Stafford
BOROUGH COUNCIL

Civic Centre
Riverside
Stafford
ST16 3AQ

21 January 2019

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 29 January 2019 at 7.00pm** to deal with the business as set out on the agenda.

Tim Clegg

Tim Clegg
Chief Executive

COUNCIL MEETING - 29 JANUARY 2019

MAYOR, COUNCILLOR RAY BARRON

A G E N D A

1	Approval of the Minutes of the last Meeting of the Council held on 20 November 2018 as published in Digest No 249 on Friday 7 December 2018	
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	
		Page Nos
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9	Treasury Management Strategy, Minimum Provision Policy, Annual Investment Strategy 2019/20 and Capital Strategy 2018/22	52 - 84
10	Licensing of Activities Involving Animals	85 - 88
11	Any Items Referred from Scrutiny Committee(s)	

Chief Executive

Civic Centre
Riverside
Stafford
ST16 3AQ

ITEM NO 8

Report of:	**Head of Finance**
Contact Officer:	**Bob Kean**
Telephone No:	**01785 619241**
Ward Interest:	**Nil**
Report Track:	**Council 29/01/19** **Cabinet 17/01/19**

COUNCIL

29 JANUARY 2019

General Fund Revenue Budget 2019-20 to 2021-22 and Capital Programme 2018-19 to 2021-22

The following report was considered by Cabinet at its meeting held on 17 January 2019 and is submitted to Council for approval

1 Purpose of Report

1.1 To propose to the Council the General Fund Revenue Budget for 2019-20 to 2021-22 and the updated Capital Programme 2018-19 to 2021-22.

2 Recommendation

2.1 Council 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 2019-20 be set at £14.004 million (with indicative requirements for 2020-21 and 2021-22 of £12.458 million and £13.482 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 2019-20 be increased by 1.9% to £156.30;
(e) the Council's Tax Base be set at 47,491.54 (as determined by the Head of Finance);
(f) that no changes are made to the current Local Council Tax Support Scheme
(g) that the premium for long term empty properties be increased to 100% from April 2019

3 Key Issues and Reasons for Recommendation

3.1 This report sets out the current position on the General Fund Revenue Budget for 2019-20 as well as indicative budgets for 2020-21 and 2021-22. It also sets out the position on the Local Government Finance Settlement 2019-20, New Homes Bonus Grant allocation, the position on the Council's Collection Fund, the Council's Tax Base for 2019-20 and the consequential Council Tax for 2019-20.

3.2 Indicative budgets have been set out for 2020-21 and 2021-22, however it should be noted that a new funding regime for local government will apply from the 1 April 2020 and no indicative figures can be provided by the Government with the Fair Funding and 75% Business Rates Retention scheme still at design/ outline consultation 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 6 December 2018. The Community, Environment, Leisure and Culture and Planning and Regeneration Portfolio budgets were submitted to the Economic Development and Planning Scrutiny Committee on 11 December 2018 and the Community Wellbeing Scrutiny Committee on the 8 January 2019 as part of the budget consultation process .The Resources Portfolio budget is to be considered by the Resources Scrutiny Committee on 15 January 2019, 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 Finance Settlement 2019-20

5.3.1 The Provisional Local Government Finance Settlement for 2019-20 was received by the Council on 13 December 2018. The settlement only relates to 2019-20 , pending the introduction of 75% Business Rates and a Fair Funding review to determine both core funding and Business Rate Baselines for future years.

5.3.2 The Draft General Fund Revenue Budget as considered by Cabinet on the 6 December 2018 reflected 2019-20 being the final year of the four year local government agreement . Government support over the period 2016-17 to 2019-20 was effectively fixed following the approval of an Efficiency Statement by the Council. However, following the publication of the

Technical Consultation on the 2019-20 Settlement by MHCLG, one change was made in the draft budget relating to the exclusion of Negative Revenue Support Grant for 2019-20. This proposal has now been reaffirmed as part of the Provisional Local Government Finance Settlement and hence no changes are required to the Revenue Support Grant, as included in the Financing element of the Budget

5.3.3 Additional resources have been received in relation to Rural Services Grant reflecting an increase in the amount allocated for 2019-20 however this only amounts to £0.005 million for Stafford Borough

5.3.4 The 2019-20 Settlement is only a one year settlement and, in light of a new funding regime coming into place from 2020-21, will shed no light on the level of government support (core and incentive based) for future years.

5.4 New Homes Bonus

5.4.1 Provisional allocations for the New Homes Bonus Grant (NHB) scheme for 2019-20 were announced by the Ministry of Housing Communities and Local Government (MHCLG) on the 13 December 2018.

5.4.2 The Technical Consultation on the 2019-20 Settlement stated that as part of the annual review of NHB the “deadweight allowance is likely to increase for 2019-20 and details will be published as part of the Provisional Settlement”.

5.4.3 The Draft Budget assumed that the Deadweight allowance would increase from 0.4% to 0.6% for 2019-20. This effectively reduced the anticipated increase for new growth by £108,000 per annum .Nevertheless the allocation for growth achieved for the 2018-19 NHB year was estimated to be £746,000 (and has been revised by the determination of Affordable Housing units to £785,000). The table below compares the Provisional Allocations with the assumptions as contained in the Draft Budget.

Table 1: New Homes Bonus Comparison

	Numbers			**Allocation**		
	Original	**Budget**	**Prov. Sett**	**Original £’000**	**Budget £’000**	**Prov. £’000**
New Properties	893	893	893	1,149	1,149	1,204
Long Term Empty	(10)	(10)	(10)	(37)	(37)	(13)
Sub Total	883	883	883	1,112	1,112	1,191
Deadweight Reductn	(223)	(325)	(223)	(287)	(395)	(298)
Net	660	558	660	825	717	893
Affordable Housing	104	104	243	29	29	68
Total 2019-20				854	746	961
B/fwd.				2,304	2,304	2,304
Cumulative				**3,158**	**3,050**	**3,265**

5.4.4 The provisional allocations show an increase in funding resources of £0.215 million for New Homes Bonus for 2019-20 with NHB now amounting to £3.265 million as compared to a Draft Budget allocation of £3.050 million. The increase in allocation consisting of the proposed increase in deadweight changes not being implemented (£0.097 million) ; affordable housing delivery being higher than anticipated (£0.039 million)and the funding stream per unit for net new properties increasing by 5% compared to the 2% budgeted.

5.4.5 The Technical Consultation on the Local Government Settlement indicated that the government also intended to amend the New Homes Bonus Scheme post 2019-20. The consultation stated that the scheme would be amended to be more effective in incentivizing housing growth with as an example using the Housing Delivery Test results to reward delivery or incentivizing plans that meet or exceed local housing need.

5.4.6 The Council awaits consultation on the changes and in particular how the payments of the current four year entitlement to NHB generated in a particular year (legacy payments) are to be dealt with.

5.5 Business Rates Retention

Redistribution of Levy Surplus

5.5.1 As part of the operation of the Business Rates Retention system, some authorities pay a levy on the growth in their business rates. The levy, other than for authorities in a Business Rates pool, is paid to Central Government. This levy is designed to meet the cost of safety net payments for those authorities that have seen a decline in their income below 92.5% of their individual baseline funding level in a single financial year.

5.5.2 In previous years, if it appeared that the levy on high-earning authorities would be insufficient to fund the safety net, an additional amount was top-sliced from Revenue Support Grant. However, there is a surplus of £195 million in the 2018-19 levy account.

5.5.3 The Government intends to distribute the majority of the surplus, £180million, to all local authorities on the basis of the 2013-14 settlement funding assessment – the sum of each authority’s Revenue Support Grant and Baseline Funding Level allocations. The allocation to this authority is £0.043 million.

Business Rates Pilot 2018/19

5.5.4 The Secretary of State, as part of the Provisional Settlement, announced the outcome of the 75% Business Rates Pilot Applications with the Staffordshire & Stoke-on-Trent bid being successful.

5.5.5 A pilot involves certain government grants being financed directly from business rates rather than a separate grant allocation. The two proposed grants for the Staffordshire and Stoke-on-Trent Pilot are Revenue Support Grant (RSG) and Rural Services Grant. However this authority is no longer in receipt of RSG and hence only one adjustment is required. The transfer of grant funding into the scheme is financially neutral as shown in Table 2.

Table 2: Business Rates Pilot Core Funding		
	50% Scheme	**75% Pilot**
	£'000	**£'000**
Baseline	17,278	17,278
Tariff	(14,499)	(14,474)
Core Funding	**2,779**	**2,804**
Rural Services grant	25	
Total Government Funding	**2,804**	**2,804**

5.5.6 All pilots are deemed to be fiscally neutral in terms of core funding, with the 2013-14 baselines being utilised and transferred in grants being offset in the adjustment to arrive at core funding. A pilot however benefits by retaining 75% of any new growth and a windfall if the actual amount of business rates generated to date is in excess of the Baseline .

5.5.7 The windfall equates to the tier share of the 25 % additional business rates retained. Under the 50% scheme the government receive 50% of any growth however under a 75% scheme (pilot) only 25% is paid to the Government.

5.5.8 In accordance with the Memorandum of Understanding for the Staffordshire & Stoke-on-Trent Pilot Districts /Boroughs will receive 40% of this windfall, subject to each authority being guaranteed a minimum £0.2 million. After taking into account the requirements of the Fire Authority and Police Commissioner it is estimated that Stafford Borough Council will benefit by approximately £1.0 million.

5.5.9 This windfall is one off, not only reflecting the duration of the pilot but also the fact that existing growth would be subject to a Reset from 2020-21 (as detailed below in the "Proposed Changes to Existing Regime". The exact amount of this one-off windfall is however dependant upon the actual business rates generated in 2019-20.

Proposed Changes to existing Regime

5.5.10 2020-21 will see the introduction of 75% Business Rates Retention with core funding determined as part of the Fair Funding Review. Both schemes are still in design stage and MHCLG, at the same time as the 2019-20 Provisional Local Government Settlement published two further consultations, entitled "Review of local authorities ' relative needs and resources" and "Business Rates Reform " .Further consultations are due during 2019-20 however it is likely to be the Autumn of 2019 before any indicative figures are available from the Government in relation to Core Funding and Business Rates Baselines from 2020-21.

5.5.11 The Fair Funding Review represents a re-assessment of core funding provided to local authorities to address concerns “ that the current formula used is unfair, out of date and overly complex”. The review is intended to identify an up to date assessment of relative needs and relative resources to determine new baseline funding allocations for councils .

5.5.12 In relation to Relative Needs the Government is minded to deploy a per capita Foundation Formula for upper and lower tier authorities, alongside seven service – specific funding formulas. With the exception of Flood Defence and Coastal Protection (Districts) and Legacy Capital Finance (All authorities) all the other five funding formulas relate to upper Tier /County Councils. In addition to the basic formula , Area cost adjustments taking into account accessibility and remoteness of each authority ,together with their relative ability to raise resources will also be utilised in determining core funding requirements,

5.5.13 Details of the weightings of funding between services is still awaited nevertheless it is evident this review will undoubtedly see a movement in resources towards Adult Social Care & Children’s and Young Peoples services that will impact upon the Core Funding Baseline and the Business Rates Retained by the County Council and the Borough.

