2 Indicative budgets have been set out for 2020-21, based upon the existing Local Government Funding Regime, however it should be noted that a new regime will apply from that year and no indicative figures can be provided by the Government with the scheme still at concept stage.

4 Relationship to Corporate Priorities

4.1 The revenue budget and the capital programme have been based on the Council's priorities.

5 Report Detail

5.1 Individual draft portfolio budgets for each of the Council's five portfolios together with a capital programme including details of new capital schemes were proposed by the Cabinet at its meeting on 7 December 2017. The Community, Environment, Leisure and Culture and Planning and Regeneration Portfolio budgets were submitted to the Economic Development and Planning Scrutiny Committee on 12 December 2017 and the Community Wellbeing Scrutiny Committee on the 11 January 2018 as part of the budget consultation process .The Resources Portfolio budget is to be considered by the Resources Scrutiny Committee on 16 January 2017, again as part of the Budget consultation process.

5.2 The results of the consultation with Economic Development and Planning Scrutiny Committee are attached as **APPENDIX 1**. A verbal update on the results of the consultation with Community Wellbeing Scrutiny Committee and Resources Scrutiny Committee will be provided at the meeting.

5.3 Local Government Employer Pay Offer

5.3.1 The National Employers for Local Government Services made a final pay offer covering the period 1 April 2018 to 31 March 2020 on the 5 December 2017. The offer included a 2% pay ward for Spinal column Point 20 with spinal column points below this receiving higher increases. The offer envisaged an overall increase across the country of 2.7% in 2018-19 and 5.58% by 2019-20.

5.3.2 The actual increase for this Council for 2018-19 amounts to 2.65 % but is substantially in excess of the 1% provision made in each of the years. The combined impact in 2019-20 showing an increase of 5.1% compared with the 2.0 % reflected in the base budget.

5.3.3 The additional cost to the Council, inclusive of shared services, amounts to £143,000 in 2018-19 rising to £305,000 for 2019-20 and thereafter and have now been reflected in Portfolio Budgets.

5.4 Local Government Finance Settlement 2018-19

5.4.1 The Provisional Local Government Finance Settlement for 2018-19 was received by the Council on 19 December 2017. The settlement only included indicative figures for 2019-20 with the 2020-21 allocation likely to be subject to considerable change arising from the planned implementation of Fair Funding and a revised Business Rates Retention Scheme in that year. The 2018-19 settlement and 2019-20 indicative figures provides the Council with a combination of its provisional Revenue Support Grant allocation and its baseline figures within the Business Rates Retention (BRR) scheme.

5.4.2 The settlement for 2018-19 is in line with the indicative figures published last year, and included in the Draft Budget of the 7 December 2017.

5.4.3 The 2018-19 settlement needs to be considered in context of the four year settlement for the period 2016-17 to 2019-20 that formed a transitional path to the proposed 100% Business Rates Retention. In particular reductions with effect from 2016-17 for each authority are now based upon its combined Spending Assessment (Business Rates Baseline and Revenue Support Grant) and Council Tax Requirement. In relation to the latter the Government based reduction is based upon Council Tax increasing by 2%/CPI per annum (Council Tax thresholds were increased to 3% as part of the 2018/19 provisional settlement).

5.4.4 In considering the proposed budget and level of Council Tax it is therefore worth remembering that direct Government support as reflected in the 2019-20 Settlement Assessment now equates to £2.612 million and shows a reduction of £2.124 million (44.8%) as compared with 2015-16 level of support.

5.4.5 The reduction includes the total demise of Revenue Support Grant £2.066 million combined with a Tariff Adjustment or Negative Revenue Support Grant of £0.250 million from 2019-20 onwards.

5.4.6 It is intended that this will be added to the Tariff Adjustment of the Council with the amount of Business Rates Income being reduced accordingly. The Tariff Adjustment has been abated for authorities subject to such adjustments in 2017-18 and 2018-19, whereas it was envisaged that a new Business Rates Regime (100% retention) would be in place by 2019-20 that could mitigate the effect. As a result of changes to the Business Rates Regime not now applying until 2020/21 the 2018-19 Provisional Settlement stated that the Government will consult on options for dealing with negative RSG for 2019-20 in the spring of 2018 and ahead of next year's settlement.

5.5 New Homes Bonus

5.5.1 Provisional allocations for the New Homes Bonus Grant scheme for 2018-19 were announced by the Department for Communities and Local Government on the 19 December 2017.

5.5.2 No changes have been made to the scheme itself for 2018-19 although the Government had previously consulted on withholding payments for homes that are built on appeal. Similarly no changes have been made to the 2018-19 determination of the number of properties not eligible for grant (deadweight) which is now subject to annual review.

5.5.3 The settlement is some £59,000 higher than anticipated reflecting the amount per Band D property increasing reflecting the National Council Tax increase in 2017-18 combined with an higher than anticipated number of affordable dwellings attracting the £280 supplement available under the scheme.

5.6 Business Rates Retention

5.6.1 The Business Rates Retention Scheme incentivises Councils to promote economic growth in their area as they are entitled to retain a share of business rates growth.

5.6.2 In determining the amount of overall Government funding allocated to the Council a baseline figure for 2018-19 of £2.717 million has been set which is used in determining the amount of Business Rates to be retained by the Council. The Baseline is updated each year to reflect inflation.

Autumn Budget

5.6.3 The Chancellor of the Exchequer announced a number of changes in relation to Business Rates in his 2017 Autumn Budget that related to 2018-19. These included

- Switch from RPI to CPI from 1 April 2018
- Continuing the £1,000 discount for public houses for one year

In addition it was announced that the frequency with which the VOA revalues non-domestic properties would be increased by moving to revaluations every three years following the next revaluation, currently due in 2022.

5.6.4 The impact of the changes should be financially neutral for 2018-19 with compensating grants (section 31) being provided by the Government.

Small Business Rates Relief

5.6.5 A Section 31 grant is due to be implemented for 2017-18 in relation to changes to Small Business Rates Relief (SBRR) thresholds and the doubling of SBRR relief arising from the Chancellors 2016 Budget. Provision has been made in the budget for such compensation however the methodology for determining compensation has only been submitted for consultation on the 20 December 2017. The Budget has therefore been amended to reflect the proposed compensation which is based upon a proxy, based upon RV bandings for each authority, rather than the actual cost.

2017 Revaluation - Adjustment to Business Rate Tariffs.

5.6.6 The current Business Rates Retention system set a baseline for Business Rates for the Council with effect from 2013-14 with the first reset of baselines scheduled for 2020. The Authority is entitled to 40% of Business Rates however its actual initial entitlement is determined by the Settlement Funding Assessment of the Local Government Settlement. An adjustment or Deduction is then made to achieve the Baseline figure and is known as a Tariff. This Tariff is however fixed, in real terms, enabling the Council to receive a 50% share of any growth achieved.

5.6.7 When the Government introduced the 50% business rate retention scheme it signalled that it would adjust each authority's tariff or top up following a revaluation to ensure, as far as is practicable, that their retained income is the same after revaluation as immediately before. The first revaluation under the Business Rates retention Scheme took place in 2017.

5.6.8 The 2017-18 Local Government Settlement determined the provisional adjustment to the Tariff as a result of the 2017 Revaluation at a £1.23 million reduction to the 2017-18 Tariff, having taken into account the relevant multipliers for 2016-17 and 2017-18. The adjustment was based upon the difference in yields between 2010 and 2017 Rateable Values as at 28 September 2016.

The 2018-19 Local Government Finance Settlement has determined the final adjustment to the Tariff, based upon actual 2010 and 2017 RV's as at 31 March 2017. A retrospective adjustment (increase) of £0.287 million has been applied in 2018-19 for 2017-18; nevertheless the ongoing Tariff is less than anticipated resulting in additional growth being retained by the council.

Revaluation Appeals

5.6.9 The implementation of the 2017 Revaluation from the 1 April 2017 exposed the Council to a greater degree of Risk in relation to Appeals. As highlighted in the Governments own consultation on Business Rates the volatility of appeals has had a material detrimental impact on the resources available to local authorities and this has been exacerbated by the 2017 revaluation. The current 50% business rates retention was introduced 3 years post the

2010 valuation at a time when the majority of appeals should already have been dealt with. Authorities are now bearing the impact of appeals from day one of the new valuation.

5.6.10 The provisional Local government Finance Settlement for 2017-18 indicated that 2.1p of the proposed multiplier is to account for appeals arising from the 2017 revaluation however only time will tell whether this is sufficient. Appeals received to date against the 2017 Revaluation are limited in number however this is potentially as a result of the new Check, Challenge, Appeal system whereby due to a more robust system a time lag is likely to exist before appeals materialize. It is therefore felt prudent to maintain the 2.1p provision for 2018-19.

5.6.11 In addition to the 2017 related appeals, appeals are still outstanding from 2010 and new appeals in relation to 2017-18 may be triggered by material reductions highlighted between the two rating lists.

Growth Generated

5.6.12 The Council is forecast to achieve additional retained income of £1.815 million in 2018-19 in respect of “growth” compared with the Government’s baseline. The Council is also a member of the Stoke-on-Trent and Staffordshire Business Rates Pool and will generate a further £0.726 million of retained income as a result of the local pooling arrangements. **APPENDIX 4** provides an analysis of the Retained Business Rates Income for the Council.

5.6.13 The level of growth retained is likely to be challenging when baselines are reset in 2020-21 and it is not clear to what degree, if any, the level of partial reset/growth carried forward will be applied.

Business Rates Pilot 2018/19

5.6.14 The Council together with the other ten authorities in Staffordshire applied to be a Business Rates Pilot in 2018/19. The successful applications were announced as part of the Provisional Local Government Settlement and unfortunately the Staffordshire & Stoke on Trent application was unsuccessful. The approved pilot areas consist of Berkshire; Derbyshire, Devon; Gloucestershire; Kent & Medway; Leeds; Lincolnshire; Solent; Suffolk and Surrey.

Proposed Changes to existing Regime

5.6.15 The Budget is based upon the existing 50% Business Rates Retention Scheme. As stated earlier it was originally envisaged that a new 100% Business Rates Retention scheme would be in place by 2019-20. However the necessary legislation as contained in the Local Government Finance Bill was not enacted due to the timing of the 2017 General Election and due to the pressing BREXIT requirements was not included in the legislative programme of the New Government. Work in relation to Fair Funding, which will determine the needs allocation or core funding baselines for the new system, has however progressed.

5.6.16 The Provisional Local Government Settlement however indicated that the introduction of 100% Business Rates Retention would be done in phases with the aim that in 2020-21 local authorities would be able to retain 75% of Business Rates. This would be by incorporating existing grants (to a lesser degree than under 100% retention) with Revenue Support Grant and Public Health Grant in particular to be absorbed.

5.6.17 The new scheme would however be based upon a new formula funding basis following a review of relative needs and resources and would also reflect a reset of existing Business Baselines. In relation to the former it is evident this review will undoubtedly see a movement in resources towards Adult Social Care that will impact upon the Business Rates Retained Baseline and the share of business rates growth between the County Council and the Borough. The resetting of current baselines will in addition see existing growth either eliminated or only partially carried forward into 2020-21. The indication is that 75% of new growth thereafter will be retained by local authorities.

5.6.18 An initial Technical Consultation on potential approaches to measure the relative needs of Local Authorities was published on the 19 December 2017 (response date 12 March 2018). A number of further technical papers are envisaged including examining the relative resources of local authorities and the transitional arrangements of the new scheme. **Details of how the new scheme will operate and specific assessments of relative need and resources for this authority are some way off being determined.**

5.7 Capital Financing Charges

5.7.1 Cabinet at its meeting of the 7 December 2017 approved the use of the cumulative surplus on Working Balances and part use of the New Homes Bonus Reserve to offset the Council's borrowing requirement. In accordance with this a reduction in capital financing charges of £150,000 per annum will arise and this has now been reflected in the Investment Income and Technical financing adjustments budget.

6 Revenue Budget 2017-18 to 2020-21

6.1 The portfolio budget position set out below reflects the detailed budgets that were presented to the Cabinet on 7 December 2017, which have also been subject to consultation with both Scrutiny Committees, as updated for the Employer Pay Award offer.

6.2 Table 1 incorporates the changes as identified above together with the changes in funding arising from the provisional allocations. The Table shows that a balanced budget exists throughout the 2018-19 to 2020-21 Medium Term Financial Plan.

Table 1 : Revenue Budget Recommended to Council			
	Budget 2018-19	**Budget 2019-20**	**Budget 2020-21**
	£000	**£000**	**£000**
Net Expenditure			
Portfolio budgets	13,611	13,822	14,106
Investment income & technical financing adjustments	1,159	1,731	1,944
Net Spending	**14,770**	**15,552**	**16,049**
Less: Government Grants			
Transitional Funding			
Rural Services Grant	(20)	(20)	(20)
NNDR Multiplier – Section. 31	(96)	(124)	(124)
New Homes Bonus	(2,651)	(2,988)	(2,795)
Budget Requirement	**12,003**	**12,420**	**13,110**
Financing			
Business Rates	(5,258)	(5,608)	(5,721)
Revenue Support Grant	(208)	250	255
Collection Fund surplus	(87)		
Council Tax Income	(7,147)	(7,392)	(7,645)
Total Financing	**(12,700)**	**(12,750)**	**(13,111)**
Transfer to Working Balances	**(697)**	**(330)**	**(1)**

6.3 The material changes occurring since the Draft Budget can be summarised as follows:-

Table 2: Revenue Budget Surplus/Deficit Reconciliation			
	Budget 2018-19	**Budget 2019-20**	**Budget 2020-21**
	£000	**£000**	**£000**
Draft Budget Original Deficit/ (Surplus)	**(519)**	**(183)**	**(174)**
Capital Financing Charges	(150)	(150)	(150)
Cabinet Approved Deficit/Surplus	(669)	(333)	(324)
Pay Award Provision	143	305	313
Provisional Settlement – Tariff Adjustment	(66)	(201)	(203)
New Homes Bonus allocation	(58)	(58)	(58)
SBRR	(108)	(110)	(112)
Reserve Transfer	58	58	375
Rural Services Grant	(5)		
Council Tax Base	8	**8**	8
Revised Surplus	**(697)**	**(330)**	**(1)**

6.4 The 2020-21 indicative Budget has been amended to transfer the forecast additional business rates arising from the Tariff and Compensation Grant to a Business Rates Equalisation reserve. As stated previously no figures are yet available from Government in relation to the new funding regime. The Business Rates Scheme in particular carries the greatest uncertainty with a 75% Retention Scheme to be designed; Fair Funding taken into account and a reset of baselines all due. In light of the uncertainty as reflected in various sections of this report it is difficult to identify the true overall position going forward.