5.5.14 The new funding regime will see local government retaining 75% of Business Rates however the tier split between Counties and Districts is yet to be determined. The establishment of new core funding levels and Business Rates Baselines will also involve a Reset of growth achieved to date.

5.5.15 The forecast growth above baseline for the Borough for 2019-20 amounts to £12.0 million and in accordance with a 50% scheme £6 million is retained within Staffordshire. Stafford Borough retains £3.36 million (or 28% of overall growth) and the balance is distributed to the County Council and Fire and Rescue Service (based upon tier splits) with a balance being allocated to the Business Rates Pool. Although Pilot Status exists for 2019-20 this does not impact on the Reset position with the outputs from the 50% scheme , rather than the pilot, being used to determine resets and any transitional funding requirements.

5.5.16 The Reset is effectively about how much of this £3.36 million growth generated between resets (in this case 2013-14 to 2019-20) is retained by the local authority and how much is redistributed in the sector. Three potential options exist in relation to the basis of the reset, notably No Reset (All growth retained); Full Reset (No growth retained) or Partial Reset (Proportion of growth retained) with the growth not retained being redistributed across the local government sector.

5.5.17 The latest consultation documents indicate that a phased reset is favoured by Government . Under a phased reset: authorities retain each year's growth (or loss) in rates for a set number of years and thereafter that growth (or loss) is redistributed. This scheme is similar to the New Homes Bonus rolling programme although the number of years growth would be retained is yet to be determined. The illustrative model in the consultation document uses a five year timeframe and under this timeframe each year, a new year's growth is added to the amount retained by the authority up to a maximum of five years' worth of growth. In the sixth year, the first year's growth is redistributed amongst all local authorities according to Baseline Funding Levels. Thereafter, each year sees the current year's growth added to the amount retained and an historic year's growth redistributed. Under this option it would not matter when growth came 'on stream' as all growth would count

5.5.18 A partial/ proportional reset is still being considered by Government and forms part of the Consultation. Under this option Business Rates Baselines and Baseline Funding Levels are held constant for a set number of years and at a reset a percentage of the growth achieved over the previous period is redistributed, with the remaining percentage retained by individual local authorities. This percentage of this option is yet to be determined and the Government is seeking views on this as part of the consultation questions

5.5.19 It is not expected that authorities experiencing decline in their rates would retain this entering a new reset period. Whereas the retention of some growth into a new reset period smooths 'cliff edges' and supports longer term planning, equally, regardless of timing.

5.5.20 As stated earlier it is considered that the determination of how Resets will be applied will have a material impact on this authority, with over £3 million of growth currently retained. In addition the design of the other key elements of a Business Rates Retention Scheme including the Levy on new growth ; Safety Net levels; treatment of Appeals and Valuation Changes; determination of Central and Local Rating lists and the benefits of Pooling will all influence the actual business rates retained by this council.

5.5.21 In summary 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 and hence the funding assumptions for future years needs to be treated with a great deal of caution. **APPENDIX 4** provides an analysis of the Retained Business Rates Income for the Council.

6 Revenue Budget 2018-19 to 2021-22

6.1 The Portfolio Budget position set out overleaf reflects the detailed budgets that were presented to the Cabinet on 6 December 2018, and subsequently subject to consultation with the relevant Scrutiny Committees, as updated for expenditure and financing changes.

6.2 Net Expenditure changes include an additional growth item in relation to the implementation of a Workforce Development Strategy for Bereavement Services and provision for the increased costs of enforcement at off street car parks following the recent tender exercise. In addition recharges have been revised to reflect the finalisation of shared services costs between Cannock Chase and Stafford Borough

6.3 Provisional funding allocations for Housing Benefit Administration Subsidy and Local Council Tax Support were received on the 18 December 2018. The subsidy allocation sees a reduction of £0.038 million (13.5%) as compared to the 2018-19 allocation and although this is partly offset by transitional funding for 2019-20 the reduction is still higher than anticipated.

6.4 The impact in the short term can be addressed from the Localisation of Council Tax Reserve however the continuation of the Efficiency element of the grant Reduction but more importantly the progressive reduction to Universal Credits in the Admin Subsidy will require the service to downsize as part of (or in advance of) the 2021-22 budget process.

Table 3 : Revenue Budget Recommended to Council			
	Budget 2019-20	**Budget 2020-21**	**Budget 2021-22**
	£000	**£000**	**£000**
Net Expenditure			
Portfolio budgets	14,509	14,618	15,181
Investment income & technical financing adjustments	2,938	684	526
Net Spending	**17,447**	**15,302**	**15,707**
Less: Government Grants			
Levy Account Surplus	(43)		
Rural Services Grant			
NNDR Multiplier – Section. 31	(135)		
New Homes Bonus	(3,265)	(2,844)	(2,225)
Budget Requirement	**14,004**	**12,458**	**13,482**
Financing			
Business Rates	(7,352)	(4,838)	(4,935)
Revenue Support Grant			
Collection Fund surplus	(25)		
Council Tax Income	(7,423)	(7,677)	(7,902)
Transfer from Balances			(645)
Total Financing	**(14,800)**	**(12,515)**	**(13,482)**
Transfer to Working Balances	**796**	**57**	**-**

6.5 No amendments have been made to the assumptions as contained in the Approved Financial Plan 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; core funding as per the Fair Funding review determined 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.

6.6 Table 4 incorporates the changes as identified above together with the changes in funding arising from the provisional allocations. In relation to 2020-21 and future years Government Grants other than New Homes Bonus have been consolidated into Business Rates Retention reflecting how a 75% scheme will operate.

Table 4: Revenue Budget Surplus/Deficit Reconciliation			
	Budget 2019-20	**Budget 2020-21**	**Budget 2021-22**
	£000	**£000**	**£000**
Draft Budget Original Deficit/ (Surplus)	**(769)**	**(78)**	**609**
Portfolio Budgets			
Bereavement Services – workforce	35	35	9
Car Park Contract	15	15	15
Housing Benefit Grant	16		
LCTS Reserves	(16)		
Shared Services	6	6	21
Financing			
New Homes Bonus	(215)	(39)	(39)
Levy Account Surplus	(43)		
Rural Services Grant	(5)		
Business Rates Pilot	(1,047)		
Reserves			
Financing Reserves	180	4	30
Business Rates Pilot	1,047		
Use of Balances			
Transfer from Working Balances			**(645)**
Revised Surplus	**(796)**	**(57)**	**-**

6.7 The Table shows that a balanced budget exists throughout the 2019-20 to 2021-22 Medium Term Financial Plan, although a transfer from Working Balances could be required in 2021-22, subject to the caveats that exist in relation to the funding levels for New Homes Bonus and Business Rates Retention.

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 has for a number of years been to maintain the level of the General Fund balance at a minimum of £1 million. In accordance with the Risk Analysis for Invest to Save initiatives it is now felt prudent to increase this level to £1.188 million for 2020-21. The General Fund balance at 1 April 2018 was £1.313 million. £1.188million of that figure is set aside for the Working Balance resulting in £0.125 million remaining to support the revenue Budget.

7.3 Table 4 identifies a further transfer of £0.853 million to Working Balances to 2020-21, with the current year forecast showing a further transfer of £0.704 million.

7.4 In total a surplus of £1.682 million is envisaged as at 31 March 2021 and this has been provisionally used to offset the deficit that could arise in 2021-22 (funding changes) of £0.645 million and also to offset the balance of £0.876 million contribution to capital to fully mitigate the £2.648 million Capital Borrowing Requirement as identified as part of the 2018-19 Budget.

7.5 A revised surplus on Working Balances of £0.161 million is now forecast as at 31 March 2022 as follows:-

Table 5 : Movement on Working Balances				
	2018-19	**2019-20**	**2020-21**	**2021-22**
	£'000	**£'000**	**£'000**	**£'000**
B/fwd.	**1,313**	**829**	**749**	**806**
Minimum Requirement	(1,188)			
Generated in Year	704	796	57	(645)
Offset Borrowing Requirement		(876)		
Balance c/fwd.	**829**	**749**	**806**	**161**

7.6 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.

7.7 Movements since that date include the New Homes Bonus Equalisation Reserve increasing by £0.214 million, with an allocation to Earmarked Reserves - Business Rates Pilot of £1.046 million.

7.8 **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 2018-19 to 2021-22

8.1 The proposed Capital Programme for 2018-19 to 2021-22 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 47,491.54 an increase of 1.9% on 2018-19 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	50,544.50
Less: impact of Local Council Tax Reduction Scheme	(3,052.96)
	47,491.54

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 2019-20 allocation to parishes.

9.5 In accordance with the Local Government Act 2012 the Council currently has levied a premium of 50% on long term empty properties. Long term empty properties relate to properties which have been unoccupied and unfurnished for longer than two years.

9.6 A period of occupation of over six weeks qualifies as a break in the empty period, 'resetting the clock' for the purposes of the empty homes premium. Whereas empty homes premium cannot apply to homes that are empty due to the occupant living in armed forces accommodation for job-related purposes, or to annexes being used as part of a main property.

9.7 In order to address the increasing gap between demand and supply for properties and the rising level of unoccupied properties the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act received royal assent on the 1st November 2018.

9.8 The Act enables local authorities to

- charge a premium of 100% from 1 April 2019
- from 1 April 2020 increase the premium to 200% for properties that have been vacant for five years or more .
- set a premium of 300% from 2021/22 for properties that have been vacant for ten years or more

9.9 At present 205 properties are subject to the Empty Homes Premium and Cabinet is recommended to increase the premium to 100% for 2019-20.

9.10 It is proposed that a detailed report on the impact of this change is submitted as part of the 2020-21 budget process enabling Cabinet to determine whether further increases in the premium are to be adopted.

9.11 The current Council Tax Base calculation includes provision for the 50% premium however no account has been made in the Tax Base for the increase to 100% since the change is intended to bring empty properties back into use.

9.12 The Council's Collection Fund has been reviewed as part of the budget process and is expected to break even in 2019-20.

10. Council Tax 2019-20

10.1 In determining the level of Council Tax for 2019-20 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 2019-20 remain the same as for 2018-19 with an increase of 3% or more (or up to and including £5) whichever is the higher 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 6 December 2018 reaffirmed this and hence the Council Tax for 2019-20 is recommended to be £156.30 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 26 February 2019. 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**

11.1	**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 6 December 2018

11.2	**Community Impact Assessment Recommendations**	It is noted that the finance settlement is for one year only and although the current budget allows for no reduction in service provision, the council needs to be mindful of the future sustainability of services should the new funding regime have a negative effect. This will be particularly relevant to ensuring that public open spaces are protected and maintained, that provision has been made for a new gypsy and traveller site; and that the level of service for commissioned and outsourced functions is maintained. Further consideration will need to be given in terms of the current level of external funding received from the Police, Crime and Fire Commissioner. Early indications have suggested that this will either be reduced or it will cease. This places a huge risk upon the council in terms of being able to fulfil its statutory duty in relation to the duty set out in the Crime and Disorder Act 1998 and therefore, if there is a change to the level of funding then provision will need to be made in future budgets. In terms of the capital programme, projects plan for new and proposed developments will need to ensure that a proactive approach is taken at an early stage incorporating Crime Prevention through Environmental Design. All proposals and planning applications should demonstrate how crime prevention measures have been considered. This should be included in a Design and Access Statement where appropriate. The Proposed Budget in particular maintains all services at their existing levels with no service reductions included.

Previous Consideration - Cabinet - 17 January 2019 - Minute No CAB48/19

Background Papers - File available in Financial Services

APPENDIX 1

COUNCIL

29 JANUARY 2019

General Fund Revenue Budget 2019-20 to 2021-22 and Capital Programme 2018-19 to 2021-22

EDP25 **Economic Development and Planning Portfolio - General Fund Revenue Budget 2018/2019 - 2021/2022 and Capital Programme 2018/2019 - 2021/2022**

This matter had been considered by Cabinet on 6 December 2018 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 2018/2019 - 2021/2022 and the draft Economic Development and Planning Portfolio Capital Programme for 2018/2019 - 2021/2022 (V2 9/11/18).

The report related to the following:-

- The detailed portfolio revenue budget;
- The variations between the indicative budgets for 2019/2020 and 2020/2021, as set out last year, and the proposed budget for 2019/2020 and the draft budget for the following years to 2021/2022;
- The proposed Capital programme 2018/2019 - 2021/2022.

The Committee discussed the following aspects of the report with the Deputy Chief Accountant, the Customer Services Group Manager and the Economic Development Manager:-

- Employee Expenses during 2020-2021
- Third Party Payments for Building Control
- Premises related expenditure for Off-Street Parking Services
- Borough Markets Net Expenditure
- Planning Fee Income
- Land Charges budget split
- Markets Reduced Operational Costs
- Removal of Sainsbury’s income from budget offset by Fairway additional income
- Growth Point Capital
- New Gypsy and Traveller Site

RESOLVED:- that in exercise of the powers delegated to the Committee, the decision of the Cabinet, as set out in Minute No CAB36(iii)/18, regarding the draft detailed Economic Development and Planning Portfolio revenue budget for 2018/2019 - 2021/2022 and the draft Economic Development and Planning Portfolio Capital Programme for 2018/2019 - 2021/2022, be noted.

CWB31 **Community Portfolio - General Fund Revenue Budget 2018/2019 - 2021/2022 and Capital Programme 2018/2019 - 2021/2022**

This matter had been considered by Cabinet on 6 December 2018 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 2018/2019 - 2021/2022 and the draft Community Portfolio Capital Programme for 2018/2019 - 2021/2022 (V1 9/11/18).

The report related to the following:-

- The detailed portfolio revenue budget;

- The variations between the indicative budgets for 2019/2020 and 2020/2021, as set out last year, and the proposed budget for 2019/2020 and the draft budget for the following years to 2021/2022;

- The proposed Capital programme 2018/2019 - 2021/2022.

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

- The need for a future training session in order for Members to be able to fully understand the budget reports and their implications
- Private Sector Housing (Standards) Employee Expenses
- Partnerships Income
- Homelessness and Housing Advice Supplies and Services
- Glover Street Net Expenditure
- CCTV Net Expenditure
- Premises Related Costs
- Homelessness and Additional Bed and Breakfast Costs

RESOLVED:- that in exercise of the powers delegated to the Committee, the decision of the Cabinet, as set out in Minute CAB36(v)/18, regarding the draft detailed Community Portfolio revenue budget for 2018/2019 - 2021/2022 and the draft Community Portfolio Capital Programme for 2018/2019 - 2021/2022, be noted.

CWB32 **Environment Portfolio - General Fund Revenue Budget 2018/2019 - 2021/2022 and Capital Programme 2018/2019 - 2021/2022**

This matter had been considered by Cabinet on 6 December 2018 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 2018/2019 - 2021/2022 and the draft Community Portfolio Capital Programme for 2018/2019 - 2021/2022 (V1 9/11/18).

The report related to the following:-

- The detailed portfolio revenue budget;
- The variations between the indicative budgets for 2019/2020 and 2020/2021, as set out last year, and the proposed budget for 2019/2020 and the draft budget for the following years to 2021/2022;
- The proposed Capital programme 2018/2019 - 2021/2022.

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

- Management and Support Supplies and Services Income
- Strategic Health Delivery Total Expenditure
- Partnerships and Environmental Management Employee Expenses
- Waste and Recycling Supplies and Services
- Streetscene Third Party Payments
- Pest Control Total Income
- Riverway Site Improved Depot Facilities

RESOLVED:- that in exercise of the powers delegated to the Committee, the decision of the Cabinet, as set out in Minute CAB36(vi)/18, regarding the draft detailed Environment Portfolio revenue budget for 2018/2019 - 2021/2022 and the draft Environment Portfolio Capital Programme for 2018/2019 - 2021/2022, be noted.

CWB33 **Leisure Portfolio - General Fund Revenue Budget 2018/2019 - 2021/2022 and Capital Programme 2018/2019 - 2021/2022**

This matter had been considered by Cabinet on 6 December 2018 and was submitted to this Committee for consultation.

Considered the report of the Head of Finance regarding the draft detailed Leisure Portfolio revenue for 2018/2019 - 2021/2022 and the draft Community Portfolio Capital Programme for 2018/2019 - 2021/2022 (V1 9/11/18).

The report related to the following:-

- The detailed portfolio revenue budget;

- The variations between the indicative budgets for 2019/2020 and 2020/2021, as set out last year, and the proposed budget for 2019/2020 and the draft budget for the following years to 2021/2022;

- The proposed Capital programme 2018/2019 - 2021/2022.

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

- Stafford Gatehouse Theatre Supplies and Services
- Leisure Strategy Employee Expenses
- Parks and Open Spaces Total Income

RESOLVED:- that in exercise of the powers delegated to the Committee, the decision of the Cabinet, as set out in Minute CAB36(iv)/18, regarding the draft detailed Leisure Portfolio revenue budget for 2018/2019 - 2021/2022 and the draft Leisure Portfolio Capital Programme for 2018/2019 - 2021/2022, be noted.

RSC30 **Resources Portfolio - General Fund Revenue Budget 2018/2019 - 2021/2022 and Capital Programme 2018/2019 - 2021/2022**

This matter had been considered by Cabinet on 6 December 2018 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 2018/2019 - 2021/2022 and the draft Resources Portfolio Capital Programme for 2018/2019 - 2021/2022 (V1 9/11/18).

The report related to the following:-

- The detailed portfolio revenue budget;

- The variations between the indicative budgets for 2019/2020 and 2020/2021, as set out last year, and the proposed budget for 2019/2020 and the draft budget for the following years to 2021/2022;

- The proposed Capital programme 2018/2019 - 2021/2022.

RESOLVED:- that in exercise of the powers delegated to the Committee, the decision of the Cabinet, as set out in Minute No CAB36(ii)/18, regarding the draft detailed Resources Revenue Portfolio budget for 2018/2019 - 2021/2022 and the draft Resources Portfolio Capital Programme for 2018/2019 - 2021/2022, be noted.

Community

	Outturn 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £	Budget 2021-2022 £
1 Private Sector Housing (Standards)				
Employee Expenses	107,050	127,500	132,120	119,610
Transport Related Expenditure	4,240	4,320	4,320	4,320
Supplies & Services	10,670	10,170	10,170	10,170
Total Expenditure	**121,960**	**141,990**	**146,610**	**134,100**
Income	(3,340)	(2,390)	(2,440)	(2,490)
Total Income	**(3,340)**	**(2,390)**	**(2,440)**	**(2,490)**
Private Sector Housing (Standards) Net Expenditure	**118,620**	**139,600**	**144,170**	**131,610**
2 Housing Act Sewerage Works				
Premises Related Expenditure	2,000	2,110	2,150	2,190
Total Expenditure	**2,000**	**2,110**	**2,150**	**2,190**
Housing Act Sewerage Works Net Expenditure	**2,000**	**2,110**	**2,150**	**2,190**
3 Private Sector Hsg (Loans & Mortgages)				
Premises Related Expenditure	5,450	5,560	5,670	5,780
Total Expenditure	**5,450**	**5,560**	**5,670**	**5,780**
Income	(11,210)	(11,420)	(11,640)	(11,870)
Total Income	**(11,210)**	**(11,420)**	**(11,640)**	**(11,870)**
Private Sector Hsg (Loans & Mortgages) Net Expenditure	**(5,760)**	**(5,860)**	**(5,970)**	**(6,090)**
4 Partnerships				
Supplies & Services	139,500	25,290	25,290	25,290
Third Party Payments	16,970	-	-	-
Total Expenditure	**156,470**	**25,290**	**25,290**	**25,290**
Income	(131,180)	-	-	-
Total Income	**(131,180)**	**-**	**-**	**-**
Partnerships Net Expenditure	**25,290**	**25,290**	**25,290**	**25,290**
5 Homelessness & Housing Advice				
Employee Expenses	413,440	402,100	412,050	421,900
Premises Related Expenditure	30,590	31,210	31,840	32,490
Transport Related Expenditure	11,980	12,170	12,170	12,170
Supplies & Services	306,500	90,310	90,310	91,650
Total Expenditure	**762,510**	**535,790**	**546,370**	**558,210**
Income	(258,750)	(37,000)	(37,000)	(37,000)
Total Income	**(258,750)**	**(37,000)**	**(37,000)**	**(37,000)**
Homelessness & Housing Advice Net Expenditure	**503,760**	**498,790**	**509,370**	**521,210**
6 Glover Street				
Premises Related Expenditure	(7,170)	10,040	10,250	10,460
Supplies & Services	650	650	650	650
Total Expenditure	**(6,520)**	**10,690**	**10,900**	**11,110**
Income	(18,200)	(24,680)	(25,170)	(25,670)
Total Income	**(18,200)**	**(24,680)**	**(25,170)**	**(25,670)**
Glover Street Net Expenditure	**(24,720)**	**(13,990)**	**(14,270)**	**(14,560)**

Community

	Outturn 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £	Budget 2021-2022 £
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	3,440	3,510	3,580	3,650
Supplies & Services	16,480	16,480	16,480	16,480
Third Party Payments	85,410	87,520	89,120	90,900
Total Expenditure	**105,330**	**107,510**	**109,180**	**111,030**
CCTV Net Expenditure	**105,330**	**107,510**	**109,180**	**111,030**
Community Net Expenditure	**853,480**	**882,410**	**898,880**	**899,640**

Community Portfolio

Variation Statement 2019/2020 to 2021/2022

	2019/2020 Indicative	Real Terms / Efficiency Variations	2019/2020 Budget	2020/21 Indicative	Real Terms / Efficiency Variations	2020/2021 Budget	Inflation	Real Terms / Efficiency Variations	2021/2022 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	521	9	530	533	11	544	10	- 12	542
Premises Related Costs	63	- 11	52	64	- 10	54	1	-	55
Transport Related Costs	16	-	16	16	-	16	-	-	16
Supplies and Services	230	42	272	230	42	272	1	-	273
Third Party Payments	80	8	88	81	8	89	2	-	91
Total Expenditure	910	48	958	924	51	975	14	- 12	977
Income	- 59	- 17	- 76	- 59	- 17	- 76	- 1	-	- 77
Net Expenditure	851	**31**	882	865	**34**	899	13	**- 12**	900