7 Reserves and Balances

7.1 Reserves and balances comprise general reserves, the Working Balance and Earmarked Reserves. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments and are an essential part of good financial management.

7.2 **The Working Balance** - the current policy is to maintain the level of the General Fund balance at a minimum of £1 million. The General Fund balance at 1 April 2017 after taking into account the minimum requirement, capital commitments showed a surplus of £1.031 million. The surplus, in accordance with the Draft Budget is expected to increase to £2.801 million and in accordance with the Draft Budget submitted for consultation has been now used to partly offset the borrowing requirements of the Capital Programme (£2.648 million).

7.3 A residual surplus on Working Balances of £0.152 million is now forecast as per Table 3.

Table 3 : Movement on Working Balances				
	2017-18	2018-19	2019-20	2020-21
	£'000	£'000	£'000	£'000
B/fwd.	**3,031**	**1,772**	**69**	**151**
Minimum Requirement	(1,000)			
Capital commitment	(1,000)			
Generated in Year	741	697	330	1
Offset Borrowing Requirement		(2,400)	(248)	
Balance c/fwd.	**1,772**	**69**	**151**	**152**

7.4 The Council holds a number of earmarked reserves for specific purposes. A summary of earmarked reserves and capital funds incorporating their planned use over the next four years formed part of the report to Cabinet in December.

Movements since that date include the New Homes Bonus Equalisation Reserve increasing by £0.174 million, whereas the business Rates Equalisation reserve is forecast to increase by £766,000.

7.5 **APPENDIX 5** sets out the required report on the robustness of the budget estimates and the adequacy of the Council's reserves.

8 Capital Programme 2017-18 to 2020-21

8.1 The proposed Capital Programme for 2017-18 to 2020-21 formed part of the budgets referred to the relevant Scrutiny Committees for consultation.

9 Council Tax Base and Collection Fund

9.1 The final part of the consideration of the Budget is the Council Tax base. This is the number of properties in the borough expressed in terms of Band D equivalents.

9.2 The Council's Tax Base is now estimated to be 46,593.31 an increase of 2.6% on 2017-18 reflecting new properties being built in the borough combined with a reduced cost of the LCTR scheme.

9.3 The Tax Base has been calculated as follows:-

Council Tax base for budget setting purposes	49,576.91
Less: impact of Local Council Tax Reduction Scheme	(2,983.60)
	46,593.31

9.4 Details of the tax base, broken down over parishes are set out in **APPENDIX 6**. In order to ensure parish council's are not disadvantaged by the local scheme, a grant allocation is credited to Parish Councils to ensure that in setting their precepts no additional charge is required due to the implementation of the LCTR scheme. No reductions have been made in the 2018-19 allocation to parishes.

9.5 The Council's Collection Fund has been reviewed as part of the budget process and is expected to break even in 2018-19.

10. Council Tax 2018-19

10.1 In determining the level of Council Tax for 2018-19 Cabinet will need to take into account the medium term financial position and the Council Tax Referendum Thresholds.

10.2 The Localism Act 2011 contains provisions to veto excessive Council Tax increases by means of a referendum. The Council Tax Referendum threshold principles for 2018-19 were amended as part of the 2018-19 Provisional Settlement to reflect the prevailing level of inflation. The threshold has therefore been increased by a further 1% with an increase of 3% or more requiring a referendum.

10.3 Cabinet at its meeting of the 8 December 2016 in considering the Medium Term Financial Plan of the Council resolved

> *that in order to ensure as a minimum the maintenance of the existing level of service provision and also to generate additional capital resources to invest in the Borough that council tax is recommended to increase by 1.9% (to £150.53) for 2017-18; with similar indicative increases for 2018-19 and 2019-20 respectively;*

10.4 Cabinet at is meeting on the 7 December 2017 reaffirmed this and hence the Council Tax for 2018-19 is recommended to be £153.39 reflecting a 1.9% increase. The final level of Council Tax levied is to be recommended by Cabinet to Council for final determination by Council on 27 February 2018. The figures set out in this report may require minor amendment if any further information emerges before then.

10.5 The total Council Tax for the Borough will reflect the spending decision made by the County Council, the Office of the Police and Crime Commissioner and the Fire Authority. In addition, in certain areas, parish council precepts are also added to the overall bill.

11 Implications

6.1	**Financial**	Contained within the report
	Legal	Nil
	Human Resources	Nil
	Human Rights Act	Nil
	Data Protection	Nil
	Risk Management	Set out in full in **APPENDIX 5** of the report to Cabinet on **7** December 2017
	Equality and Diversity	The Borough Council considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:-

	Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The Proposed Budget in particular maintains all services at their existing levels with no service reductions included.

Previous Consideration - Cabinet - 18 January 2018 - Minute No CAB51/18

Background Papers - File available in Financial Services

APPENDIX 1

COUNCIL

30 JANUARY 2018

General Fund Revenue Budget 2018-19 to 2020-21 and Capital Programme 2016-17 to 2020-21

CWB34 **Community Portfolio - General Fund Revenue Budget 2017/2018 - 2020/2021 and Capital Programme 2017/2018 - 2020/2021**

This matter had been considered by Cabinet on 7 December 2017 and was submitted to this Committee for consultation.

Considered the report of the Head of Finance regarding the draft detailed Community Portfolio revenue budget for 2017/2018 - 2020/2021 and the draft Community Portfolio Capital Programme for 2017/2018 - 2020/2021 (V1 30/11/17).

The report related to the following:-

- The detailed portfolio revenue budget;

- The variations between the indicative budgets for 2018/2019 and 2019/2020, as set out last year, and the proposed budget for 2018/2019 and the draft budget for the following years to 2020/2021;

- The proposed Capital programme 2017/2018 - 2020/2021.

The Committee discussed the following aspects of the report with the Cabinet Member - Leisure Portfolio, the Chief Accountant and the Interim Health and Housing Services Group Manager:-

- An explanation of the net expenditure relating to homelessness and housing advice
- Clarification of CCTV net expenditure
- The reasons behind the reduction in the costs for homelessness supplies and services
- An update on the proposed improvements to the Glover Street Caravan Site
- The costs associated with bringing empty homes back into use and how this would be reported to Members in the future

RESOLVED:- that in exercise of the powers delegated to the Committee, the decision of the Cabinet, as set out in Minute CAB47(iv)/17, regarding the draft detailed Community Portfolio revenue budget for 2017/2018 - 2020/2021 and the draft Community Portfolio Capital Programme for 2017/2018 - 2020/2021, be noted.

CWB35 **Environment Portfolio - General Fund Revenue Budget 2017/2018 - 2020/2021 and Capital Programme 2017/2018 - 2020/2021**

This matter had been considered by Cabinet on 7 December 2017 and was submitted to this Committee for consultation.

Considered the report of the Head of Finance regarding the draft detailed Environment Portfolio revenue budget for 2017/2018 - 2020/2021 and the draft Environment Portfolio Capital Programme for 2017/2018 - 2020/2021 (V1 30/11/17).

The report related to the following:-

- The detailed portfolio revenue budget;

- The variations between the indicative budgets for 2018/2019 and 2019/2020, as set out last year, and the proposed budget for 2018/2019 and the draft budget for the following years to 2020/2021;

- The proposed Capital programme 2017/2018 - 2020/2021.

The Committee discussed the following aspects of the report with the Cabinet Member - Environment and Health Portfolio, the Cabinet Member - Leisure Portfolio and the Chief Accountant:-

- An explanation of the variations in the waste and recycling net expenditure
- An update on the Pest Port scheme
- Clarification of potential Parks and Open Spaces income
- Details of the Streetscene budget realignment
- The digitalisation of cemetery maps
- The effect of China's recent ban on plastic imports from the UK on the Council's Waste Contract

RESOLVED:- that in exercise of the powers delegated to the Committee, the decision of the Cabinet, as set out in Minute CAB47(v)/17, regarding the draft detailed Environment Portfolio revenue budget for 2017/2018 - 2020/2021 and the draft Environment Portfolio Capital Programme for 2017/2018 - 2020/2021, be noted.

CWB36 **Leisure Portfolio - General Fund Revenue Budget 2017/2018 - 2020/2021 and Capital Programme 2017/2018 - 2020/2021**

This matter had been considered by Cabinet on 7 December 2017 and was submitted to this Committee for consultation.

Considered the report of the Head of Finance regarding the draft detailed Leisure Portfolio revenue budget for 2017/2018 - 2020/2021 and the draft Leisure Portfolio Capital Programme for 2017/2018 - 2020/2021 (V1 30/11/17).

The report related to the following:-

- The detailed portfolio revenue budget;

- The variations between the indicative budgets for 2018/2019 and 2019/2020, as set out last year, and the proposed budget for 2018/2019 and the draft budget for the following years to 2020/2021;

- The proposed Capital programme 2017/2018 - 2020/2021.

The Committee discussed the following aspects of the report with the Cabinet Member - Leisure Portfolio and the Chief Accountant:-

- Clarification of tourism net expenditure
- An explanation of the leisure real term variations following the transfer of the service to a new provider
- An update on the scheme to provide a Destination Park at Charnley Road
- An outline of the proposed structural repairs to Stafford Castle

RESOLVED:- that in exercise of the powers delegated to the Committee, the decision of the Cabinet, as set out in Minute CAB47(iii)/17, regarding the draft detailed Leisure Portfolio revenue budget for 2017/2018 - 2020/2021 and the draft Leisure Portfolio Capital Programme for 2017/2018 - 2020/2021, be noted.

EDP23 **Planning Portfolio - General Fund Revenue Budget 2017/2018 - 2020/2021 and Capital Programme 2017/2018 - 2020/2021**

This matter had been considered by Cabinet on 7 December 2017 and was submitted to this Committee for consultation.

Considered the report of the Head of Finance regarding the draft detailed Economic Development and Planning Portfolio revenue budget for 2017/2018 - 2020/2021 and the draft Economic Development and Planning Portfolio Capital Programme for 2017/2018 - 2020/2021 (V2 1/12/17).

The report related to the following:-

- The detailed portfolio revenue budget;
- The variations between the indicative budgets for 2018/2019 and 2019/2020, as set out last year, and the proposed budget for 2018/2019 and the draft budget for the following years to 2020/2021;

- The proposed Capital programme 2017/2018 - 2020/2021.

The Committee discussed the following aspects of the report with the Cabinet Member - Economic Development and Planning Portfolio, the Cabinet Member - Community Portfolio, the Head of Economic Development and Planning and the Deputy Chief Accountant:-

- An explanation of the growth in Building Control
- Clarification of the Supplies and Services budget headings
- The rationalisation behind the budgets for Development Management and Forward Planning
- The reasons behind the variation of the budgets for Off-Street Parking Services, Land and Properties and Economic Development
- An explanation of the real term variations for Development Management and Senior Management Restructure
- Clarification of the Council funding two hours free parking at the Sainsbury's car park
- A outline of all the schemes detailed in the draft Economic Development and Planning Portfolio Capital Programme and timescales for their expenditure through to 2020/21

RESOLVED:- that in exercise of the powers delegated to the Committee, the decision of the Cabinet, as set out in Minute CAB74(vi)/17, regarding the draft detailed Economic Development and Planning Portfolio revenue budget for 2017/2018 - 2020/2021 and the draft Economic Development and Planning Portfolio Capital Programme for 2017/2018 - 2020/2021, be noted.

RSC31 **General Fund Revenue Budget 2017-18 to 2020-21 and Capital Programme 2017-18 to 2020-21**

This matter had been considered by Cabinet on 7 December 2017 and was submitted to this Committee for consultation.

Considered the report of the Head of Finance (V1 30/11/17) relating to the current position of the General Fund Revenue Budget for 2017-18 to 2020-21 and the updated capital programme for 2017-18 to 2020-21.

The report set out the draft budget for 2018-19 as well as indicative budgets for 2019-20 and 2020-21, plus associated issues and current indications of the impact that this would have on Council Tax. Indicative budgets for 2018-19 and 2019-20 were prepared as part of the 2017-18 budget process and had been updated as part of this year's process with the budgets then being extrapolated to create a new budget for 2020-21. The report set out the Council's financial position for the next three years, incorporating the financial resources available to the Council over the three year period. The report also set out the updated Capital Programme and the capital resources available to the Authority to finance that capital programme.

The Head of Finance provided the Committee with an update of the material changes that had occurred since the preparation of the Draft Budget, including the Pay Award Provision and the Local Government Financial Settlement.

The Committee discussed the following aspects of the report with the Chief Executive, the Head of Finance and the Neighbourhood Services Group Manager:-

- Clarification of the New Homes Bonus allocation
- Stability of the budget up to 2020-21
- The need to deliver the planned efficiency savings
- Clarification of the Local Government Pay Award and Business Rates income
- An explanation of the Council's growth proposals, including the Digitisation of Cemetery Maps
- Clarification of the costs of replacement wheeled bins

RESOLVED:- that in exercise of the powers delegated to the Committee, the decision of the Cabinet, as set out in Minute No CAB47(i)/17, regarding the General Fund Revenue Budget and Financial Plan for 2017-18 to 2020-21 and the updated Capital Programme for 2017-18 to 2020-21, be noted.

RSC32 **Resources Portfolio - General Fund Revenue Budget 2017/2018 - 2020/2021 and Capital Programme 2017/2018 - 2020/2021**

This matter had been considered by Cabinet on 7 December 2017 and was submitted to this Committee for consultation.