Community Portfolio

Proposed Real Terms / Efficiency Variations

2019/20 Change

	£'000	£'000
Real Term Variations		
Housing and health restructure		19
Empty Homes Officer reduced hours		-10
Homelessness		
Additional bed and breakfast costs	42	
Additional costs recovered through housing benefit	-17	25
Glover Street rates no longer payable on empty caravans		-10
CCTV - contract living wage increase		7
		31

2020/21 Change

	£'000	£'000
Real Term Variations		
Housing and health restructure		25
Empty Homes Officer reduced hours		-13
Homelessness		
Additional bed and breakfast costs	42	
Additional costs recovered through housing benefit	-17	25
Glover Street rates no longer payable on empty caravans		-10
CCTV - contract living wage increase		7
		-
		34

2021/22 Change

	£'000	£'000
Real Term Variations		
Increase in Superannuation		7
Empty homes officer post falling out		-17
minor variations		-2
		-12

Environment

	Outturn 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £	Budget 2021-2022 £
1 Management & Support				
Employee Expenses	294,690	300,830	310,030	321,380
Transport Related Expenditure	10,720	10,780	10,780	10,780
Supplies & Services	70,180	30,180	30,180	30,180
Total Expenditure	**375,590**	**341,790**	**350,990**	**362,340**
Income	(42,600)	(2,650)	(2,700)	(2,750)
Total Income	**(42,600)**	**(2,650)**	**(2,700)**	**(2,750)**
Management & Support Net Expenditure	**332,990**	**339,140**	**348,290**	**359,590**
2 Regulatory Services				
Employee Expenses	484,790	494,470	508,570	525,000
Premises Related Expenditure	5,950	3,800	3,880	3,960
Transport Related Expenditure	34,730	36,110	36,240	36,240
Supplies & Services	88,140	67,840	67,840	67,840
Total Expenditure	**613,610**	**602,220**	**616,530**	**633,040**
Income	(273,060)	(260,870)	(262,270)	(262,770)
Total Income	**(273,060)**	**(260,870)**	**(262,270)**	**(262,770)**
Regulatory Services Net Expenditure	**340,550**	**341,350**	**354,260**	**370,270**
3 Strategic Health Delivery				
Employee Expenses	83,540	83,520	80,100	51,850
Transport Related Expenditure	4,020	4,100	4,100	4,100
Supplies & Services	32,300	-	-	-
Total Expenditure	**119,860**	**87,620**	**84,200**	**55,950**
Income	(68,860)	(35,290)	(30,190)	-
Total Income	**(68,860)**	**(35,290)**	**(30,190)**	**-**
Strategic Health Delivery Net Expenditure	**51,000**	**52,330**	**54,010**	**55,950**
4 Partnerships Environmental Management				
Employee Expenses	38,830	39,590	40,400	41,230
Premises Related Expenditure	90	90	90	90
Transport Related Expenditure	190	190	190	190
Supplies & Services	24,210	24,210	24,210	24,210
Total Expenditure	**63,320**	**64,080**	**64,890**	**65,720**
Income	(9,500)	(9,500)	(9,500)	(9,690)
Total Income	**(9,500)**	**(9,500)**	**(9,500)**	**(9,690)**
Partnerships Environmental Management Net Expenditure	**53,820**	**54,580**	**55,390**	**56,030**

Environment

	Outturn 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £	Budget 2021-2022 £
5 Waste & Recycling				
Employee Expenses	92,400	123,830	129,980	135,050
Transport Related Expenditure	4,980	5,080	5,080	5,080
Supplies & Services	103,380	103,790	125,370	126,210
Third Party Payments	4,179,750	4,322,480	4,442,280	4,577,620
Total Expenditure	**4,380,510**	**4,555,180**	**4,702,710**	**4,843,960**
Income	(1,778,540)	(1,713,320)	(1,646,640)	(1,580,910)
Total Income	**(1,778,540)**	**(1,713,320)**	**(1,646,640)**	**(1,580,910)**
Waste & Recycling Net Expenditure	**2,601,970**	**2,841,860**	**3,056,070**	**3,263,050**
6 Bereavement Services				
Employee Expenses	251,110	295,100	301,490	282,530
Premises Related Expenditure	167,650	157,870	160,450	163,660
Transport Related Expenditure	6,830	6,960	6,960	6,960
Supplies & Services	300,200	244,430	245,250	246,090
Total Expenditure	**725,790**	**704,360**	**714,150**	**699,240**
Income	(1,994,350)	(1,945,440)	(1,979,520)	(2,016,770)
Total Income	**(1,994,350)**	**(1,945,440)**	**(1,979,520)**	**(2,016,770)**
Bereavement Services Net Expenditure	**(1,268,560)**	**(1,241,080)**	**(1,265,370)**	**(1,317,530)**
7 Misc Highways Functions (ex Planning)				
Premises Related Expenditure	36,060	37,900	38,650	39,430
Supplies & Services	630	630	630	630
Total Expenditure	**36,690**	**38,530**	**39,280**	**40,060**
Income	(5,000)	(5,000)	(5,000)	(5,100)
Total Income	**(5,000)**	**(5,000)**	**(5,000)**	**(5,100)**
Misc Highways Functions (ex Planning) Net Expenditure	**31,690**	**33,530**	**34,280**	**34,960**
8 Drainage Services				
Premises Related Expenditure	4,200	4,200	4,280	4,370
Supplies & Services	101,710	103,710	106,100	108,500
Total Expenditure	**105,910**	**107,910**	**110,380**	**112,870**
Drainage Services Net Expenditure	**105,910**	**107,910**	**110,380**	**112,870**
9 Street Scene				
Employee Expenses	1,724,250	1,720,560	1,773,580	1,826,840
Premises Related Expenditure	39,430	109,980	40,810	41,580
Transport Related Expenditure	314,400	298,750	304,320	310,030
Supplies & Services	499,760	469,360	469,260	470,800
Third Party Payments	10	-	-	-
Total Expenditure	**2,577,850**	**2,598,650**	**2,587,970**	**2,649,250**
Income	(822,670)	(722,160)	(734,940)	(748,370)
Total Income	**(822,670)**	**(722,160)**	**(734,940)**	**(748,370)**
Street Scene Net Expenditure	**1,755,180**	**1,876,490**	**1,853,030**	**1,900,880**

Appendix 2

Environment

	Outturn 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £	Budget 2021-2022 £
10 Cleansing Services				
Premises Related Expenditure	44,760	43,010	43,870	44,750
Supplies & Services	18,750	18,770	18,790	18,810
Total Expenditure	**63,510**	**61,780**	**62,660**	**63,560**
Income	(310)	(320)	(330)	(340)
Total Income	**(310)**	**(320)**	**(330)**	**(340)**
Cleansing Services Net Expenditure	**63,200**	**61,460**	**62,330**	**63,220**
11 Pest Control				
Employee Expenses	111,390	153,920	162,740	171,840
Transport Related Expenditure	9,250	9,440	9,630	9,820
Supplies & Services	41,170	44,070	44,070	44,070
Total Expenditure	**161,810**	**207,430**	**216,440**	**225,730**
Income	(162,210)	(166,480)	(169,810)	(172,560)
Total Income	**(162,210)**	**(166,480)**	**(169,810)**	**(172,560)**
Pest Control Net Expenditure	**(400)**	**40,950**	**46,630**	**53,170**
12 Dog Warden Service				
Supplies & Services	10,750	10,750	10,750	10,750
Third Party Payments	20,050	22,830	23,420	23,890
Total Expenditure	**30,800**	**33,580**	**34,170**	**34,640**
Income	(11,170)	(11,180)	(11,190)	(11,200)
Total Income	**(11,170)**	**(11,180)**	**(11,190)**	**(11,200)**
Dog Warden Service Net Expenditure	**19,630**	**22,400**	**22,980**	**23,440**
Environment Net Expenditure	**4,086,980**	**4,530,920**	**4,732,280**	**4,975,900**

Environment Portfolio

Variation Statement 2019/2020 to 2021/2022

	2019/2020 Indicative	Real Terms / Efficiency Variations	2019/2020 Budget	2020/21 Indicative	Real Terms / Efficiency Variations	2020/2021 Budget	Inflation	Real Terms / Efficiency Variations	2021/2022 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	3,156	56	3,212	3,215	92	3,307	56	- 7	3,356
Premises Related Costs	290	67	357	296	- 4	292	6	-	298
Transport Related Costs	392	- 21	371	397	- 20	377	6	-	383
Supplies and Services	1,093	25	1,118	1,096	46	1,142	5	1	1,148
Third Party Payments	4,034	311	4,345	4,159	307	4,466	68	67	4,601
Total Expenditure	8,965	438	9,403	9,163	421	9,584	141	61	9,786
Income	- 4,712	- 160	- 4,872	- 4,781	- 71	- 4,852	- 81	123	- 4,810
Net Expenditure	4,253	**278**	4,531	4,382	**350**	4,732	60	**184**	4,976

Environment Portfolio

Proposed Real Terms / Efficiency Variations

2019/20 Change

	£'000	£'000
Real Term Variations		
Strategic health delivery		
Health and Wellbeing Support Officer	23	
Reserve funding for Health and Wellbeing Support Officer	-23	-
Streetscene (budget realignment)		
Transport	-20	
Supplies	40	
Income	-20	-
Waste (budget realignment)		
Supplies	34	
Third Party	104	
Income	-138	-
Waste Schedule 2 trade waste		
Third Party	120	
Income	-121	-1
Waste		
Additional system costs	10	
Reduced leaflet costs	-20	
Increased dry recycling gate fees	80	
Additional second bin income	-11	
Reduce income recycling credits reflecting tonnage	20	
Reduced income recycling credits reflecting agreed value per tonne	79	158
Bereavement Cremator maintenance falling out		
Supplies	-40	
Income (reserves)	40	-
Increased Sow and Penk drainage levy		6
Reduced licensing income		8
Revenue Bid - Tree maintenance		70
Revenue Bid - Bereavement staffing		35
minor variations		2
		278

2020/21 Change

	£'000	£'000
Real Term Variations		
Strategic health delivery		
Health and Wellbeing Support Officer	23	
Reserve funding for Health and Wellbeing Support Officer	-23	-
Additional 1% pay award		36
Streetscene (budget realignment)		
Transport	-20	
Supplies	40	
Income	-20	-
Waste (budget realignment)		
Supplies	34	
Third Party	104	
Income	-138	-
Waste Schedule 2 trade waste		
Third Party	122	
Income	-123	-1
Waste		
Additional system costs	10	
Increased dry recycling gate fees	80	
Reduced green recycling gate fees	-15	
Additional second bin income	-11	
Reduce income recycling credits reflecting tonnage	20	
Reduced income recycling credits reflecting agreed value per tonne	177	261
Bereavement Cremator maintenance falling out		
Supplies	-40	
Income (reserves)	40	-
Increased Sow and Penk drainage levy		6
Revenue Bid - Bereavement staffing		35
Reduced licensing income		8
minor variations		5
		350