Considered the report of the Head of Finance regarding the draft detailed Resources Portfolio revenue budget for 2017/2018 - 2020/2021 and the draft Resources Portfolio Capital Programme for 2017/2018 - 2020/2021 (V1 30/11/17).

The report related to the following:-

- The detailed portfolio revenue budget;

- The variations between the indicative budgets for 2018/2019 and 2019/2020, as set out last year, and the proposed budget for 2018/2019 and the draft budget for the following years to 2020/2021;

- The proposed Capital programme 2017/2018 - 2020/2021.

The Committee discussed the following aspects of the report with the Head of Finance:-

- Clarification of the reduced Rateable Value for the Civic Centre
- An explanation of the increase in Revenues and Benefits expenditure as a result of the introduction of the Universal Credit

RESOLVED:- that in exercise of the powers delegated to the Committee, the decision of the Cabinet, as set out in Minute No CAB47(ii)/17, regarding the draft detailed Resources Revenue Portfolio budget for 2017/2018 - 2020/2021 and the draft Resources Portfolio Capital Programme for 2017/2018 - 2020/2021, be noted.

Community

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
1 Private Sector Housing (Standards)				
Employee Expenses	90,590	94,050	99,120	102,310
Transport Related Expenditure	4,160	4,240	4,320	4,320
Supplies & Services	10,670	10,670	10,670	10,670
Total Expenditure	**105,420**	**108,960**	**114,110**	**117,300**
Income	(2,290)	(2,340)	(2,390)	(2,440)
Total Income	**(2,290)**	**(2,340)**	**(2,390)**	**(2,440)**
Private Sector Housing (Standards) Net Expenditure	**103,130**	**106,620**	**111,720**	**114,860**
2 Housing Act Sewerage Works				
Premises Related Expenditure	3,860	2,000	2,110	2,150
Total Expenditure	**3,860**	**2,000**	**2,110**	**2,150**
Housing Act Sewerage Works Net Expenditure	**3,860**	**2,000**	**2,110**	**2,150**
3 Private Sector Hsg (Loans & Mortgages)				
Premises Related Expenditure	5,340	5,450	5,560	5,670
Total Expenditure	**5,340**	**5,450**	**5,560**	**5,670**
Income	(10,610)	(11,210)	(11,420)	(11,640)
Total Income	**(10,610)**	**(11,210)**	**(11,420)**	**(11,640)**
Private Sector Hsg (Loans & Mortgages) Net Expenditure	**(5,270)**	**(5,760)**	**(5,860)**	**(5,970)**
4 Partnerships				
Supplies & Services	25,290	25,290	25,290	25,290
Total Expenditure	**25,290**	**25,290**	**25,290**	**25,290**
Partnerships Net Expenditure	**25,290**	**25,290**	**25,290**	**25,290**
5 Homelessness & Housing Advice				
Employee Expenses	320,740	404,430	421,350	430,450
Premises Related Expenditure	27,630	30,590	31,210	31,840
Transport Related Expenditure	11,340	11,930	12,170	12,170
Supplies & Services	126,790	47,810	47,810	47,810
Total Expenditure	**486,500**	**494,760**	**512,540**	**522,270**
Income	(22,940)	(20,000)	(20,000)	(20,000)
Total Income	**(22,940)**	**(20,000)**	**(20,000)**	**(20,000)**
Homelessness & Housing Advice Net Expenditure	**463,560**	**474,760**	**492,540**	**502,270**
6 Glover Street				
Premises Related Expenditure	12,640	19,830	20,220	20,630
Supplies & Services	3,650	650	650	650
Total Expenditure	**16,290**	**20,480**	**20,870**	**21,280**
Income	(23,600)	(24,200)	(24,680)	(25,170)
Total Income	**(23,600)**	**(24,200)**	**(24,680)**	**(25,170)**
Glover Street Net Expenditure	**(7,310)**	**(3,720)**	**(3,810)**	**(3,890)**

Community

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
7 Grants & Contributions				
Supplies & Services	128,960	128,960	128,960	128,960
Total Expenditure	**128,960**	**128,960**	**128,960**	**128,960**
Grants & Contributions Net Expenditure	**128,960**	**128,960**	**128,960**	**128,960**
8 CCTV				
Premises Related Expenditure	3,370	3,440	3,510	3,580
Supplies & Services	23,480	16,480	16,480	16,480
Third Party Payments	73,750	78,410	79,980	81,580
Total Expenditure	**100,600**	**98,330**	**99,970**	**101,640**
CCTV Net Expenditure	**100,600**	**98,330**	**99,970**	**101,640**
Community Net Expenditure	**812,820**	**826,480**	**850,920**	**865,310**

Community Portfolio

Variation Statement 2018/2019 to 2020/2021

	2018/2019 Indicative	Real Terms / Efficiency Variations	2018/2019 Budget	2019/20 Indicative	Real Terms / Efficiency Variations	2019/2020 Budget	Inflation	Real Terms / Efficiency Variations	2020/2021 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	480	18	498	492	29	521	5	7	533
Premises Related Costs	56	5	61	57	6	63	1	-	64
Transport Related Costs	22	- 6	16	22	- 6	16	-	-	16
Supplies and Services	293	- 63	230	294	- 64	230	-	-	230
Third Party Payments	78	1	79	80	-	80	2	- 1	81
Total Expenditure	929	- 45	884	945	- 35	910	8	6	924
Income	- 61	3	- 58	- 62	3	- 59	- 1	1	- 59
Net Expenditure	868	**- 42**	826	883	**- 32**	851	7	**7**	865

Community Portfolio

Proposed Real Terms / Efficiency Variations

2018/19 Change

	£'000	£'000
Real Term Variations		
Homelessness		
Tenancy sustainment officer	26	
Reduced supplies and services (external register cost)	-51	-25
Senior management restructure		-62
Empty Homes Officer		38
Pay award		5
Glover Street rates payable on empty caravans		7
Grants reflecting Service level agreements		-3
minor variations		-2
		-42

2019/20 Change

	£'000	£'000
Real Term Variations		
Homelessness		
Tenancy sustainment officer	26	
Reduced supplies and services (external register cost)	-51	-25
Senior management restructure		-62
Empty Homes Officer		39
Pay award		12
Glover Street rates payable on empty caravans		7
Grants reflecting Service level agreements		-3
		-32

2020/21 Change

	£'000	£'000
Real Term Variations		
Increase in Superannuation		7
		7

Appendix 2

Environment

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
1 Management & Support				
Employee Expenses	249,340	312,690	324,970	331,580
Transport Related Expenditure	10,660	10,720	10,780	10,780
Supplies & Services	26,180	30,180	30,180	30,180
Total Expenditure	**286,180**	**353,590**	**365,930**	**372,540**
Income	(2,550)	(2,600)	(2,650)	(2,700)
Total Income	**(2,550)**	**(2,600)**	**(2,650)**	**(2,700)**
Management & Support Net Expenditure	**283,630**	**350,990**	**363,280**	**369,840**
2 Regulatory Services				
Employee Expenses	458,900	484,790	496,030	504,560
Premises Related Expenditure	5,830	5,950	6,070	6,190
Transport Related Expenditure	37,030	34,730	36,110	36,240
Supplies & Services	68,300	67,840	67,840	67,840
Total Expenditure	**570,060**	**593,310**	**606,050**	**614,830**
Income	(291,250)	(269,760)	(271,140)	(272,540)
Total Income	**(291,250)**	**(269,760)**	**(271,140)**	**(272,540)**
Regulatory Services Net Expenditure	**278,810**	**323,550**	**334,910**	**342,290**
3 Strategic Health Delivery				
Employee Expenses	59,110	116,660	60,650	49,800
Transport Related Expenditure	3,940	4,020	4,100	4,100
Total Expenditure	**63,050**	**120,680**	**64,750**	**53,900**
Income	(13,640)	(69,680)	(11,760)	-
Total Income	**(13,640)**	**(69,680)**	**(11,760)**	**-**
Strategic Health Delivery Net Expenditure	**49,410**	**51,000**	**52,990**	**53,900**
4 Partnerships Environmental Management				
Employee Expenses	72,550	38,830	39,620	40,030
Premises Related Expenditure	90	90	90	90
Transport Related Expenditure	370	190	190	190
Supplies & Services	47,030	24,210	24,210	24,210
Total Expenditure	**120,040**	**63,320**	**64,110**	**64,520**
Income	(9,500)	(9,500)	(9,500)	(9,500)
Total Income	**(9,500)**	**(9,500)**	**(9,500)**	**(9,500)**
Partnerships Environmental Management Net Expenditure	**110,540**	**53,820**	**54,610**	**55,020**
5 Waste & Recycling				
Employee Expenses	249,050	117,400	122,820	127,820
Transport Related Expenditure	10,320	4,980	5,080	5,080
Supplies & Services	86,380	79,520	79,830	80,450
Third Party Payments	4,126,400	3,882,420	4,004,360	4,128,390
Total Expenditure	**4,472,150**	**4,084,320**	**4,212,090**	**4,341,740**
Income	(1,651,320)	(1,517,350)	(1,546,300)	(1,575,820)
Total Income	**(1,651,320)**	**(1,517,350)**	**(1,546,300)**	**(1,575,820)**
Waste & Recycling Net Expenditure	**2,820,830**	**2,566,970**	**2,665,790**	**2,765,920**

Environment

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
6 Bereavement Services				
Employee Expenses	238,730	251,110	259,730	264,350
Premises Related Expenditure	142,930	165,250	156,300	159,410
Transport Related Expenditure	11,700	6,830	6,960	6,960
Supplies & Services	253,540	300,200	284,430	285,250
Total Expenditure	**646,900**	**723,390**	**707,420**	**715,970**
Income	(1,879,750)	(1,972,950)	(1,985,440)	(2,019,520)
Total Income	**(1,879,750)**	**(1,972,950)**	**(1,985,440)**	**(2,019,520)**
Bereavement Services Net Expenditure	**(1,232,850)**	**(1,249,560)**	**(1,278,020)**	**(1,303,550)**
7 Misc Highways Functions (ex Planning)				
Premises Related Expenditure	30,720	37,560	37,900	38,650
Supplies & Services	630	630	630	630
Total Expenditure	**31,350**	**38,190**	**38,530**	**39,280**
Income	(5,410)	(5,000)	(5,000)	(5,000)
Total Income	**(5,410)**	**(5,000)**	**(5,000)**	**(5,000)**
Misc Highways Functions (ex Planning) Net Expenditure	**25,940**	**33,190**	**33,530**	**34,280**
8 Drainage Services				
Premises Related Expenditure	4,000	4,200	4,200	4,280
Supplies & Services	97,710	97,710	97,710	99,660
Total Expenditure	**101,710**	**101,910**	**101,910**	**103,940**
Drainage Services Net Expenditure	**101,710**	**101,910**	**101,910**	**103,940**
9 Street Scene				
Employee Expenses	1,595,070	1,662,090	1,729,170	1,767,360
Premises Related Expenditure	113,820	39,430	40,020	40,820
Transport Related Expenditure	327,740	314,400	318,750	324,320
Supplies & Services	274,810	431,790	431,360	431,260
Third Party Payments	-	10	10	10
Total Expenditure	**2,311,440**	**2,447,720**	**2,519,310**	**2,563,770**
Income	(589,310)	(692,540)	(702,160)	(714,940)
Total Income	**(589,310)**	**(692,540)**	**(702,160)**	**(714,940)**
Street Scene Net Expenditure	**1,722,130**	**1,755,180**	**1,817,150**	**1,848,830**
10 Cleansing Services				
Premises Related Expenditure	44,910	44,760	45,650	46,570
Supplies & Services	18,730	18,750	18,770	18,790
Total Expenditure	**63,640**	**63,510**	**64,420**	**65,360**
Income	(300)	(310)	(320)	(330)
Total Income	**(300)**	**(310)**	**(320)**	**(330)**
Cleansing Services Net Expenditure	**63,340**	**63,200**	**64,100**	**65,030**

Environment

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
11 Floral Displays				
Supplies & Services	7,940	-	-	-
Total Expenditure	**7,940**	**-**	**-**	**-**
Income	(8,820)	-	-	-
Total Income	**(8,820)**	**-**	**-**	**-**
Floral Displays Net Expenditure	**(880)**	**-**	**-**	**-**
12 Pest Control				
Employee Expenses	107,360	117,890	123,120	130,050
Transport Related Expenditure	8,990	9,250	9,440	9,630
Supplies & Services	44,070	44,070	44,070	44,070
Total Expenditure	**160,420**	**171,210**	**176,630**	**183,750**
Income	(152,890)	(163,210)	(166,480)	(169,810)
Total Income	**(152,890)**	**(163,210)**	**(166,480)**	**(169,810)**
Pest Control Net Expenditure	**7,530**	**8,000**	**10,150**	**13,940**
13 Dog Warden Service				
Supplies & Services	2,950	13,750	13,750	13,750
Third Party Payments	28,480	29,050	29,630	30,220
Total Expenditure	**31,430**	**42,800**	**43,380**	**43,970**
Income	(360)	(11,170)	(11,180)	(11,190)
Total Income	**(360)**	**(11,170)**	**(11,180)**	**(11,190)**
Dog Warden Service Net Expenditure	**31,070**	**31,630**	**32,200**	**32,780**
Environment Net Expenditure	**4,261,210**	**4,089,880**	**4,252,600**	**4,382,220**

Environment Portfolio

Variation Statement 2018/2019 to 2020/2021

	2018/2019 Indicative	Real Terms / Efficiency Variations	2018/2019 Budget	2019/20 Indicative	Real Terms / Efficiency Variations	2019/2020 Budget	Inflation	Real Terms / Efficiency Variations	2020/2021 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	3,004	97	3,101	3,072	84	3,156	28	31	3,215
Premises Related Costs	351	- 54	297	364	- 74	290	6	-	296
Transport Related Costs	426	- 41	385	432	- 40	392	6	- 1	397
Supplies and Services	912	197	1,109	915	178	1,093	4	- 1	1,096
Third Party Payments	4,350	- 438	3,912	4,434	- 400	4,034	86	39	4,159
Total Expenditure	9,043	- 239	8,804	9,217	- 252	8,965	130	68	9,163
Income	- 4,298	- 416	- 4,714	- 4,375	- 337	- 4,712	- 82	13	- 4,781
Net Expenditure	4,745	**- 655**	4,090	4,842	**- 589**	4,253	48	**81**	4,382