2021/22 Change

	£'000	£'000
Real Term Variations		
Increase in pensions costs		42
Strategic health delivery		
Health and Wellbeing Support Officer	-30	
Reserve funding for Health and Wellbeing Support Officer	30	-
Waste		
Property growth	50	
Increased dry recycling gate fees	25	
Reduced income recycling credits reflecting agreed value per tonne	98	173
Revenue bid - Bereavement staffing		-25
minor variations		-6
		184

Appendix 2

Leisure and Culture

	Outturn 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £	Budget 2021-2022 £
1 Leisure Section				
Employee Expenses	76,130	91,550	95,060	98,620
Transport Related Expenditure	3,120	3,180	3,180	3,180
Supplies & Services	12,310	12,310	12,310	12,310
Total Expenditure	**91,560**	**107,040**	**110,550**	**114,110**
Income	(33,560)	(33,680)	(33,720)	(33,720)
Total Income	**(33,560)**	**(33,680)**	**(33,720)**	**(33,720)**
Leisure Section Net Expenditure	**58,000**	**73,360**	**76,830**	**80,390**
2 Allotments				
Premises Related Expenditure	3,440	3,520	3,590	3,660
Supplies & Services	12,750	13,080	13,420	13,760
Total Expenditure	**16,190**	**16,600**	**17,010**	**17,420**
Income	(1,140)	(1,160)	(1,180)	(1,200)
Total Income	**(1,140)**	**(1,160)**	**(1,180)**	**(1,200)**
Allotments Net Expenditure	**15,050**	**15,440**	**15,830**	**16,220**
3 Stafford Gatehouse Theatre				
Supplies & Services	15,900	7,240	7,590	-
Total Expenditure	**15,900**	**7,240**	**7,590**	**-**
Income	(6,900)	(7,240)	(7,590)	-
Total Income	**(6,900)**	**(7,240)**	**(7,590)**	**-**
Stafford Gatehouse Theatre Net Expenditure	**9,000**	**-**	**-**	**-**
4 Ancient High House				
Premises Related Expenditure	36,940	9,840	10,040	10,440
Total Expenditure	**36,940**	**9,840**	**10,040**	**10,440**
Income	(27,100)	-	-	-
Total Income	**(27,100)**	**-**	**-**	**-**
Ancient High House Net Expenditure	**9,840**	**9,840**	**10,040**	**10,440**
5 Broadeye Windmill				
Premises Related Expenditure	1,790	1,920	1,950	1,980
Supplies & Services	70	70	70	70
Total Expenditure	**1,860**	**1,990**	**2,020**	**2,050**
Broadeye Windmill Net Expenditure	**1,860**	**1,990**	**2,020**	**2,050**
6 Alleynes Sports Centre				
Premises Related Expenditure	20,000	-	-	-
Supplies & Services	(10,000)	-	-	-
Total Expenditure	**10,000**	**-**	**-**	**-**
Income	(20,000)	-	-	-
Total Income	**(20,000)**	**-**	**-**	**-**
Alleynes Sports Centre Net Expenditure	**(10,000)**	**-**	**-**	**-**

Appendix 2

Leisure and Culture

	Outturn 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £	Budget 2021-2022 £
7 Izaak Walton Cottage				
Premises Related Expenditure	8,230	8,230	8,230	8,400
Total Expenditure	**8,230**	**8,230**	**8,230**	**8,400**
Izaak Walton Cottage Net Expenditure	**8,230**	**8,230**	**8,230**	**8,400**
8 Stafford Castle				
Premises Related Expenditure	12,340	12,340	12,340	12,840
Total Expenditure	**12,340**	**12,340**	**12,340**	**12,840**
Stafford Castle Net Expenditure	**12,340**	**12,340**	**12,340**	**12,840**
9 Tourism				
Supplies & Services	18,520	18,520	16,640	16,640
Total Expenditure	**18,520**	**18,520**	**16,640**	**16,640**
Tourism Net Expenditure	**18,520**	**18,520**	**16,640**	**16,640**
10 Leisure Management Contract				
Supplies & Services	105,620	102,860	70,380	92,950
Third Party Payments	1,550,770	942,190	811,740	641,000
Total Expenditure	**1,656,390**	**1,045,050**	**882,120**	**733,950**
Income	(523,800)	(305,330)	(207,920)	(54,690)
Total Income	**(523,800)**	**(305,330)**	**(207,920)**	**(54,690)**
Leisure Management Contract Net Expenditure	**1,132,590**	**739,720**	**674,200**	**679,260**
11 Leisure Strategy				
Employee Expenses	296,730	340,460	383,550	426,840
Premises Related Expenditure	-	5,000	5,000	5,000
Transport Related Expenditure	1,500	1,500	1,500	1,500
Supplies & Services	77,280	96,510	98,230	90,230
Total Expenditure	**375,510**	**443,470**	**488,280**	**523,570**
Leisure Strategy Net Expenditure	**375,510**	**443,470**	**488,280**	**523,570**
12 Parks & Open Spaces				
Employee Expenses	283,280	285,640	280,690	289,060
Premises Related Expenditure	363,360	417,360	377,190	433,840
Transport Related Expenditure	4,950	4,980	5,070	5,160
Supplies & Services	207,560	182,720	158,750	160,050
Total Expenditure	**859,150**	**890,700**	**821,700**	**888,110**
Income	(265,300)	(246,420)	(215,630)	(218,880)
Total Income	**(265,300)**	**(246,420)**	**(215,630)**	**(218,880)**
Parks & Open Spaces Net Expenditure	**593,850**	**644,280**	**606,070**	**669,230**
Leisure and Culture Net Expenditure	**2,224,790**	**1,967,190**	**1,910,480**	**2,019,040**

Leisure Portfolio

Variation Statement 2019/2020 to 2021/2022

	2019/2020 Indicative	Real Terms / Efficiency Variations	2019/2020 Budget	2020/21 Indicative	Real Terms / Efficiency Variations	2020/2021 Budget	Inflation	Real Terms / Efficiency Variations	2021/2022 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	711	6	717	749	10	759	7	48	814
Premises Related Costs	370	88	458	378	40	418	8	50	476
Transport Related Costs	10	-	10	10	-	10	-	-	10
Supplies and Services	390	43	433	360	17	377	-	9	386
Third Party Payments	938	4	942	805	6	811	17	- 187	641
Total Expenditure	2,419	141	2,560	2,302	73	2,375	32	- 80	2,327
Income	- 571	- 22	- 593	- 468	3	- 465	- 4	161	- 308
Net Expenditure	1,848	**119**	1,967	1,834	**76**	1,910	28	**81**	2,019

Leisure Portfolio

Proposed Real Terms / Efficiency Variations

2019/20 Change

	£'000	£'000
Real Term Variations		
Staffing variations		20
HLF Victoria Park (rephased)		
Employees	-14	
Supplies	28	
Income	-16	-2
Transfer from Items to be allocated (Resources) Repairs and maintenance of sites		41
Additional contract inflation		5
Revenue Bids		
Victoria Park - renewal of safety surfacing	30	
Riverway bowling greens - renew batter boards	16	46
minor variations		9
		119

2020/21 Change

	£'000	£'000
Real Term Variations		
Staffing variations		20
Additional 1% pay award		3
HLF Victoria Park (rephased)		
Employees	-14	
Supplies	3	
Income	10	-1
Transfer from Items to be allocated (Resources) Repairs and maintenance of sites		41
Additional contract inflation		5
minor variations		8
		76

2021/22 Change

	£'000	£'000
Real Term Variations		
Increase in pension costs		48
Leisure management contract		
Base contract change	-187	
Equalisation reserve	177	-10
Revenue bid - Victoria Park renewal of safety surfacing		50
minor variations		-7
		81

Appendix 2

Planning and Regeneration

	Outturn 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £	Budget 2021-2022 £
1 Management and Support				
Employee Expenses	375,170	447,600	437,830	452,370
Transport Related Expenditure	8,160	8,320	8,320	8,320
Supplies & Services	73,790	72,290	72,290	72,290
Total Expenditure	**457,120**	**528,210**	**518,440**	**532,980**
Income	(25,540)	(27,270)	(27,710)	(28,160)
Total Income	**(25,540)**	**(27,270)**	**(27,710)**	**(28,160)**
Management and Support Net Expenditure	**431,580**	**500,940**	**490,730**	**504,820**
2 Building Control				
Supplies & Services	2,180	2,180	2,180	2,180
Third Party Payments	128,250	135,720	142,180	148,810
Total Expenditure	**130,430**	**137,900**	**144,360**	**150,990**
Building Control Net Expenditure	**130,430**	**137,900**	**144,360**	**150,990**
3 Development Management				
Employee Expenses	724,520	754,790	780,910	808,580
Transport Related Expenditure	40,070	40,640	40,640	40,640
Supplies & Services	195,890	185,390	185,390	185,390
Total Expenditure	**960,480**	**980,820**	**1,006,940**	**1,034,610**
Income	(831,070)	(836,660)	(837,060)	(837,060)
Total Income	**(831,070)**	**(836,660)**	**(837,060)**	**(837,060)**
Development Management Net Expenditure	**129,410**	**144,160**	**169,880**	**197,550**
4 Forward Planning				
Employee Expenses	228,060	265,880	264,360	258,390
Transport Related Expenditure	11,450	11,560	11,560	11,560
Supplies & Services	190,360	267,820	162,820	127,820
Total Expenditure	**429,870**	**545,260**	**438,740**	**397,770**
Income	(128,930)	(117,000)	(68,170)	(80,000)
Total Income	**(128,930)**	**(117,000)**	**(68,170)**	**(80,000)**
Forward Planning Net Expenditure	**300,940**	**428,260**	**370,570**	**317,770**
5 Land Charges - Local Searches				
Employee Expenses	40,100	41,750	43,170	44,610
Supplies & Services	82,220	82,220	82,220	82,220
Total Expenditure	**122,320**	**123,970**	**125,390**	**126,830**
Income	(166,020)	(134,020)	(120,020)	(120,020)
Total Income	**(166,020)**	**(134,020)**	**(120,020)**	**(120,020)**
Land Charges - Local Searches Net Expenditure	**(43,700)**	**(10,050)**	**5,370**	**6,810**