Environment Portfolio

Proposed Real Terms / Efficiency Variations

2018/19 Change

	£'000	£'000
Real Term Variations		
Senior management restructure		
Contracts manager	60	
Deletion of Group manager post	-61	-1
Pay award		45
Strategic health delivery		
Community Support Officers	69	
Reserve funding for Community Support Officers	-69	-
Partnerships Environmental Management merged with Corporate Business and Partnerships on Resources Portfolio		
Employees	-35	
Supplies	-23	-58
Staffing variations		16
Streetscene (budget realignment)		
Premises	-70	
Transport	-19	
Supplies	190	
Income	-101	-
Streetscene leisure overhead savings		-28
New waste contract		
Supplies (pensions)	30	
Contract	-438	
Depot rental income	-70	-478
Bereavement		
Reduced transport costs	-5	
Repairs to wall and additional cremator maintenance	60	
Digitalisation of cemetery maps (Revenue bid)	16	
Increased supplies and services (communications and equipment)	18	
Use of reserves to fund repairs to wall and cremator maintenance	-60	
Increased income	-150	-121
Reduced Sow and Penk drainage levy		-10
Housing Act Sewage Works reduction following transfer to Severn Trent		-5
Reduced utility costs		-4
minor variations		-11
		-655

2019/20 Change

	£'000	£'000
Real Term Variations		
Senior management restructure		
Contracts manager	62	
Deletion of Group manager post	-61	1
Pay award		92
Strategic health delivery		
Community Support Officers	11	
Reserve funding for Community Support Officers	-11	-
Partnerships Environmental Management merged with Corporate Business and Partnerships on Resources Portfolio		
Employees	-37	
Supplies	-23	-60
Staffing variations		16
Streetscene (budget realignment)		
Premises	-70	
Transport	-19	
Supplies	190	
Income	-101	-
Streetscene leisure overhead savings		-28
New waste contract		
Supplies (pensions)	30	
Contract	-400	
Depot rental income	-70	-440
Bereavement		
Additional cremator maintenance	40	
Reduced transport costs	-5	
Increased supplies and services (communications and equipment)	18	
Use of reserves to fund additional cremator maintenance	-40	
Increased income	-150	-137
Reduced Sow and Penk drainage levy		-10
Housing Act Sewage Works reduction following transfer to Severn Trent		-5
Reduced utility costs		-4
minor variations		-14
		-589

2020/21 Change

	£'000	£'000
Real Term Variations		
Increase in pensions costs		42
Strategic health delivery		
Community Support Officers	-11	
Reserve funding for Community Support Officers	11	-
Waste property growth		38
minor variations		1
		81

Leisure and Culture

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
1 Leisure, Planning & Marketing				
Employee Expenses	47,030	-	-	-
Transport Related Expenditure	2,220	-	-	-
Supplies & Services	23,700	-	-	-
Total Expenditure	**72,950**	**-**	**-**	**-**
Leisure, Planning & Marketing Net Expenditure	**72,950**	**-**	**-**	**-**
2 Events				
Employee Expenses	31,980	-	-	-
Transport Related Expenditure	1,380	-	-	-
Supplies & Services	73,450	-	-	-
Total Expenditure	**106,810**	**-**	**-**	**-**
Income	(38,750)	-	-	-
Total Income	**(38,750)**	**-**	**-**	**-**
Events Net Expenditure	**68,060**	**-**	**-**	**-**
3 Leisure Section				
Employee Expenses	98,520	88,130	91,610	94,330
Transport Related Expenditure	8,130	3,120	3,180	3,180
Supplies & Services	16,100	12,310	12,310	12,310
Total Expenditure	**122,750**	**103,560**	**107,100**	**109,820**
Income	(33,560)	(33,560)	(33,680)	(33,720)
Total Income	**(33,560)**	**(33,560)**	**(33,680)**	**(33,720)**
Leisure Section Net Expenditure	**89,190**	**70,000**	**73,420**	**76,100**
4 Sports, Health, Physical Development				
Employee Expenses	73,730	-	-	-
Premises Related Expenditure	4,700	-	-	-
Transport Related Expenditure	3,930	-	-	-
Supplies & Services	18,630	-	-	-
Total Expenditure	**100,990**	**-**	**-**	**-**
Income	(23,550)	-	-	-
Total Income	**(23,550)**	**-**	**-**	**-**
Sports, Health, Physical Development Net Expenditure	**77,440**	**-**	**-**	**-**
5 Stafford Leisure Centre				
Employee Expenses	893,950	-	-	-
Premises Related Expenditure	318,200	-	-	-
Transport Related Expenditure	2,480	-	-	-
Supplies & Services	145,210	-	-	-
Third Party Payments	2,760	-	-	-
Total Expenditure	**1,362,600**	**-**	**-**	**-**
Income	(1,061,070)	-	-	-
Total Income	**(1,061,070)**	**-**	**-**	**-**
Stafford Leisure Centre Net Expenditure	**301,530**	**-**	**-**	**-**

Appendix 2

Leisure and Culture

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
6 Alleynes Sports Centre				
Employee Expenses	234,060	-	-	-
Premises Related Expenditure	68,440	-	-	-
Transport Related Expenditure	790	-	-	-
Supplies & Services	31,950	-	-	-
Total Expenditure	**335,240**	**-**	**-**	**-**
Income	(213,480)	-	-	-
Total Income	**(213,480)**	**-**	**-**	**-**
Alleynes Sports Centre Net Expenditure	**121,760**	**-**	**-**	**-**
7 Westbridge Park Fitness Centre				
Employee Expenses	156,220	-	-	-
Premises Related Expenditure	40,210	-	-	-
Transport Related Expenditure	380	-	-	-
Supplies & Services	25,050	-	-	-
Third Party Payments	3,170	-	-	-
Total Expenditure	**225,030**	**-**	**-**	**-**
Income	(197,480)	-	-	-
Total Income	**(197,480)**	**-**	**-**	**-**
Westbridge Park Fitness Centre Net Expenditure	**27,550**	**-**	**-**	**-**
8 Allotments				
Premises Related Expenditure	3,350	3,440	3,520	3,590
Supplies & Services	12,520	12,750	13,080	13,420
Total Expenditure	**15,870**	**16,190**	**16,600**	**17,010**
Income	(1,120)	(1,140)	(1,160)	(1,180)
Total Income	**(1,120)**	**(1,140)**	**(1,160)**	**(1,180)**
Allotments Net Expenditure	**14,750**	**15,050**	**15,440**	**15,830**
9 Stafford Gatehouse Theatre				
Employee Expenses	505,130	-	-	-
Premises Related Expenditure	94,300	-	-	-
Transport Related Expenditure	730	-	-	-
Supplies & Services	503,200	-	-	-
Total Expenditure	**1,103,360**	**-**	**-**	**-**
Income	(652,690)	-	-	-
Total Income	**(652,690)**	**-**	**-**	**-**
Stafford Gatehouse Theatre Net Expenditure	**450,670**	**-**	**-**	**-**
10 Shakespeare				
Employee Expenses	-	-	-	-
Supplies & Services	134,690	-	-	-
Total Expenditure	**134,690**	**-**	**-**	**-**
Income	(82,490)	-	-	-
Total Income	**(82,490)**	**-**	**-**	**-**
Shakespeare Net Expenditure	**52,200**	**-**	**-**	**-**

Leisure and Culture

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
11 Ancient High House				
Employee Expenses	92,410	-	-	-
Premises Related Expenditure	19,880	9,840	10,040	10,240
Transport Related Expenditure	1,570	-	-	-
Supplies & Services	25,190	-	-	-
Total Expenditure	**139,050**	**9,840**	**10,040**	**10,240**
Income	(17,040)	-	-	-
Total Income	**(17,040)**	**-**	**-**	**-**
Ancient High House Net Expenditure	**122,010**	**9,840**	**10,040**	**10,240**
12 Broadeye Windmill				
Premises Related Expenditure	1,760	1,790	1,820	1,850
Supplies & Services	70	70	70	70
Total Expenditure	**1,830**	**1,860**	**1,890**	**1,920**
Broadeye Windmill Net Expenditure	**1,830**	**1,860**	**1,890**	**1,920**
13 Izaak Walton Cottage				
Employee Expenses	1,330	-	-	-
Premises Related Expenditure	9,340	8,230	8,230	8,400
Supplies & Services	1,990	-	-	-
Total Expenditure	**12,660**	**8,230**	**8,230**	**8,400**
Income	(1,890)	-	-	-
Total Income	**(1,890)**	**-**	**-**	**-**
Izaak Walton Cottage Net Expenditure	**10,770**	**8,230**	**8,230**	**8,400**
14 Stafford Castle				
Employee Expenses	19,430	-	-	-
Premises Related Expenditure	20,150	12,340	12,340	12,590
Supplies & Services	28,880	-	-	-
Total Expenditure	**68,460**	**12,340**	**12,340**	**12,590**
Income	(24,900)	-	-	-
Total Income	**(24,900)**	**-**	**-**	**-**
Stafford Castle Net Expenditure	**43,560**	**12,340**	**12,340**	**12,590**
15 Tourism				
Employee Expenses	35,200	-	-	-
Transport Related Expenditure	1,410	-	-	-
Supplies & Services	14,060	-	-	-
Total Expenditure	**50,670**	**-**	**-**	**-**
Tourism Net Expenditure	**50,670**	**-**	**-**	**-**

Leisure and Culture

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
16 Leisure Management Contract				
Supplies & Services	24,230	105,620	102,860	70,390
Third Party Payments	615,900	1,512,100	926,110	793,080
Total Expenditure	**640,130**	**1,617,720**	**1,028,970**	**863,470**
Income	(281,520)	(523,800)	(305,330)	(207,930)
Total Income	**(281,520)**	**(523,800)**	**(305,330)**	**(207,930)**
Leisure Management Contract Net Expenditure	**358,610**	**1,093,920**	**723,640**	**655,540**
17 Leisure Strategy				
Employee Expenses	55,330	296,730	340,500	382,950
Transport Related Expenditure	-	1,500	1,500	1,500
Supplies & Services	22,480	69,280	88,510	90,230
Total Expenditure	**77,810**	**367,510**	**430,510**	**474,680**
Leisure Strategy Net Expenditure	**77,810**	**367,510**	**430,510**	**474,680**
18 Parks & Open Spaces				
Employee Expenses	287,470	258,280	279,190	272,170
Premises Related Expenditure	398,860	357,950	364,390	371,200
Transport Related Expenditure	5,330	4,950	4,980	5,070
Supplies & Services	118,420	171,810	154,710	155,960
Total Expenditure	**810,080**	**792,990**	**803,270**	**804,400**
Income	(229,060)	(234,550)	(230,570)	(225,460)
Total Income	**(229,060)**	**(234,550)**	**(230,570)**	**(225,460)**
Parks & Open Spaces Net Expenditure	**581,020**	**558,440**	**572,700**	**578,940**
Leisure and Culture Net Expenditure	**2,522,380**	**2,137,190**	**1,848,210**	**1,834,240**

Leisure Portfolio

Variation Statement 2018/2019 to 2020/2021

	2018/2019 Indicative	Real Terms / Efficiency Variations	2018/2019 Budget	2019/20 Indicative	Real Terms / Efficiency Variations	2019/2020 Budget	Inflation	Real Terms / Efficiency Variations	2020/2021 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	3,427	- 2,784	643	3,511	- 2,800	711	3	35	749
Premises Related Costs	1,352	- 958	394	1,368	- 968	400	8	-	408
Transport Related Costs	44	- 35	9	44	- 34	10	-	-	10
Supplies and Services	1,706	- 1,334	372	1,708	- 1,336	372	-	- 30	342
Third Party Payments	18	1,494	1,512	19	907	926	19	- 152	793
Total Expenditure	6,547	- 3,617	2,930	6,650	- 4,231	2,419	30	- 147	2,302
Income	- 4,149	3,356	- 793	- 4,261	3,690	- 571	- 3	106	- 468
Net Expenditure	2,398	**- 261**	2,137	2,389	**- 541**	1,848	27	**- 41**	1,834

Leisure Portfolio

Proposed Real Terms / Efficiency Variations

2018/19 Change

	£'000	£'000
Real Term Variations		
Transfer to new Leisure Provider		
Employees	-2,715	
Premises	-795	
Transport	-35	
Supplies	-1,467	
Third Party	-18	
New contract payment	1,423	
Income	3,308	-299
Revenue Impact of Capital programme		124
Staffing variations (including pay award)		10
HLF Victoria Park		
Employees	44	
Supplies	58	
Income	-89	13
Rowley Park (transfer to Leisure Contractor)		
Employees	-93	
Premises	-107	
Supplies	-41	
Income	133	-108
Parks sinking fund contribution		15
Senior management restructure		
Head of Leisure	-92	
Leisure and Cultural Projects / Strategic Manager	60	-32
Leisure section reduced hosting income		4
minor variations		12
		-261

2019/20 Change

	£'000	£'000
Real Term Variations		
Transfer to new Leisure Provider		
Employees	-2,732	
Premises	-871	
Transport	-35	
Supplies	-1,383	
Third Party	-18	
New contract payment	961	
Income	3,632	-446
Staffing variations (including pay award)		13
HLF Victoria Park		
Employees	57	
Supplies	40	
Income	-81	16
Rowley Park (transfer to Leisure Contractor)		
Employees	-94	
Premises	-110	
Supplies	-41	
Income	136	-109
Parks sinking fund contribution		15
Senior management restructure		
Head of Leisure	-92	
Leisure and Cultural Projects / Strategic Manager	62	-30
Leisure section reduced hosting income		4
minor variations		-4
		-541