Planning and Regeneration

	Outturn 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £	Budget 2021-2022 £
6 Off Street Parking Services				
Employee Expenses	34,080	34,940	36,100	37,310
Premises Related Expenditure	735,510	833,050	785,130	800,850
Transport Related Expenditure	2,780	2,830	2,860	2,890
Supplies & Services	388,350	384,890	384,900	385,320
Third Party Payments	36,800	44,980	45,870	46,790
Total Expenditure	**1,197,520**	**1,300,690**	**1,254,860**	**1,273,160**
Income	(2,297,700)	(2,330,200)	(2,330,200)	(2,330,200)
Total Income	**(2,297,700)**	**(2,330,200)**	**(2,330,200)**	**(2,330,200)**
Off Street Parking Services Net Expenditure	**(1,100,180)**	**(1,029,510)**	**(1,075,340)**	**(1,057,040)**
7 Land & Properties				
Premises Related Expenditure	57,810	58,950	60,120	61,320
Supplies & Services	16,070	2,010	2,010	2,010
Total Expenditure	**73,880**	**60,960**	**62,130**	**63,330**
Income	(68,920)	(52,990)	(53,140)	(53,290)
Total Income	**(68,920)**	**(52,990)**	**(53,140)**	**(53,290)**
Land & Properties Net Expenditure	**4,960**	**7,970**	**8,990**	**10,040**
8 Economic Development				
Employee Expenses	161,090	173,740	179,470	185,310
Premises Related Expenditure	32,740	32,760	33,420	34,090
Transport Related Expenditure	2,450	2,500	2,500	2,500
Supplies & Services	99,850	84,190	34,190	34,190
Total Expenditure	**296,130**	**293,190**	**249,580**	**256,090**
Income	(69,160)	-	-	-
Total Income	**(69,160)**	**-**	**-**	**-**
Economic Development Net Expenditure	**226,970**	**293,190**	**249,580**	**256,090**
9 Borough Markets				
Employee Expenses	111,170	115,050	119,050	122,930
Premises Related Expenditure	135,750	133,540	136,120	138,860
Transport Related Expenditure	830	850	850	850
Supplies & Services	78,660	79,230	79,770	80,190
Total Expenditure	**326,410**	**328,670**	**335,790**	**342,830**
Income	(300,000)	(309,250)	(310,540)	(311,860)
Total Income	**(300,000)**	**(309,250)**	**(310,540)**	**(311,860)**
Borough Markets Net Expenditure	**26,410**	**19,420**	**25,250**	**30,970**
Planning and Regeneration Net Expenditure	**106,820**	**492,280**	**389,390**	**418,000**

Planning and Regeneration Portfolio

Variation Statement 2019/2020 to 2021/2022

	2019/2020 Indicative	Real Terms / Efficiency Variations	2019/2020 Budget	2020/21 Indicative	Real Terms / Efficiency Variations	2020/2021 Budget	Inflation	Real Terms / Efficiency Variations	2021/2022 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	1,787	47	1,834	1,814	47	1,861	35	14	1,910
Premises Related Costs	985	73	1,058	1,001	14	1,015	20	-	1,035
Transport Related Costs	67	- 1	66	67	-	67	-	-	67
Supplies and Services	1,233	- 73	1,160	1,164	- 159	1,005	1	- 35	971
Third Party Payments	180	1	181	185	3	188	4	4	196
Total Expenditure	4,252	47	4,299	4,231	- 95	4,136	60	- 17	4,179
Income	- 3,944	137	- 3,807	- 3,926	179	- 3,747	- 2	- 12	- 3,761
Net Expenditure	308	**184**	492	305	**84**	389	58	**- 29**	418

Planning and Regeneration Portfolio

Proposed Real Terms / Efficiency Variations

2019/20 Change

	£'000	£'000
Real Term Variations		
Staffing variations		22
Parking		
Additional rates	16	
Supplies	18	
New contract cost	15	
Additional income Fairway	-30	19
Remove sainsburys repayment from core budget		
Supplies	-370	
Income	370	-
Local Plan Expenditure & Rephasing		
Supplies	42	
Income	-42	-
Land charges (budget realignment)		
Supplies	43	
Income	-43	-
Planning fee income reflecting 20% increase in fees		
Supplies	130	
Income	-130	-
Markets		
Reduced operational costs	-7	
Income	12	5
Revenue Bids		
Stafford Town Centre strategic framework	50	
Development Data Improvement	24	
Development Data Intelligence	4	
Tenterbanks Car Park improvements	60	138
		184

2020/21 Change

	£'000	£'000
Real Term Variations		
Staffing variations		22
Additional 1% pay award		16
Parking		
Additional rates	16	
Supplies	18	
New contract cost	15	
Additional income Fairway	-30	19
Remove sainsburys repayment from core budget		
Supplies	-370	
Income	370	-
Local Plan Expenditure & Rephasing		
Supplies	7	
Income	-7	-
Land charges (budget realignment and break even budget)		
Supplies	43	
Income	-29	14
Planning fee income reflecting 20% increase in fees		
Supplies	130	
Income	-130	-
Markets		
Reduced operational costs	-7	
Income	12	5
Revenue Bid - Development Data Intelligence		4
minor variations		4
		84

2021/22 Change

	£'000	£'000
Real Term Variations		
Increase in pension costs		25
Staffing variations		6
Local Plan Expenditure & Rephasing		
Supplies	-35	
Income	-28	-63
Forward Planning		
Planning assistant post falling out	-16	
Use of reserve for Planning assitant post falling out	16	-
minor variations		3
		-29

Appendix 2

Resources

	Outturn 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £	Budget 2021-2022 £
1 Public Buildings				
Employee Expenses	57,440	60,530	62,150	63,780
Premises Related Expenditure	1,173,610	1,189,030	1,213,340	1,237,610
Transport Related Expenditure	30	30	30	30
Supplies & Services	119,990	121,870	123,840	125,990
Total Expenditure	**1,351,070**	**1,371,460**	**1,399,360**	**1,427,410**
Income	(662,140)	(642,610)	(772,090)	(772,090)
Total Income	**(662,140)**	**(642,610)**	**(772,090)**	**(772,090)**
Public Buildings Net Expenditure	**688,930**	**728,850**	**627,270**	**655,320**
2 Facilities Management				
Employee Expenses	182,950	189,340	195,310	201,380
Transport Related Expenditure	7,240	7,380	7,380	7,380
Supplies & Services	3,840	3,840	3,840	3,840
Total Expenditure	**194,030**	**200,560**	**206,530**	**212,600**
Facilities Management Net Expenditure	**194,030**	**200,560**	**206,530**	**212,600**
3 Executive Management				
Employee Expenses	164,240	168,370	173,870	179,470
Transport Related Expenditure	2,500	2,550	2,600	2,600
Supplies & Services	94,170	39,170	39,170	39,170
Total Expenditure	**260,910**	**210,090**	**215,640**	**221,240**
Executive Management Net Expenditure	**260,910**	**210,090**	**215,640**	**221,240**
4 Corporate Business and Partnerships				
Employee Expenses	242,220	255,890	267,280	278,260
Transport Related Expenditure	2,190	2,240	2,280	2,280
Supplies & Services	46,350	45,590	46,000	46,000
Total Expenditure	**290,760**	**303,720**	**315,560**	**326,540**
Corporate Business and Partnerships Net Expenditure	**290,760**	**303,720**	**315,560**	**326,540**
5 Communications				
Employee Expenses	124,170	124,450	128,580	132,790
Transport Related Expenditure	80	80	80	80
Supplies & Services	14,970	25,140	25,140	25,140
Total Expenditure	**139,220**	**149,670**	**153,800**	**158,010**
Communications Net Expenditure	**139,220**	**149,670**	**153,800**	**158,010**
6 Customer Services				
Employee Expenses	284,260	308,910	318,120	329,660
Supplies & Services	8,810	8,810	8,810	8,810
Total Expenditure	**293,070**	**317,720**	**326,930**	**338,470**
Income	(5,200)	-	-	-
Total Income	**(5,200)**	**-**	**-**	**-**
Customer Services Net Expenditure	**287,870**	**317,720**	**326,930**	**338,470**

Resources

	Outturn 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £	Budget 2021-2022 £
7 Out of Hours Service				
Supplies & Services	6,710	6,840	6,980	6,980
Total Expenditure	**6,710**	**6,840**	**6,980**	**6,980**
Out of Hours Service Net Expenditure	**6,710**	**6,840**	**6,980**	**6,980**
8 Law and Administration				
Employee Expenses	1,099,530	1,161,910	1,200,480	1,241,300
Premises Related Expenditure	2,230	2,280	2,330	2,380
Transport Related Expenditure	12,090	12,140	12,140	12,140
Supplies & Services	144,710	137,260	137,660	137,970
Third Party Payments	16,460	36,790	37,280	37,710
Total Expenditure	**1,275,020**	**1,350,380**	**1,389,890**	**1,431,500**
Income	(368,950)	(373,920)	(384,760)	(396,340)
Total Income	**(368,950)**	**(373,920)**	**(384,760)**	**(396,340)**
Law and Administration Net Expenditure	**906,070**	**976,460**	**1,005,130**	**1,035,160**
9 Finance				
Employee Expenses	3,000	-	-	-
Supplies & Services	1,560	1,560	1,560	1,560
Third Party Payments	533,210	554,730	573,340	591,710
Total Expenditure	**537,770**	**556,290**	**574,900**	**593,270**
Finance Net Expenditure	**537,770**	**556,290**	**574,900**	**593,270**
10 Human Resources Services				
Employee Expenses	536,110	559,760	578,710	602,260
Transport Related Expenditure	11,860	11,950	11,950	11,950
Supplies & Services	126,990	172,430	152,880	152,880
Total Expenditure	**674,960**	**744,140**	**743,540**	**767,090**
Income	(294,980)	(306,020)	(314,000)	(325,170)
Total Income	**(294,980)**	**(306,020)**	**(314,000)**	**(325,170)**
Human Resources Services Net Expenditure	**379,980**	**438,120**	**429,540**	**441,920**
11 Technology				
Employee Expenses	908,330	949,930	983,600	1,017,850
Transport Related Expenditure	14,810	17,660	17,660	17,660
Supplies & Services	647,190	639,150	640,300	641,140
Total Expenditure	**1,570,330**	**1,606,740**	**1,641,560**	**1,676,650**
Income	(748,550)	(766,820)	(782,970)	(799,380)
Total Income	**(748,550)**	**(766,820)**	**(782,970)**	**(799,380)**
Technology Net Expenditure	**821,780**	**839,920**	**858,590**	**877,270**
12 Members Services				
Employee Expenses	-	4,000	4,000	4,000
Transport Related Expenditure	11,730	10,000	10,000	10,000
Supplies & Services	276,810	279,830	284,990	290,250
Total Expenditure	**288,540**	**293,830**	**298,990**	**304,250**
Members Services Net Expenditure	**288,540**	**293,830**	**298,990**	**304,250**