2020/21 Change

	£'000	£'000
Real Term Variations		
Staffing variations and Increments		1
Increase in pension costs		48
Transfer to new Leisure Provider		-87
minor variations		-3
		-41

Planning and Regeneration

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
1 Management and Support				
Employee Expenses	376,090	405,170	422,150	432,560
Transport Related Expenditure	8,000	8,160	8,320	8,320
Supplies & Services	69,990	69,990	69,990	69,990
Total Expenditure	**454,080**	**483,320**	**500,460**	**510,870**
Income	(24,140)	(25,540)	(27,270)	(27,710)
Total Income	**(24,140)**	**(25,540)**	**(27,270)**	**(27,710)**
Management and Support Net Expenditure	**429,940**	**457,780**	**473,190**	**483,160**
2 Building Control				
Supplies & Services	2,180	2,180	2,180	2,180
Third Party Payments	122,080	128,250	135,780	139,890
Total Expenditure	**124,260**	**130,430**	**137,960**	**142,070**
Building Control Net Expenditure	**124,260**	**130,430**	**137,960**	**142,070**
3 Development Management				
Employee Expenses	619,230	724,520	754,790	773,880
Transport Related Expenditure	39,280	40,070	40,640	40,640
Supplies & Services	57,890	65,890	55,390	55,390
Total Expenditure	**716,400**	**830,480**	**850,820**	**869,910**
Income	(697,310)	(701,070)	(706,660)	(707,060)
Total Income	**(697,310)**	**(701,070)**	**(706,660)**	**(707,060)**
Development Management Net Expenditure	**19,090**	**129,410**	**144,160**	**162,850**
4 Forward Planning				
Employee Expenses	217,750	235,060	243,310	231,530
Transport Related Expenditure	11,340	11,450	11,560	11,560
Supplies & Services	254,820	280,280	225,820	155,820
Total Expenditure	**483,910**	**526,790**	**480,690**	**398,910**
Income	(223,070)	(218,850)	(75,040)	(54,130)
Total Income	**(223,070)**	**(218,850)**	**(75,040)**	**(54,130)**
Forward Planning Net Expenditure	**260,840**	**307,940**	**405,650**	**344,780**
5 Land Charges - Local Searches				
Employee Expenses	37,980	40,100	41,830	42,850
Supplies & Services	39,520	39,520	39,520	39,520
Total Expenditure	**77,500**	**79,620**	**81,350**	**82,370**
Income	(163,320)	(91,320)	(91,320)	(91,320)
Total Income	**(163,320)**	**(91,320)**	**(91,320)**	**(91,320)**
Land Charges - Local Searches Net Expenditure	**(85,820)**	**(11,700)**	**(9,970)**	**(8,950)**

Appendix 2

Planning and Regeneration

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
6 Off Street Parking Services				
Employee Expenses	33,570	34,080	34,580	35,100
Premises Related Expenditure	696,090	735,510	758,100	769,710
Transport Related Expenditure	2,730	2,780	2,830	2,860
Supplies & Services	814,740	763,350	721,890	721,900
Third Party Payments	37,940	43,800	44,680	45,570
Total Expenditure	**1,585,070**	**1,579,520**	**1,562,080**	**1,575,140**
Income	(2,773,420)	(2,670,200)	(2,670,300)	(2,670,300)
Total Income	**(2,773,420)**	**(2,670,200)**	**(2,670,300)**	**(2,670,300)**
Off Street Parking Services Net Expenditure	**(1,188,350)**	**(1,090,680)**	**(1,108,220)**	**(1,095,160)**
7 Land & Properties				
Premises Related Expenditure	55,660	57,810	58,950	60,120
Supplies & Services	2,010	2,010	2,010	2,010
Total Expenditure	**57,670**	**59,820**	**60,960**	**62,130**
Income	(52,860)	(52,860)	(53,000)	(53,150)
Total Income	**(52,860)**	**(52,860)**	**(53,000)**	**(53,150)**
Land & Properties Net Expenditure	**4,810**	**6,960**	**7,960**	**8,980**
8 Economic Development				
Employee Expenses	163,960	170,090	175,780	179,980
Premises Related Expenditure	32,720	32,740	32,760	33,420
Transport Related Expenditure	2,410	2,450	2,500	2,500
Supplies & Services	61,500	33,850	30,690	30,690
Total Expenditure	**260,590**	**239,130**	**241,730**	**246,590**
Income	(30,810)	(3,160)	-	-
Total Income	**(30,810)**	**(3,160)**	**-**	**-**
Economic Development Net Expenditure	**229,780**	**235,970**	**241,730**	**246,590**
9 Borough Markets				
Employee Expenses	103,340	109,170	115,050	118,020
Premises Related Expenditure	135,670	135,750	135,240	137,860
Transport Related Expenditure	810	830	850	850
Supplies & Services	78,690	85,260	85,830	86,370
Total Expenditure	**318,510**	**331,010**	**336,970**	**343,100**
Income	(320,000)	(320,000)	(321,250)	(322,540)
Total Income	**(320,000)**	**(320,000)**	**(321,250)**	**(322,540)**
Borough Markets Net Expenditure	**(1,490)**	**11,010**	**15,720**	**20,560**
Planning and Regeneration Net Expenditure	**(206,940)**	**177,120**	**308,180**	**304,880**

Planning and Regeneration Portfolio

Variation Statement 2018/2019 to 2020/2021

	2018/2019 Indicative	Real Terms / Efficiency Variations	2018/2019 Budget	2019/20 Indicative	Real Terms / Efficiency Variations	2019/2020 Budget	Inflation	Real Terms / Efficiency Variations	2020/2021 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	1,627	91	1,718	1,668	119	1,787	16	11	1,814
Premises Related Costs	925	37	962	948	37	985	16	-	1,001
Transport Related Costs	66	-	66	67	-	67	-	-	67
Supplies and Services	1,208	134	1,342	1,201	32	1,233	1	- 70	1,164
Third Party Payments	168	4	172	172	8	180	4	1	185
Total Expenditure	3,994	266	4,260	4,056	196	4,252	37	- 58	4,231
Income	- 3,730	- 353	- 4,083	- 3,731	- 213	- 3,944	- 2	20	- 3,926
Net Expenditure	264	**- 87**	177	325	**- 17**	308	35	**- 38**	305

Planning and Regeneration Portfolio

Proposed Real Terms / Efficiency Variations

2018/19 Change

	£'000	£'000
Real Term Variations		
Development Management		
Senior planning officer	39	
Planning assistant post	26	
Additional income (to fund senior planning officer)	-39	
Additional grant (to fund planning assistant post)	-26	-
Senior management restructure		6
Pay Award		26
Building Control shared service increase		4
Parking		
Service charges (Riverside car park)	30	
Reduced rents payable	-14	
Bank charges	18	
Reduced payments to Sainsburys of income received	-80	
Service charge income	-35	
Additional income (net of Sainsburys reduction)	-121	-202
Local Plan Expenditure & Rephasing		
Supplies	116	
Income	-76	40
Land and Properties		
Rates on empty properties	16	
Additional lease income	-25	-9
Revenue Bids		
Development Management Paperless Working	10	
Car Park Machines	42	52
minor variations		-4
		-87

2019/20 Change

	£'000	£'000
Real Term Variations		
Development Management		
Senior planning officer	39	
Planning assistant post	26	
Additional income (to fund senior planning officer)	-39	
Additional grant (to fund planning assistant post)	-26	-
Senior management restructure		7
Pay Award		50
Building Control shared service increase		8
Parking		
Service charges (Riverside car park)	30	
Reduced rents payable	-14	
Bank charges	18	
Reduced payments to Sainsburys of income received	-80	
Service charge income	-35	
Additional income (net of Sainsburys reduction)	-121	-202
Local Plan Expenditure & Rephasing		
Supplies	81	
Income	49	130
Land and Properties		
Rates on empty properties	16	
Additional lease income	-25	-9
minor variations		-1
		-17

2020/21 Change

	£'000	£'000
Real Term Variations		
Increase in pension costs		25
Local Plan Expenditure & Rephasing		
Supplies	-55	
Income	-12	-67
Forward Planning		
Planning assistant post falling out	-18	
Use of reserve for Planning assitant post falling out	18	-
minor variations		4
		-38

Appendix 2

Resources

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
1 Public Buildings				
Employee Expenses	54,920	57,440	60,600	61,800
Premises Related Expenditure	1,254,340	1,166,610	1,191,190	1,213,920
Transport Related Expenditure	30	30	30	30
Supplies & Services	109,890	112,490	114,370	116,340
Total Expenditure	**1,419,180**	**1,336,570**	**1,366,190**	**1,392,090**
Income	(528,990)	(672,140)	(672,140)	(672,140)
Total Income	**(528,990)**	**(672,140)**	**(672,140)**	**(672,140)**
Public Buildings Net Expenditure	**890,190**	**664,430**	**694,050**	**719,950**
2 Facilities Management				
Employee Expenses	176,460	182,950	189,340	193,670
Transport Related Expenditure	7,100	7,240	7,380	7,380
Supplies & Services	3,840	3,840	3,840	3,840
Total Expenditure	**187,400**	**194,030**	**200,560**	**204,890**
Facilities Management Net Expenditure	**187,400**	**194,030**	**200,560**	**204,890**
3 Executive Management				
Employee Expenses	157,730	157,900	163,270	167,260
Transport Related Expenditure	3,490	2,500	2,550	2,600
Supplies & Services	44,670	94,170	39,170	39,170
Total Expenditure	**205,890**	**254,570**	**204,990**	**209,030**
Executive Management Net Expenditure	**205,890**	**254,570**	**204,990**	**209,030**
4 Corporate Business and Partnerships				
Employee Expenses	225,050	242,220	255,220	263,590
Transport Related Expenditure	1,720	2,190	2,240	2,280
Supplies & Services	23,330	46,350	46,550	46,760
Total Expenditure	**250,100**	**290,760**	**304,010**	**312,630**
Corporate Business and Partnerships Net Expenditure	**250,100**	**290,760**	**304,010**	**312,630**
5 Communications				
Employee Expenses	115,100	120,000	124,550	127,540
Transport Related Expenditure	80	80	80	80
Supplies & Services	16,190	25,140	25,140	25,140
Total Expenditure	**131,370**	**145,220**	**149,770**	**152,760**
Communications Net Expenditure	**131,370**	**145,220**	**149,770**	**152,760**
6 Customer Services				
Employee Expenses	253,830	294,060	308,910	315,470
Supplies & Services	8,810	8,810	8,810	8,810
Total Expenditure	**262,640**	**302,870**	**317,720**	**324,280**
Customer Services Net Expenditure	**262,640**	**302,870**	**317,720**	**324,280**
7 Out of Hours Service				
Supplies & Services	6,200	6,710	6,840	6,980
Total Expenditure	**6,200**	**6,710**	**6,840**	**6,980**
Out of Hours Service Net Expenditure	**6,200**	**6,710**	**6,840**	**6,980**

Resources

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
8 Law and Administration				
Employee Expenses	1,041,560	1,099,530	1,162,170	1,189,990
Premises Related Expenditure	2,190	2,230	2,280	2,330
Transport Related Expenditure	12,050	12,090	12,140	12,140
Supplies & Services	127,140	136,950	137,260	137,660
Third Party Payments	16,030	16,460	16,800	17,180
Total Expenditure	**1,198,970**	**1,267,260**	**1,330,650**	**1,359,300**
Income	(362,170)	(363,190)	(373,920)	(382,180)
Total Income	**(362,170)**	**(363,190)**	**(373,920)**	**(382,180)**
Law and Administration Net Expenditure	**836,800**	**904,070**	**956,730**	**977,120**
9 Finance				
Supplies & Services	1,560	1,560	1,560	1,560
Third Party Payments	623,550	533,210	554,740	569,100
Total Expenditure	**625,110**	**534,770**	**556,300**	**570,660**
Finance Net Expenditure	**625,110**	**534,770**	**556,300**	**570,660**
10 Human Resources Services				
Employee Expenses	552,270	554,660	559,740	573,620
Transport Related Expenditure	11,790	11,860	11,950	11,950
Supplies & Services	126,910	126,990	127,430	127,880
Total Expenditure	**690,970**	**693,510**	**699,120**	**713,450**
Income	(289,240)	(313,530)	(305,990)	(311,850)
Total Income	**(289,240)**	**(313,530)**	**(305,990)**	**(311,850)**
Human Resources Services Net Expenditure	**401,730**	**379,980**	**393,130**	**401,600**
11 Technology				
Employee Expenses	937,790	908,330	943,280	968,920
Transport Related Expenditure	14,520	14,810	15,100	15,100
Supplies & Services	695,070	647,190	647,810	648,960
Total Expenditure	**1,647,380**	**1,570,330**	**1,606,190**	**1,632,980**
Income	(804,330)	(748,550)	(766,620)	(779,320)
Total Income	**(804,330)**	**(748,550)**	**(766,620)**	**(779,320)**
Technology Net Expenditure	**843,050**	**821,780**	**839,570**	**853,660**
12 Members Services				
Transport Related Expenditure	8,500	11,730	11,960	11,960
Supplies & Services	271,850	276,810	281,870	287,030
Total Expenditure	**280,350**	**288,540**	**293,830**	**298,990**
Members Services Net Expenditure	**280,350**	**288,540**	**293,830**	**298,990**

Resources

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
13 Revenues & Benefits				
Supplies & Services	109,360	121,370	108,480	108,480
Third Party Payments	1,414,060	1,412,410	1,466,220	1,498,330
Total Expenditure	**1,523,420**	**1,533,780**	**1,574,700**	**1,606,810**
Income	(1,146,190)	(1,006,840)	(999,760)	(999,980)
Total Income	**(1,146,190)**	**(1,006,840)**	**(999,760)**	**(999,980)**
Revenues & Benefits Net Expenditure	**377,230**	**526,940**	**574,940**	**606,830**
14 Housing Benefit Payments				
Supplies & Services	10,000	10,000	10,000	10,000
Transfer Payments	23,550,780	24,020,800	24,500,220	24,989,220
Total Expenditure	**23,560,780**	**24,030,800**	**24,510,220**	**24,999,220**
Income	(23,560,780)	(24,030,800)	(24,510,220)	(24,999,220)
Total Income	**(23,560,780)**	**(24,030,800)**	**(24,510,220)**	**(24,999,220)**
Housing Benefit Payments Net Expenditure	-	-	-	-
15 Parish Councils				
Supplies & Services	51,000	51,000	51,000	51,000
Total Expenditure	**51,000**	**51,000**	**51,000**	**51,000**
Parish Councils Net Expenditure	**51,000**	**51,000**	**51,000**	**51,000**
16 Corporate and Democratic Core				
Supplies & Services	133,660	134,900	126,770	126,770
Total Expenditure	**133,660**	**134,900**	**126,770**	**126,770**
Corporate and Democratic Core Net Expenditure	**133,660**	**134,900**	**126,770**	**126,770**
17 Non-Distributed Costs				
Employee Expenses	241,710	247,710	247,710	252,660
Third Party Payments	40,000	40,000	40,000	40,000
Total Expenditure	**281,710**	**287,710**	**287,710**	**292,660**
Non-Distributed Costs Net Expenditure	**281,710**	**287,710**	**287,710**	**292,660**
18 Asset Management/Energy Conservation				
Supplies & Services	32,560	32,560	32,560	32,560
Total Expenditure	**32,560**	**32,560**	**32,560**	**32,560**
Asset Management/Energy Conservation Net Expenditure	**32,560**	**32,560**	**32,560**	**32,560**
19 Electoral Registration				
Employee Expenses	2,140	2,150	2,150	2,150
Supplies & Services	41,050	41,050	41,050	41,050
Total Expenditure	**43,190**	**43,200**	**43,200**	**43,200**
Electoral Registration Net Expenditure	**43,190**	**43,200**	**43,200**	**43,200**

Appendix 2

Resources

	Outturn 2017-2018 £	Budget 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £
20 Elections				
Employee Expenses	1,340	-	100,000	-
Premises Related Expenditure	-	-	30,000	-
Supplies & Services	42,660	39,500	65,000	39,500
Total Expenditure	**44,000**	**39,500**	**195,000**	**39,500**
Income	-	-	(155,500)	-
Total Income	**-**	**-**	**(155,500)**	**-**
Elections Net Expenditure	**44,000**	**39,500**	**39,500**	**39,500**
21 Items to be Allocated				
Employee Expenses	(63,000)	(100,000)	(100,000)	(100,000)
Supplies & Services	71,000	183,430	183,430	183,430
Total Expenditure	**8,000**	**83,430**	**83,430**	**83,430**
Income	(100,000)	-	-	-
Total Income	**(100,000)**	**-**	**-**	**-**
Items to be Allocated Net Expenditure	**(92,000)**	**83,430**	**83,430**	**83,430**
22 Audit, Risk, Resilience and Procurement				
Supplies & Services	12,260	150	150	150
Third Party Payments	214,410	221,970	229,360	234,290
Total Expenditure	**226,670**	**222,120**	**229,510**	**234,440**
Audit, Risk, Resilience and Procurement Net Expenditure	**226,670**	**222,120**	**229,510**	**234,440**
23 Insurance Premiums				
Third Party Payments	149,230	171,010	175,490	175,900
Total Expenditure	**149,230**	**171,010**	**175,490**	**175,900**
Insurance Premiums Net Expenditure	**149,230**	**171,010**	**175,490**	**175,900**
Resources Net Expenditure	**6,168,080**	**6,380,100**	**6,561,610**	**6,718,840**

Resources Portfolio

Variation Statement 2018/2019 to 2020/2021

	2018/2019 Indicative	Real Terms / Efficiency Variations	2018/2019 Budget	2019/20 Indicative	Real Terms / Efficiency Variations	2019/2020 Budget	Inflation	Real Terms / Efficiency Variations	2020/2021 Budget
Employee Costs	3,935	- 168	3,767	4,030	- 13	4,017	41	- 41	4,017
Premises Related Costs	1,240	- 71	1,169	1,267	- 44	1,223	24	- 31	1,216
Transport Related Costs	74	- 12	62	75	- 11	64	-	-	64
Supplies and Services	1,971	130	2,101	1,980	79	2,059	9	- 25	2,043
Third Party Payments	2,516	- 121	2,395	2,581	- 98	2,483	46	6	2,535
Transfer Payments	25,055	- 1,034	24,021	25,555	- 1,055	24,500	489	-	24,989
Total Expenditure	34,791	- 1,276	33,515	35,488	- 1,142	34,346	609	- 91	34,864
Income	- 28,060	925	- 27,135	- 28,594	810	- 27,784	- 517	156	- 28,145
Net Expenditure	6,731	**- 351**	6,380	6,894	**- 332**	6,562	92	**65**	6,719

Resources Portfolio

Proposed Real Terms / Efficiency Variations

2018/19 Change

	£'000	£'000
Real Term Variations		
Senior management restucture		-65
Pay award		50
Partnerships Environmental Management merged with Corporate Business and Partnerships on Resources Portfolio		
Employees	37	
Supplies	23	60
Leisure overhead savings		
Law and administration	-12	
Human Resources	-64	
Technology	-65	
Audit	-18	
Finance	-70	
Insurance	-48	-277
Housing benefits review of spend		
Expenditure	- 1,034	
Income	1,034	-
Civic Centre		
Reduced rates and utility costs	-73	
Lease income for 4th floor	-196	
Additional caretaking income	-7	-276
Shared services		
Audit	2	
Finance	7	
Revenues and Benefits	13	
Human Resources	-3	
Legal	-3	
Technology	-6	10
Revenues and Benefits - Analyse Local costs		30
Items to be allocated - CPI etc		106
Insurance premium contract savings		-25
HSR Bill Petition		55
Non distributed - reduced pension act increases		-12
minor variations		-7
		- 351

2019/20 Change

	£'000	£'000
Real Term Variations		
Senior management restucture		-64
Pay award		104
Partnerships Environmental Management merged with Corporate Business and Partnerships on Resources Portfolio		
Employees	37	
Supplies	23	60
Leisure overhead savings		
Law and administration	-12	
Human Resources	-65	
Technology	-67	
Audit	-18	
Finance	-70	
Insurance	-48	-280
Housing benefits review of spend		
Expenditure	- 1,055	
Income	1,055	-
Civic Centre		
Reduced rates and utility costs	-74	
Lease income for 4th floor	-196	
Additional caretaking income	-7	-277
Revenues and Benefits - Analyse Local costs		30
Items to be allocated - CPI etc		106
Election Year		
Employees	100	
Premises	30	
Supplies	25	
Income	-155	-
Shared services		
Audit	4	
Finance	13	
Revenues and Benefits	31	
Human Resources	-7	
Legal	-6	
Technology	-12	23
Insurance premium contract savings		-25
Non distributed - reduced pension act increases		-12
Reduced audit fees		-9
Welfare benefits reduced income		12
		- 332

2020/21 Change

	£'000	£'000
Real Term Variations		
Increments		6
Election Year		
Employees	-100	
Premises	-30	
Supplies	-25	
Income	155	-
Increase in pension costs		57
minor variations		2
		65

APPENDIX 3

COUNCIL

30 JANUARY 2018

General Fund Revenue Budget 2018-19 to 2020-21 and Capital Programme 2016-17 to 2020-21

DRAFT GENERAL FUND CAPITAL PROGRAMME 2017/18 to 2020/21

	Planned Delivery				
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Progamme but not allocated £000
ENVIRONMENT					
Streetscene equipment	80	260	80	-	-
Waste Contract - replacement wheeled bins	100	150	150	150	-
Streetscene Fleet Procurement	34	-	-	-	-
Riverway Site Improved Depot Facilities	-	-	-	-	101
Total	**214**	**410**	**230**	**150**	**101**
COMMUNITY					
Disabled Facilities Grants	1,358	1,037	1,037	1,037	187
Private Sector Housing Assistance	30	134	-	-	-
Improvements at Glover St caravan site	-	-	-	-	142
CCTV upgrade	68	-	-	-	-
Empty Homes	83	-	-	-	210
Kingsmead Marsh LNR (s106)	7	-	-	-	-
Total	**1,546**	**1,171**	**1,037**	**1,037**	**539**
LEISURE					
Stone Leisure Strategy	1,772	7,023	350	-	150
Stafford Castle - Protective System for Parking Area	8	-	-	-	-
Stafford Castle - H&S Works	5	-	-	-	-
Stafford Castle Motte	25	-	-	-	-
Stafford Castle	-	-	-	-	16
Rowley Park - Sports Stadium	10	-	-	-	-
Victoria Park Refurbishment	250	1,254	620	-	-
Victoria Park Pedestrian Bridge	-	100	-	-	-
Multi Use Games Area Walton, Stone (s106)	-	65	-	-	-
Charnley Road Destination Park (s106)	10	385	-	-	-
Gatehouse - MET rigging	80	-	-	-	-
Gnosall Leisure Facilities (s106)	67	-	-	-	-
Holmcroft Leisure Facilities (part s106)	10	-	-	-	388
Jubilee Playing Field Leisure Facilities (s106)	-	104	-	-	-
Total	**2,237**	**8,931**	**970**	**-**	**554**
PLANNING AND REGENERATION					
Waterscape	-	63	-	-	-
Growth Point capital	-	221	-	-	-
Stafford Town Centre Enhancement	20	46	-	-	-
Solar Panel Farm at Riverway	5	-	-	-	-
Pearl Brook Path Improvements	-	75	-	-	-
s106/CIL Monitoring system	20	-	-	-	-
Doxey Rd Land	115	-	-	-	-
Stafford Western Access Route	-	-	-	2,500	-
Land at Fairway, Stafford	271	-	-	-	-
New Gypsy & Traveller Site	-	-	-	-	150
Total	**431**	**405**	**-**	**2,500**	**150**
RESOURCES					
Corporate IT equipment	50	50	50	50	-
Provision to Commute Car Park Sharing Arrangement	-	750	-	-	-
Contact Centre Phone system	-	-	-	-	30
Civic Centre Generator		-			50
Total	**50**	**800**	**50**	**50**	**80**
TOTAL CAPITAL PROGRAMME	**4,478**	**11,717**	**2,287**	**3,737**	**1,424**

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				APPENDIX 4
Stafford Borough Council - Business Rates Retention				
		2018-19	**2019-20**	**2020-21**
A.Business Rates Collection Fund		**£**	**£**	**£**
Gross Rates		**-60,071,780**	**-61,486,940**	**-62,716,680**
Less	**Reliefs etc.**			
	Mandatory Relief	5,571,390	5,682,820	5,796,480
	Discretionary relief	301,620	307,650	313,800
	Exemptions	1,700,000	1,734,000	1,768,680
	Cost Of Collection	165,400	168,710	172,080
	Losses on collection	3,170,000	3,233,400	3,298,070
Business Rates Collectable		**-49,163,370**	**-50,360,360**	**-51,367,570**
Less	**amount due to**			
	Government	24,581,690	25,180,180	25,683,790
	County	4,424,700	4,532,430	4,623,080
	Fire	491,630	503,600	513,680
Net Business attributable to SBC		**-19,665,350**	**-20,144,150**	**-20,547,020**
B. General Fund determination of retained Business Rates				
Net Business Rates attributable to SBC		-19,665,350	-20,144,150	-20,547,020
less	Tariff	14,460,520	14,487,470	14,777,220
	Core Funding	2,716,880	2,777,140	2,832,680
	Growth	**-2,487,950**	**-2,879,540**	**-2,937,120**
Plus	New Burdens funding subject to Levy			
	Small Business Rates Relief	-1,142,540	-1,165,390	-1,188,700
Amount subject to levy		**-3,630,490**	**-4,044,930**	**-4,125,820**
	Levy	1,815,250	2,022,460	2,062,915
Business Rates Growth		**-1,815,240**	**-2,022,470**	**-2,062,905**
S&SOT Redistribution of Levy		-726,100	-808,990	-825,170
Retained Business Rates				
	Core Funding	-2,716,880	-2,777,140	-2,832,680
	Growth	-1,815,250	-2,022,460	-2,062,915
	S&SOT Redistribution of Levy	-726,100	-808,990	-825,170
		-5,258,230	**-5,608,590**	**-5,720,765**
	Business Rates	-4,532,130	-4,799,600	-4,895,595
	S&SOT	-726,100	-808,990	-825,170
TOTAL Retained Income		**-5,258,230**	**-5,608,590**	**-5,720,765**

APPENDIX 5

COUNCIL

30 JANUARY 2018

General Fund Revenue Budget 2018-19 to 2020-21 and Capital Programme 2016-17 to 2020-21

Report of the Chief Finance Officer on the Robustness of the Budget Estimates and the Adequacy of the Council's Reserves

Introduction

Section 25 of the Local Government Act 2003 places a duty on the Chief Financial Officer (Head of Finance) to make a report to the Council on the robustness of budget estimates and the adequacy of the Council's reserves. The Council must have regard to this report when making its decisions about budgets and council tax for the forthcoming year. This is because the Council is setting the council tax before the commencement of the year and cannot increase it during the year. An understanding of the risks of increased expenditure during the year in terms of likelihood and impact is therefore important.

Robustness of Budget Estimates

The Council's budget estimates for 2018-19 to 2020-21, including the forecast outturn for 2017-18, have been prepared by appropriately qualified and experienced staff in consultation with service managers. Budgets have been discussed and fully managed by the Leadership Team. The budgets are considered to accurately reflect likely expenditure in 2018-19, being based on historic information, experience of expenditure in previous years and latest projections where appropriate. The indicative budgets for 2019-20 and 2020-21 are similarly based upon the best information available at this moment in time.