Appendix 2

Resources

	Outturn 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £	Budget 2021-2022 £
13 Revenues & Benefits				
Supplies & Services	147,370	106,050	106,050	106,050
Third Party Payments	1,461,410	1,309,670	1,350,980	1,378,110
Total Expenditure	**1,608,780**	**1,415,720**	**1,457,030**	**1,484,160**
Income	(1,125,840)	(830,700)	(830,920)	(813,140)
Total Income	**(1,125,840)**	**(830,700)**	**(830,920)**	**(813,140)**
Revenues & Benefits Net Expenditure	**482,940**	**585,020**	**626,110**	**671,020**
14 Housing Benefit Payments				
Supplies & Services	10,000	10,000	10,000	10,000
Transfer Payments	24,020,800	22,055,200	20,250,770	18,594,310
Total Expenditure	**24,030,800**	**22,065,200**	**20,260,770**	**18,604,310**
Income	(24,030,800)	(22,065,200)	(20,260,770)	(18,604,310)
Total Income	**(24,030,800)**	**(22,065,200)**	**(20,260,770)**	**(18,604,310)**
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	125,900	126,770	126,770	126,770
Total Expenditure	**125,900**	**126,770**	**126,770**	**126,770**
Corporate and Democratic Core Net Expenditure	**125,900**	**126,770**	**126,770**	**126,770**
17 Non-Distributed Costs				
Employee Expenses	247,710	247,710	252,660	257,710
Third Party Payments	40,000	40,000	40,000	40,800
Total Expenditure	**287,710**	**287,710**	**292,660**	**298,510**
Non-Distributed Costs Net Expenditure	**287,710**	**287,710**	**292,660**	**298,510**
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	2,150	2,150	2,150	2,150
Supplies & Services	67,950	41,050	41,050	41,050
Total Expenditure	**70,100**	**43,200**	**43,200**	**43,200**
Income	(26,900)	-	-	-
Total Income	**(26,900)**	-	-	-
Electoral Registration Net Expenditure	**43,200**	**43,200**	**43,200**	**43,200**

Appendix 2

Resources

	Outturn 2018-2019 £	Budget 2019-2020 £	Budget 2020-2021 £	Budget 2021-2022 £
20 Elections				
Employee Expenses	-	100,000	-	-
Premises Related Expenditure	-	30,000	-	-
Supplies & Services	39,500	65,000	39,500	39,500
Total Expenditure	**39,500**	**195,000**	**39,500**	**39,500**
Income	-	(155,500)	-	-
Total Income	**-**	**(155,500)**	**-**	**-**
Elections Net Expenditure	**39,500**	**39,500**	**39,500**	**39,500**
21 Items to be Allocated				
Employee Expenses	(16,000)	(63,000)	(63,000)	(93,000)
Supplies & Services	136,090	106,500	106,500	106,500
Total Expenditure	**120,090**	**43,500**	**43,500**	**13,500**
Items to be Allocated Net Expenditure	**120,090**	**43,500**	**43,500**	**13,500**
22 Audit, Risk, Resilience and Procurement				
Supplies & Services	150	150	150	150
Third Party Payments	221,970	229,200	235,670	241,460
Total Expenditure	**222,120**	**229,350**	**235,820**	**241,610**
Audit, Risk, Resilience and Procurement Net Expenditure	**222,120**	**229,350**	**235,820**	**241,610**
23 Insurance Premiums				
Third Party Payments	171,010	175,490	175,900	179,420
Total Expenditure	**171,010**	**175,490**	**175,900**	**179,420**
Insurance Premiums Net Expenditure	**171,010**	**175,490**	**175,900**	**179,420**
Resources Net Expenditure	**6,378,600**	**6,636,170**	**6,686,880**	**6,868,120**

Resources Portfolio

Variation Statement 2019/2020 to 2021/2022

	2019/2020 Indicative	Real Terms / Efficiency Variations	2019/2020 Budget	2020/21 Indicative	Real Terms / Efficiency Variations	2020/2021 Budget	Inflation	Real Terms / Efficiency Variations	2021/2022 Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Employee Costs	4,023	47	4,070	4,017	87	4,104	76	38	4,218
Premises Related Costs	1,223	- 2	1,221	1,216	-	1,216	24	-	1,240
Transport Related Costs	64	-	64	64	-	64		-	64
Supplies and Services	2,033	- 12	2,021	2,043	- 58	1,985	9	- 1	1,993
Third Party Payments	2,503	- 157	2,346	2,535	- 122	2,413	47	9	2,469
Transfer Payments	24,500	- 2,445	22,055	24,989	- 4,738	20,251		- 1,657	18,594
Total Expenditure	34,346	- 2,569	31,777	34,864	- 4,831	30,033	156	- 1,611	28,578
Income	- 27,784	2,643	- 25,141	- 28,145	4,799	- 23,346	- 31	1,667	- 21,710
Net Expenditure	6,562	**74**	6,636	6,719	**- 32**	6,687	125	**56**	6,868

Resources Portfolio

Proposed Real Terms / Efficiency Variations

2019/20 Change

	£'000	£'000
Real Term Variations		
Items to be allocated - Apprenticeship Levy / Repairs & Mtce reclassification and saving		
Employees	37	
Supplies and services	-50	-13
Welfare benefits service transferred back to Staffordshire County Council		
Third Party	-164	
Income	164	-
Housing benefits review of spend following implementation of Universal Credit		
Expenditure	- 2,445	
Income	2,445	-
Civic Centre		
Increased rates costs	7	
Reduced utility costs	-9	
Increased contract cleaning costs	8	
Lease income	30	36
Shared services		
Revenues and Benefits	7	
Insurances	-1	6
Revenue bids		
Member Development training	5	
Employee Survey Outcomes additional training	20	
Organisational Development plan	20	45
		74

2020/21 Change

	£'000	£'000
Real Term Variations		
Items to be allocated - Apprenticeship Levy / Repairs & Mtce reclassification and saving		
Employees	37	
Supplies and services	-50	-13
Additional 1% pay award		36
Welfare benefits service transferred back to Staffordshire County Council		
Third Party	-164	
Income	164	-
Housing benefits review of spend following implementation of Universal Credit		
Expenditure	- 4,738	
Income	4,738	-
Civic Centre		
Increased rates costs	7	
Reduced utility costs	-9	
Increased contract cleaning costs	8	
Lease income	88	94
Shared service additional costs in relation to 1% pay award change		15
Shared service additional income in relation to 1% pay award change		-8
Shared services		
Revenues and Benefits	7	
Insurances	-1	6
Revenue bids		
Member Development training	5	
Organisational Development plan	20	25
Additional Civic Centre income following capital bid		-188
minor variations		1
		- 32

2021/22 Change

	£'000	£'000
Real Term Variations		
Increments		11
Items to be allocated - increased turnover provision (increments)		-30
Housing benefits review of spend following implementation of Universal Credit		
Expenditure	- 1,656	
Income	1,656	-
Reduced housing benefit administration grant, offset by a shared service saving requirement		
Expenditure	- 18	
Income	18	-
Shared services additional cost		30
Shared service addiitonal income		-10
Increase in pension costs		58
minor variations		-3
		56

APPENDIX 3

COUNCIL

29 JANUARY 2019

General Fund Revenue Budget 2019-20 to 2021-22 and Capital Programme 2018-19 to 2021-22

APPENDIX 3

DRAFT GENERAL FUND CAPITAL PROGRAMME 2018/19 TO 2021/22

		Planned Delivery				
		2018/19 £000	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**	**Programme but not allocated £000**
ENVIRONMENT						
Streetscene equipment		200	80	-	-	101
Waste Contract - replacement wheeled bins		225	150	150	150	-
Riverway Site Improved Depot Facilities		-	-	-	-	101
Total		**425**	**230**	**150**	**150**	**202**
COMMUNITY						
Disabled Facilities Grants		800	1037	1037	1037	1,441
Private Sector Housing Assistance		20	143	-	-	-
Improvements at Glover St caravan site		170	-	-	-	-
CCTV upgrade		55	-	-	-	-
Empty Homes		-	-	-	-	210
Total		**1,045**	**1,180**	**1,037**	**1,037**	**1,651**
LEISURE						
Stone Leisure Strategy		7,338	577	-	-	-
Stone Leisure Strategy Phase 2	*	-	-	-	-	1,212
Stafford Castle - H&S Works		5	-	-	-	-
Stafford Castle Motte		21	-	-	-	-
Victoria Park Refurbishment		250	1,828	-	-	-
Victoria Park Pedestrian Bridge		8	90	-	-	-
Charnley Road Destination Park (s106)		58	335	-	-	-
Gatehouse - MET rigging		5	75	-	-	-
Holmcroft		9	-	-	-	389
Castle - South Wall		-	-	-	-	16
Jubilee Fields		-	104	-	-	-
Leisure Facilities at Gnosall		-	47	-	-	-
Total		**7,694**	**3,056**	**-**	**-**	**1,617**
PLANNING AND REGENERATION						
Waterscape		63	-	-	-	-
Growth Point capital		171	50	-	-	-
Stafford Town Centre Enhancement		41	-	-	-	-
Pearl Brook Path Improvements		-	75	-	-	-
Stafford Western Access Route		-	-	2,500	-	-
Land at Fairway, Stafford		6	53	-	-	-
New Gypsy & Traveller Site		-	-	-	-	150
Total		**281**	**178**	**2,500**	**-**	**150**
RESOURCES						
Corporate IT equipment		50	50	50	-	-
Contact Centre Phone System		-	-	-	-	30
Provision to Commute Car Park Sharing Arrangement		750	-	-	-	-
Civic Centre Generator		-	-	-	-	50
Accommodation Transformation & rationalisation	*	-	-	-	-	752
Total		**800**	**50**	**50**	**-**	**832**
TOTAL CAPITAL PROGRAMME		**10,245**	**4,694**	**3,737**	**1,187**	**4,452**

* New scheme

APPENDIX 4

COUNCIL

29 JANUARY 2019

General Fund Revenue Budget 2019-20 to 2021-22 and Capital Programme 2018-19 to 2021-22

Business Rates Retention

		2019-20		2020-21	2021-22
		50% Scheme	Pilot	75% Scheme	
A.Business Rates Collection Fund		£		£	£
Gross Rates		**-62,068,300**	**-62,068,300**	**-63,309,670**	**-64,575,860**
Less	**Reliefs etc.**				
Mandatory Relief		6,163,360	6,163,360	6,286,630	6,412,360
Discretionary relief		347,520	347,520	354,470	361,560
Exemptions		1,909,230	1,909,230	1,757,140	1,792,280
Cost Of Collection		170,250	170,250	173,660	177,130
Losses on collection		1,614,120	1,614,120	1,789,400	1,825,190
Business Rates Collectable		**-51,863,820**	**-51,863,820**	**-52,948,370**	**-54,007,340**
Less	**amount due to**				
Government		25,931,910	12,965,950	13,237,090	13,501,840
County		4,667,740	17,633,700	18,002,450	18,362,500
Fire		518,640	518,640	529,480	540,070
Net Business attributable to SBC		**-20,745,530**	**-20,745,530**	**-21,179,350**	**-21,602,930**
B. General Fund determination of retained Business Rates					
Net Business Rates attributable to SB(		-20,745,530	-20,745,530	-21,179,350	-21,602,930
less	Tariff	14,498,800	14,473,650	14,788,780	15,084,560
	Reset			1,456,000	1,485,120
Core Funding		2,779,140	2,804,290	2,834,720	2,891,410
	Growth	**-3,467,590**	**-3,467,590**	**-2,099,850**	**-2,141,840**
Plus	New Burdens funding subject to Levy				
Small Business Rates Relief		-1,338,280	-1,338,280	-1,365,050	-1,392,350
Amount subject to Pool levy		**-4,805,870**	**-4,805,870**	**-3,464,900**	**-3,534,190**
	Pool Levy	2,402,930	2,402,930		
Business Rates Growth		**-2,402,940**	**-2,402,940**	**-3,464,900**	**-3,534,190**
S&SOT Redistribution of Levy		-961,180	-961,180		
	Adj re inflation & gurantees etc		-117,791		
	Windfall		-1,065,679		
	Redistribution Growth pre 20/21			-1,372,960	-1,400,680
		-961,180	-2,144,650	-1,372,960	-1,400,680
Retained Business Rates					
	Core Funding	-2,779,140	-2,779,140	-2,834,720	-2,891,410
	Rural Services Grant		-25,150		
	Growth	-2,402,930	-2,402,930	-630,180	-642,780
	S&SOT Redistribution	-961,180	-2,144,650	-1,372,960	-1,400,680
		-6,143,250	**-7,351,870**	**-4,837,860**	**-4,934,870**

APPENDIX 5

COUNCIL

29 JANUARY 2019

General Fund Revenue Budget 2019-20 to 2021-22 and Capital Programme 2017-19 to 2021-22

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 2019-20 to 2021-22, including the forecast outturn for 2018-19, 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 2019-20, being based on historic information, experience of expenditure in previous years and latest projections where appropriate. The indicative budgets for 2020-21 and 2021-22 are similarly based upon the best information available at this moment in time.