A full risk assessment of the Council's Budget 2018-19 has been carried out and it was reported to Cabinet on 7 December 2017 (See Item 4(a) (i) General Fund Revenue Budget 2017-18 to 2020-21 and Capital Programme 2017-18 to 2020-21 - APPENDIX 1).

Provision for Pay Award Inflation has been made in accordance with the 2 year offer made offer made by the National Employers, who negotiate pay on behalf of 350 local authorities in England. The impact of the National Living Wage has been incorporated into the budget. Sufficient provision has been built in for current employer pension contributions, in line with the 2016 revaluation. Different vacancy rates have been assumed for Council services based on past experience.

Inflation on contractor costs has been allowed based on the projected retail/ consumer prices index increases and on energy budgets based on anticipated tariff increases. However, no other inflation has been provided for other expenditure budgets.

Some fees and charges have been increased from January 2018. Given the demand led nature of some of the more significant income budgets, such as for parking, development control and land charges, prudent but realistic assumptions have been made about estimated income. Major sources of income will continue to be closely monitored throughout the year with a view to protecting overall income to the Council as far as possible.

Investment income of £275,000 has been included within 2018-19 budgets .This has been based on current projections for the bank rate remaining in 2018-19 and is inclusive of Treasury Management savings on the prepayment of the Fixed Lump Sum Pension Contribution. Prudent assumptions about cash flow have been made and the advice of the Council's treasury management consultants has been taken into account in determining the average rate of return.

No specific contingency budget is provided in 2018-19 as it is considered that the Council's overall revenue balances are sufficient to act as an overall contingency (see below). However, robust budget monitoring arrangements, including Business Rates Monitoring and New Homes Bonus forecasts are in place and will continue throughout the year. In addition to budget monitoring by officers, all Cabinet members will continue to receive a monthly update and there will be quarterly reports to the Cabinet and Scrutiny Committees via "In Pursuit of Success".

Significant expenditure and income budgets will be monitored closely during the year. Any projected variances will be addressed in a timely manner.

The Council has a Risk Management Strategy and has identified its key corporate risks. Significant financial risks will be managed appropriately. In addition, some financial risks will be mitigated by the Council's insurance arrangements.

I can therefore confirm that the budget estimates as presented are robust.

Adequacy of the Council's Reserves

The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance on local authority reserves and balances. It sets out three main purposes for which reserves are held:-

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events or emergencies;
- A means of building up funds to meet known or predicted liabilities, known as earmarked reserves.

The Council held General Fund revenue balances of £3.031 million at 31 March 2017. In addition to this, earmarked revenue reserves amounting to £5.288 million are forecast to be held at 31 March 2018.

The Council also has a planned four year capital programme which is financially sustainable based on current capital resources and a prudent assessment of future capital resources. The financial strategy includes the use of unallocated reserves and a Revenue Contribution to Capital Outlay to supplement capital resources and mitigate any borrowing requirement; nevertheless Prudential Borrowing to finance the Council's capital programme will be used where there is a robust business case.

The Council has set a policy of a minimum level of general reserves of £1 million. The Budget for 2018-19 has been constructed on the basis that there will be a level of general reserves at 31 March 2018 in excess of £1 million.

I can therefore confirm that the Council's reserves are adequate.

Bob Kean
Head of Finance
10 January 2018

APPENDIX 6

COUNCIL

30 JANUARY 2018

General Fund Revenue Budget 2018-19 to 2020-21 and Capital Programme 2017-18 to 2020-21

Parish	2018/19 Tax Base
ADBASTON	228.95
BARLASTON	1,007.86
BERKSWICH	783.94
BRADLEY	213.98
BROCTON	550.05
CHEBSEY	237.57
CHURCH EATON	283.42
COLWICH	1,770.05
CRESWELL	316.54
DOXEY	831.84
ECCLESHALL	1,939.02
ELLENHALL	56.16
FORTON	145.72
FRADSWELL	90.46
FULFORD	2,248.05
GAYTON	73.24
GNOSALL	1,980.34
HAUGHTON	442.70
HIGH OFFLEY	380.00
HILDERSTONE	274.69
HIXON	729.47
HOPTON AND COTON	600.81
HYDE LEA	187.56
INGESTRE	81.70
MARSTON	70.47
MILWICH	190.42
NORBURY	183.39
RANTON	179.29
SALT AND ENSON	185.65
SANDON AND BURSTON	164.43
SEIGHFORD	752.57
STAFFORD	18,946.43
STANDON	317.37
STONE	5,842.36
STONE RURAL	759.23
STOWE-BY-CHARTLEY	188.45
SWYNNERTON	2,164.84
TIXALL	117.19
WESTON	479.78
WHITGREAVE	85.62
	46,081.61
MOD	511.7
	46,593.31

ITEM NO 9

ITEM NO 9

Report of:	**Head of Finance**
Contact Officer:	**Bob Kean**
Telephone No:	**01543 464334**
Ward Interest:	**Nil**
Report Track:	**Audit and Accounts 30/11/17 Council 30/1/18**

COUNCIL

30 JANUARY 2018

Treasury Management Mid-Year Report 2017/18

The following report was considered by Audit and Accounts Committee at its meeting held on 30 November 2017 and is submitted to Council for approval.

1 Purpose of Report

1.1 To update members on treasury management activity and performance during the first half of the 2017/18 financial year.

2 Recommendation

2.1 To note the report, the treasury activity and the prudential indicators for 2017/18.

3 Key Issues and Reasons for Recommendations

3.1 To report the treasury management activity and performance during the first half of the 2017/18 financial year.

4 Relationship to Corporate Priorities

4.1 Treasury management and investment activity link in with all of the Council's priorities and their spending plans.

5 Report Detail

Background

5.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensures this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

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

5.3 Accordingly, treasury management is defined as:-

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

Introduction

5.4 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) was adopted by this Council on 21 February 2012.

5.5 The primary requirements of the Code are as follows:-

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

3. Receipt by the full council of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy – for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year.

4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit and Accounts Committee.

5.6 The mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:-

- An economic update for the first part of the 2017/18 financial year to 30 September 2017;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2017/18;
- A review of the Council's borrowing strategy for 2017/18;
- A review of compliance with Treasury and Prudential limits for 2017/18.

Economic Update

5.7 **UK.** After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y) which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

5.8 The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September meeting MPC. This marginal revision can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

5.9 The MPC increased the Bank Rate to 0.5% in November and now the big question after this will be whether this will be a one off increase or the start of a slow, but regular, increase in Bank Rate. As at the start of October, short sterling rates are indicating that financial markets do not expect a second increase until May 2018 with a third increase in November 2019. However, some forecasters are flagging up that they expect growth to improve significantly in 2017 and into 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weak services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

5.10 **EU.** Economic growth in the EU, (the UK's biggest trading partner), has been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. GDP growth was 0.5% in quarter 1 (2.0% y/y) and 0.6% in quarter (2.3% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in August inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019.

5.11 **USA.** Growth in the American economy has been volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1%, resulting in an overall annualised figure of 2.1% for the first half year. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.4%, while wage inflation pressures, and inflationary pressures in general, have been building. The Federal Reserve System (often referred to as The Fed – the central bank of the United States) has started on a gradual upswing in rates with three increases since December 2016; and there could be one more rate rise in 2017 which would then lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. At its June meeting, the Fed strongly hinted that it would soon begin to unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

5.12 **Chinese economic growth** has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

5.13 **Japan** is still bogged down in anaemic growth and making little progress on fundamental reform of the economy while Chinese economic growth has been weakening and medium term risks have been increasing.

Interest rate forecasts

5.14 The Council's treasury advisor, Link Asset Services, has provided the following forecast:-

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

5.15 As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

5.16 The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

5.17 Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields - and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

5.18 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

5.19 The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:-

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- The result of the October 2017 Austrian general election is likely to result in a strongly anti-immigrant coalition government. In addition, the new Czech prime minister is expected to be Andrej Babis who is strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

5.20 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:-

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Treasury Management Strategy Statement and Annual Investment Strategy Update

5.21 The Treasury Management Strategy Statement (TMSS) for 2017/18 was approved by this Council on 31 January 2017. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

The Council's Capital Position (Prudential Indicators)

5.22 This part of the report is structured to update:-

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

Prudential Indicators for Capital Expenditure

5.23 This table shows the original and revised estimates for capital expenditure as at 30 September 2017:-

Capital Expenditure by Portfolio	2017/18 Original Estimate £'000	2017/18 Revised Estimate £'000
Community	679	1,216
Environment	180	214
Leisure and Culture	8,712	9,801
Planning and Regeneration	2,500	836
Resources	800	800
Total	**12,871**	**12,867**

Changes to the Financing of the Capital Programme

5.24 The following table draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	**2017/18 Original Estimate £'000**	**2017/18 Revised Estimate £'000**
Total Spend	**12,871**	**12,867**
Financed by:		
Capital Receipts	3,480	3,480
Capital Grants/contributions	1,759	1,759
Revenue	4,580	7,628
Total Financing	**9,819**	**12,867**
Borrowing Need	**3,052**	**-**

Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

5.25 The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

Prudential Indicator - Capital Financing Requirement

5.26 We are on target to achieve the original forecast Capital Financing Requirement.

Prudential Indicator - External Debt / the Operational Boundary

	2017/18 Original Estimate £'000	**2017/18 Revised Estimate £'000**
Total CFR	7,019	3,997
Operational Boundary	**7,337**	**7,337**
External Debt		
Borrowing	3,052	
Other Long Term Liabilities	1,285	1,285
Total Debt 31 March	**4,337**	**1,285**

Limits to Borrowing Activity

5.27 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2017/18 Original Estimate £'000	**2017/18 Revised Estimate £'000**
External Debt		
Gross PWLB Borrowing	3,052	-
Plus other long term liabilities	1,285	1,285
Gross borrowing	**4,337**	**1,285**
CFR (year-end position)	**7,019**	**3,977**

5.28 The Head of Finance reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

5.29 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

	2017/18 Original Estimate £'000	**2017/18 Revised Estimate £'000**
Authorised limit for external debt	10,337	10,337

Investment Portfolio 2017/18

5.30 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out earlier in this report, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in the previous decades as rates are very low and in line with the 0.5% Bank Rate (0.25% until 2 November 2017). The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

5.31 The Council held £33.2 m of investments as at 30 September 2017 and the investment portfolio yield for the first six months of the year is **0.58 %** which compares favourably against a benchmark of the 3 month LIBID rate of **0.21 %,** although the Council's budgeted investment return target for 2017/18 of £199,000 is unlikely to be reached as a result of the unanticipated continuing low bank rate. Investment returns are therefore currently forecast to be around £129,000 for the year.

5.32 A full list of investments held as at 30 September 2017 is attached as an **APPENDIX**.

5.33 The Head of Finance confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2017/18.

Borrowing

5.34 The Council's Capital Financing Requirement (CFR) for 2017/18 is £3.977 m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council currently has no PWLB borrowings and has therefore utilised £ 3977 m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

5.35 Due to the overall financial position and the underlying need to borrow for capital purposes (the Capital Financing Requirement – CFR), no new external borrowing has been undertaken during the first half of the year.

5.36 As outlined in the table below, the general trend has been an increase in interest rates during the first quarter but then a fall during the second quarter.

5.37 It is not currently anticipated that further borrowing will be undertaken during this financial year.

5.38 A summary of the PWLB certainty rates is set out below:-

PWLB Certainty Rate	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.8%	1.14%	1.78%	2.52%	2.25%
Date	03/05/17	15/06/17	15/06/17	08/09/17	08/09/17
High	1.16%	1.62%	2.22%	2.83%	2.57%
Date	15/09/17	28/09/17	28/09/17	07/07/17	07/07/17
Average	0.9408%	1.2981%	1.9470%	2.6475%	2.3917%

MIFID11(Markets in Financial Instruments Directive)

5.39 The EU has now set a deadline of 3 January 2018 for the introduction of regulations under MIFID II. These regulations will govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This will have little effect on this authority apart from having to fill in forms sent by each institution dealing with this authority and for each type of investment instrument we use apart from for cash deposits with banks and building societies.

Revised CIPFA Codes

5.40 The Chartered Institute of Public Finance and Accountancy is currently reviewing the various Treasury Management Codes and Guidance Notes. Officers are monitoring developments and will report to members when the new codes have been agreed and issued and on the likely impact on this Council.

Money Market Fund Regulation

5.41 The new regulation comes into force on 21 July 2018 in relation to existing funds but impacts immediately on any new funds created. For any existing funds they will have to be compliant, by no later than 21 January 2019. The Officers will review the impact of these changes and report back when further details are known.

6	**Implications**

6.1	**Financial**	Included in the report
	Legal	Nil
	Human Resources	Nil
	Human Rights Act	Nil
	Data Protection	Nil
	Risk Management	The Council regards security of the sums it invests to be the key objective of its treasury management activity. Close management of counterparty risk is therefore a key element of day to day management of treasury activity. The practices designed to ensure that risks are managed effectively are set out in the Treasury Management Practices available on the Council's website.

6.2	**Equality and Diversity**	The Borough Council considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:- Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

Previous Consideration -
Audit and Accounts Committee - 30 November 2017 - Minute No AAC22/17

Background Papers - Available in Financial Services

APPENDIX

COUNCIL

30 JANUARY 2018

Treasury Management Mid-Year Report 2017/18

Current Investment List at 30 September 2017

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date
MMF Standard Life (Ignis)	5,700,000	0.2028%		MMF*
MMF Federated Investors	3,000,000	0.1586%		MMF
Svenska Handelsbanken	2,000,000	0.15%		Call***
Santander UK plc	5,000,000	0.40%		Call95**
Bank of Scotland plc	2,500,000	0.55%	31/05/17	30/11/17
Nationwide Building Society	2,000,000	0.37%	16/05/17	15/11/17
Credit Industriel et Commercial	2,500,000	0.38%	13/07/17	12/01/18
The Royal Bank of Scotland	2,500,000	0.65%	31/01/17	30/01/18
Bank of Scotland plc	1,500,000	0.55%	07/06/17	06/12/17
Bank of Scotland plc	2,000,000	0.55%	15/05/17	15/11/17
The Royal Bank of Scotland	2,000,000	0.56%	11/09/17	10/09/18
Helaba	2,500,000	0.67%	16/11/16	16/11/17
Total Investments	**33,200,000**	**0.58%**		

*MMF - Money Market Fund (instant access)
**Call95 - 95 day notice account
***Call95 - Instant access account

ITEM NO 10

ITEM NO 10

Report of:	**Head of Finance**
Contact Officer:	**Ros Tomkinson**
Telephone No:	**01543 464389**
Ward Interest:	**Nil**
Report Track:	**Audit and Accounts 30/11/17 Council 30/1/18**

COUNCIL

30 JANUARY 2018

Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy 2018/19

The following report was considered by Audit and Accounts Committee at its meeting held on 30 November 2017 and is submitted to Council for approval.

1 Purpose of Report

1.1 This report is presented to obtain the Council's approval to:-

- Prudential and Treasury indicators - setting of indicators to ensure that the capital investment plans of the Council are affordable, prudent and sustainable;

- The Minimum Revenue Provision (MRP) Policy;

- Treasury Management Strategy Statement for 2018/19 - to set treasury limits for 2018/19 to 2020/21 and to provide a background to the latest economic forecasts of interest rates;

- Annual Investment Strategy 2018/19 - to set out the strategy of investment of surplus funds.

2 Recommendation

2.1 To approve:-

(a) The Prudential and Treasury indicators;
(b) The MRP Policy Statement;
(c) The Treasury Management Policy;
(d) The Annual Investment Strategy for 2018/19.

2.2 To note that indicators have been updated since the Audit and Accounts Committee of the 30 November 2017 to reflect the final recommendations from Cabinet to Council in relation to both the General Fund Revenue Budget and the Capital Programme.

3 Key Issues and Reasons for Recommendations

3.1 The Council is required to approve its treasury management and investment strategies to ensure that cash flow is adequately planned and that surplus monies are invested appropriately.

4 Relationship to Corporate Priorities

4.1 Treasury management and investment activity link in with all of the Council's priorities and their spending plans.

5 Report Detail

Background

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

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

5.3 CIPFA defines treasury management as:-

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

Reporting Requirements

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

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

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

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

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

Scrutiny - The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit and Accounts Committee.

5.5 The Council has adopted the following reporting arrangements in accordance with the requirements of the CIPFA Code of Practice:-

Area of Responsibility	**Council/Committee**	**Frequency**
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy	Full council	Annually in January/February each year
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy/Monitoring of Prudential Indicators	Full council	Mid year
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy - updates or revisions at other times	Full council	As required
Annual Treasury Outturn Report	Audit and Accounts Committee and Council	Annually by 30 September after the end of the year
Scrutiny of treasury management strategy	Audit and Accounts Committee	Annually in December before the start of the year

Treasury Management Strategy for 2018/19

5.6 The strategy for 2018/19 covers two main areas:-

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

5.7 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training has been undertaken by members of the Audit and Accounts Committee and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed

Treasury Management Consultants

5.8 The Council uses Link Asset Services (formerly Capita Asset Services wef 7 November 2017), Treasury Solutions as its external treasury management advisors and it does not anticipate any changes under the new ownership.

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

5.10 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The Capital Prudential Indicators 2018/19 - 2020/21

5.11 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure

5.12 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts but to note that the Budget process will include a review of current schemes together with the potential for growth bids.

Any change/growth bid will be separately identified in Budget Reports and subject to approval reflected in this indicator.

Capital expenditure	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2017/21 Earmarked £'000
Community Portfolio	1,691	1,546	1,171	1,037	1,037	539
Environment Portfolio	322	214	410	230	150	101
Leisure and Culture Portfolio	1,151	2,237	8,827	970	-	554
Planning and Regeneration	-	431	405	-	2,500	150
Resources Portfolio	68	50	800	50	50	80
Total	**3,232**	**4,478**	**11,613**	**2,287**	**3,737**	**1,424**

5.13 **Other long term liabilities**. The financing need excludes other long term liabilities, such leasing arrangements which already include borrowing instruments.

5.14 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2017/21 Unallocated £'000
Total Spend	**3,232**	**4,478**	**11,613**	**2,287**	**3,737**	**1,424**
Financed by:						
Capital receipts	-	863	5,044	-	-	388
Capital grants/ contributions	2,333	1,815	2,577	1,142	1,037	-
Revenue	899	1,800	3,992	1,145	2,700	1,036
Total Financing	**3,232**	**4,478**	**11,613**	**2,287**	**3,737**	**1,424**
Net financing need for the year	**-**	**-**	**-**	**-**	**-**	**-**

5.15 The capital financing of the programme will similarly be reviewed as part of the Budget process with consideration being given to the use of any surplus on Working Balances to offset the above borrowing requirement. Any change/growth bid will be separately identified in Budget Reports and subject to approval reflected in this indicator.

The Council's borrowing need (the Capital Financing Requirement)

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

5.17 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life and so charges the economic consumption of capital assets as they are used.

5.18 The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £1.286m of such schemes within the CFR.

5.19 The Council is asked to approve the following CFR projections, subject to any changes arising from the budget process:-

	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Capital Financing Requirement					
Total CFR	4,095	3,977	3,864	3,755	3,651
Movement in CFR	-	(118)	(113)	(109)	(104)

Movement in CFR represented by					
Net financing need for the year	-	-		-	-
Less MRP and other financing movements	-	(118)	(113)	(109)	(104)
Movement in CFR	-	(118)	(113)	(109)	(104)

Minimum revenue provision (MRP) policy statement

5.20 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP).

5.21 CLG Regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:-

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09, and will assess MRP for 2009/10 onwards in accordance with the recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

Under powers delegated to the Section 151 Officer, the Council's annual MRP provision for expenditure incurred after 1 April 2008 and before 31 March 2017 will be based on the uniform rate of 4% of the Capital Financing Requirement. The Council's annual MRP provision for expenditure incurred on or after 1 April 2017 will be based on the asset life method i.e. the provision will be calculated with reference to the estimated life of the assets acquired, in accordance with the regulations.

MRP will be applicable from the year following that in which the asset is brought into operation.

The Council are satisfied that the policy for calculating MRP set out in this policy statement will result in the Council continuing to make prudent provision for the repayment of debt, over a period that is on average reasonably commensurate with that over which the expenditure provides benefit.

The Section 151 Officer will, where it is prudent to do so, use discretion to review the overall financing of the Capital Programme and the opportunities afforded by the regulations, to maximise the benefit to the Council whilst ensuring the Council meets its duty to charge a prudent provision.

Affordability prudential indicators

5.22 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council’s overall finances. The Council is asked to approve the following indicators:-

Ratio of financing costs to net revenue stream

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

%	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Ratio of financing costs	(0.7)%	(1.0)%	(1.3)%	(1.3)%	(1.3)%

Incremental impact of capital investment decisions on council tax

5.24 This indicator identifies the revenue costs associated with proposed changes to the capital programme compared to the Council’s existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support etc., for which there exists a degree of uncertainty that increases towards the end of the three year budget period.

£	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Council tax band D	Nil	Nil	Nil	Nil	Nil

Borrowing

5.25 The capital expenditure plans set out in paragraph 5.12 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

Current portfolio position

5.26 The Council's treasury portfolio position at 31 March 2017 with forward projections are summarised overleaf. The table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2016/17 Actual £'000	**2017/18 Estimate £'000**	**2018/19 Estimate £'000**	**2019/20 Estimate £'000**	**2020/21 Estimate £'000**
External Debt					
PWLB debt at 1 April	2,000	-	-	-	-
Repayments in year	(2,000)	-	-	-	-
Borrowing in year	-	-	-	-	-
Other long-term liabilities	1,286	1,285	1,284	1,283	1,282
Actual gross debt at 31 March	1,286	1,285	1,284	1,283	1,282
The Capital Financing Requirement	4,095	3,977	3,864	3,755	3,651
Under / (over) borrowing	2,811	2,692	2,580	2,472	2,369

5.27 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

5.28 The Head of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals contained in the Financial Plan for 2017/18 to 2020/21.

Treasury Indicators: limits to borrowing activity

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

Operational boundary	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Debt	3,000	3,000	3,000	3,000	3,000
Other long term liabilities	1,286	1,285	1,284	1,283	1,282
Total	**4,286**	**7,285**	**7,284**	**7,283**	**7,282**

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

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

2. The Council is asked to approve the following authorised limit:-

Authorised limit	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Debt	6,000	6,000	6,000	6,000	6,000
Other long term liabilities	**1,286**	1,285	1,284	1,283	1,282
Total	**7,286**	**7,285**	**7,284**	**7,283**	**7,282**

Prospects for interest rates

5.31 The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

5.32 As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

5.33 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

5.34 The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

5.35 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:-

- Bank of England monetary policy takes action too quickly to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea., but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- The result of the October 2017 Austrian general election is likely to result in a strongly anti-immigrant coalition government. This could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

5.36 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:-

- The Bank of England is too slow in its initial pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in the Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

5.37 A more detailed view of the economic backround is set out in **APPENDIX 1**.

5.38 **Investment and borrowing rates**

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost - the difference between borrowing costs and investment returns.

Borrowing strategy

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

5.40 Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

5.41 Any decisions will be reported to members appropriately at the next available opportunity.

Treasury management limits on activity

5.42 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance.

The indicators are:-

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

5.43 The Council is asked to approve the following treasury indicators and limits:-

£m	2018/19	2019/20	2020/21
Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	75%	75%	75%
Maturity structure of fixed interest rate borrowing 2018/19			
		Lower	**Upper**
Under 12 months		0%	100%
12 months to 2 years		0%	100%
2 years to 5 years		0%	100%
5 years to 10 years		0%	100%
10 years and above		0%	100%
Maturity structure of variable interest rate borrowing 2018/19			
		Lower	**Upper**
Under 12 months		0%	75%
12 months to 2 years		0%	75%
2 years to 5 years		0%	75%
5 years to 10 years		0%	75%
10 years and above		0%	75%

Policy on borrowing in advance of need

5.44 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Municipal Bond Agency

5.45 It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The Council intends to make use of this new source of borrowing as and when appropriate.

Annual Investment Strategy

Investment Policy

5.46 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second and then return.

5.47 In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

5.48 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

5.49 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

5.50 Investment instruments identified for use in the financial year are listed in **APPENDIX 2** under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Council’s treasury management practices - schedules.

Creditworthiness policy

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

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

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

- Yellow 5 years
- Dark pink 5 years for Enhanced Money Market Funds (EMMFs)with a credit score of 1.25
- Light pink 5 years for Enhanced Money Market Funds (EMMFs) with a credit score of 1.5
- 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

5.53 The Link creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency’s ratings.

5.54 Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of short term rating F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

5.55 All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of our creditworthiness service.

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

5.56 Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.Country limits.

5.57 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in **APPENDIX 3**. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Investment Strategy

5.58 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

5.59 **Investment returns expectations.** Bank Rate is forecast to remain unchanged at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:-

2017/18	0.50%
2018/19	0.75%
2019/20	1.00%
2020/21	1.25%

5.60 The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:-

2017/18	0.40%
2018/19	0.60%
2019/20	0.90%
2020/21	1.25%
2021/22	1.50%
2022/23	1.75%
2023/24	2.00%
Later years	2.75%

5.61 The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace.

5.62 **Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:-

Maximum principal sums invested > 364 days			
	2017/18	**2018/19**	**2019/20**
Principal sums invested > 364 days	£10m	£10m	£10m

5.63 For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

End of year investment report

5.64 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

6 Implications

6.1	**Financial**	Included in the report
	Legal	Nil
	Human Resources	Nil
	Human Rights Act	Nil
	Data Protection	Nil
	Risk Management	The Council regards security of the sums it invests to be the key objective of its treasury management activity. Close management of counterparty risk is therefore a key element of day to day management of treasury activity. The practices designed to ensure that risks are managed effectively are set out in the Treasury Management Practices available on the Council's website.

6.2 **Equality and Diversity**	The Borough Council considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:- Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

Previous Consideration -
Audit and Accounts Committee - 30 November 2017 - Minute No AAC23/17

Background Papers - File available in Financial Services

APPENDIX 1

COUNCIL

30 JANUARY 2018

Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy 2018/19

Economic Background

GLOBAL OUTLOOK. World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution.**

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently, in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income,** which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply ‘look through’ tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift *UP* in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly

house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK. After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.2% (+2.0% y/y), quarter 2 was +0.3% (+1.7% y/y) and quarter 3 was +0.4% (+1.6% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting MPC. (Inflation actually came in at 3.0% in September and is expected to rise slightly in the coming months.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

EU. Economic growth in the EU, (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.5% in quarter 1 (2.0% y/y), 0.6% in quarter 2 (2.3% y/y) and +0.6% in quarter 3 (2.5% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in October inflation was 1.4%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.0%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.2%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and three increases since December 2016; and there could be one more rate rise in 2017, which would then lift the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN has been struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.

- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

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Treasury Management Practice (TMP1) - Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 50% will be held in aggregate in non-specified investments.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:-

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
DMADF - UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	£6 million	12 months
UK Government Treasury blls	UK sovereign rating	£6 million	12 months
Money market funds	AAA	£6 million	Liquid
Enhanced money market funds with a credit score of 1.25	AAA	£6 million	Liquid
Enhanced money market funds with a credit score of 1.5	AAA	£6 million	Liquid

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
Term Deposits with part nationalised banks	Blue	£7.5 million	12 months
CDs or corporate bonds with banks and building societies	Purple Blue Orange Red Green	£6 million	Up to 2 years 12 months 12 months 6 Months 100 days
Property Fund	AAA	£6 million	10 years
Term deposits with local authorities	N/A	£6 million	Up to 2 years

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Approved Countries for Investment

AAA
- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+
- Finland
- Hong Kong
- U.S.A.

AA
- Abu Dhabi (UAE)
- France
- U.K.

AA-
- Belgium
- Qatar