A full risk assessment of the Council's Budget 2019-20 has been carried out and it was reported to Cabinet on 6 December 2018 (See Item 4(a) (i) General Fund Revenue Budget 2018-19 to 2021-22 and Capital Programme 2018-19 to 2021-22 - 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 2019. 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 2019-20 budgets. This has been based on current projections of bank rate increasing to 1% during 2019-20 from its current rate of 0.75%. Investment income also includes the saving arising from the prepayment of the fixed cash lump sum element of the 2019-20 Employers Superannuation 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 2019-20 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 "Performance Reports".

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 £1.313 million at 31 March 2018. In addition to this, earmarked revenue reserves amounting to £5.860 million are forecast to be held at 31 March 2019.

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 £1.188 million. The Budget for 2019-20 has been constructed on the basis that there will be a level of general reserves at 31 March 2018 in excess of £1.188 million.

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

Bob Kean
Head of Finance
9 January 2019

APPENDIX 6

COUNCIL

29 JANUARY 2019

General Fund Revenue Budget 2019-20 to 2021-22 and Capital Programme 2018-19 to 2021-22

Parish	2019-20 Tax Base
ADBASTON	232.88
BARLASTON	1,004.90
BERKSWICH	783.47
BRADLEY	216.62
BROCTON	548.17
CHEBSEY	244.45
CHURCH EATON	282.45
COLWICH	1,812.53
CRESWELL	363.99
DOXEY	885.95
ECCLESHALL	2,037.88
ELLENHALL	61.34
FORTON	144.41
FRADSWELL	90.19
FULFORD	2,273.38
GAYTON	75.61
GNOSALL	2015.73
HAUGHTON	459.28
HIGH OFFLEY	383.25
HILDERSTONE	277.82
HIXON	733.70
HOPTON AND COTON	747.89
HYDE LEA	186.82
INGESTRE	83.22
MARSTON	77.92
MILWICH	189.15
NORBURY	188.35
RANTON	180.13
SALT AND ENSON	192.46
SANDON AND BURSTON	165.32
SEIGHFORD	764.69
STAFFORD	19,189.89
STANDON	318.81
STONE	5,945.30
STONE RURAL	756.29
STOWE-BY-CHARTLEY	189.67
SWYNNERTON	1,385.93
TIXALL	119.00
WESTON	480.30
WHITGREAVE	86.59
YARNFIELD & COLD MEECE	803.41
MOD	512.40
	47,491.54

ITEM NO 9

ITEM NO 9

Report of:	**Head of Finance**
Contact Officer:	**Ros Tomkinson**
Telephone No:	**01543 464389**
Ward Interest:	**Nil**
Report Track:	**Council 29/01/2019 Audit and Accounts 11/12/18 Cabinet 6/12/18**

COUNCIL

29 JANUARY 2019

Treasury Management Strategy, Minimum Revenue Provision Policy, Annual Investment Strategy 2019/20 and Capital Strategy 2018/22

The following report was considered by Audit and Accounts Committee at its meeting held on 11 December 2018 and Cabinet at its meeting held on 6 December 2018 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 2019/20 - to set treasury limits for 2019/20 to 2021/22 and to provide a background to the latest economic forecasts of interest rates;
- Annual Investment Strategy 2019/20 - to set out the strategy of investment of surplus funds.
- Capital Strategy 2018/22

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 2019/20;
(e) The Capital Strategy 2018/22.

2.2 To note that indicators may change in accordance with 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 ,investment and capital 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, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

5.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

5.4 CIPFA defines treasury management as:

"The management of the local authority's borrowing, 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."

5.5 Revised reporting is required for the 2019/20 reporting cycle due to revisions of the Ministry Housing Communities and Local Government (MHCLG) Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The Capital Strategy **(APPENDIX 6)** is circulated with this agenda as a separate **BOOKLET**.

5.6 This authority has not engaged in any commercial investments and has no non-treasury investments.

Reporting Requirements

5.7 **Capital Strategy -** The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

5.8 The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

5.9 **Treasury Management reporting -** 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:-

5.10 **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).

5.11 **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.

5.12 **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.

5.13 **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.

5.14 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 2019/20

5.15 The strategy for 2019/20 covers two main areas:-

Capital issues

- the capital expenditure plans and the associated 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.

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

Training

5.17 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.

5.18 The training needs of treasury management officers are periodically reviewed.

Treasury Management Consultants

5.19 The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

5.20 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. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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 2019/20 - 2021/22

5.21 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

5.22 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 , which include a review of current schemes together with for growth bids, but to note these may change as part of the scrutiny process and finalisation of the Budget.

5.23 Any change to the forecast /growth bid will be separately identified in future Budget Reports and reflected in this indicator as reported to full council.

Capital expenditure	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	Earmarked £'000
Community Portfolio	716	1,045	1,180	1,037	1,037	1,651
Environment Portfolio	202	425	230	150	150	202
Leisure and Culture Portfolio	1,377	7,694	3,056	-	-	1,617
Planning and Regeneration	345	281	178	2,500	-	150
Resources Portfolio	20	800	50	50	-	832
Total	**2,660**	**10,245**	**4,694**	**3,737**	**1,187**	**4,452**

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

5.25 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	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	Unallocated £'000
Total Spend	**2,660**	**10,245**	**4,694**	**3,737**	**1,187**	**4,452**
Financed by:						
Capital Receipts	946	1,463	495	1,470	50	1,292
Capital grants/ contributions	819	1,839	3,203	1,037	1,037	1,841
Revenue	895	6,943	996	1,230	100	1,319
Net financing need for the year	**-**	**-**	**-**	**-**	**-**	**-**

5.26 The capital financing of the programme will similarly be reviewed as part of the Budget process and any change will be separately identified in future Budget Reports and reflected in this indicator.

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

5.27 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 indebtedness and so it's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

5.28 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.

5.29 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 £1.284m of such schemes within the CFR, however due to the changes in accounting for leasing going forward it is anticipated that this will rise to £2.784m in respect of the Civic Centre leased land coming on balance sheet.

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

	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Capital Financing Requirement					
Total CFR	3,982	3,869	5,260	5,156	5,056
Movement in CFR		(113)	1,391	(104)	(100)
Movement in CFR represented by					
Net financing need for the year	-	-	-	-	
Less MRP and other financing movements		(113)	1,391	(104)	(100)
Movement in CFR		(113)	1,391	(104)	(100)

The change in 2019/20 includes an estimate in respect of the civic centre finance lease change.

Core funds and expected investment balances

5.31 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £m	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Earmarked Fund balances / reserves	14,588	7,904	6,689	6,890	7,124
Unallocated Reserves	312	1,456	2,381	1,087	239
Capital receipts	3,883	1,399	904	434	30
Provisions	2,647	2,647	2,647	-	-
Other	3,073	2,620	2,115	2,115	1,609
Total core funds	**24,503**	**16,026**	**14,736**	**10,526**	**9,002**
*Working Cashflow requirement	7,184	5,000	5,000	5,000	5,000
Under/over borrowing	2,697	2,585	2,477	2,374	2,275
Expected investments	**14,622**	**8,441**	**7,259**	**3,152**	**1,727**

*Working cashflow requirement shown are estimated year-end; these may be higher mid-year.

Minimum revenue provision (MRP) policy statement

5.32 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).

5.33 MHCLG 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:-

5.34 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.

5.35 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.

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

5.37 Repayments included in annual PFI or finance leases are applied as MRP.

5.38 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.

5.39 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.

5.40 **MRP Overpayments** - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. The Council has previously not made any MRP overpayments.

Affordability prudential indicators

5.41 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

5.42 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.

%	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Ratio of financing costs	(0.9)%	(1.3)%	(1.4)%	(1.3)%	(1.2)%

Borrowing

5.43 The capital expenditure plans 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

5.44 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2017/18 Actual £'000	**2018/19 Estimate £'000**	**2019/20 Estimate £'000**	**2020/21 Estimate £'000**	**2021/22 Estimate £'000**
External Debt					
PWLB debt at 1 April	-	-	-	-	-
Expected change in Debt	-	-	-	-	-
Other long-term liabilities (OLTL)	1,285	1,284	2,783	2,782	2,781
Expected change in OLTL		(1)	1,499	(1)	(1)
Actual gross debt at 31 March	1,285	2,784	2,783	2,782	2,781
The Capital Financing Requirement	3,982	3,864	5,260	5,156	5,056
Under / (over) borrowing	2,697	2,585	2,477	2,374	2,275

5.45 Within the range of 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 2019/20 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 or speculative purposes.

5.46 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 2018/19 to 2021/22.

Treasury Indicators: limits to borrowing activity

5.47 **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.The operational boundary includes as in previous years a contingency borrowing provision of £2 million for future years.

Operational boundary £m	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Debt	3,000	5,000	5,000	5,000
Other long term liabilities	1,284	2,783	2,782	2,781
Total	4,284	7,783	7,782	7,781

5.48 **The authorised limit for external debt**. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal 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 £m	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Debt	6,000	8,000	8,000	8,000
Other long term liabilities	1,284	2,783	2,782	2,781
Total	7,284	10,783	10,782	10,781

Prospects for interest rates

5.49 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 their central view.

Link Asset Services Interest Rate View	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%
12 Month LIBID	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%	1.90%	2.00%	2.10%	2.20%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%	3.60%	3.70%
50yr PWLB Rate	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.40%	3.50%

5.50 The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. It is unlikely that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Similarly, the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

5.51 The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.00 – 2.25% in September 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We have, therefore, seen US 10 year bond Treasury yields rise above 3.2% during October 2018 and also seen investors causing a sharp fall in equity prices as they sold out of holding riskier assets.

5.52 Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been 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.

5.53 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, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

5.54 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.

Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018/19 and have increased modestly since the summer. 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, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

Borrowing strategy

5.55 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.

5.56 Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

Treasury management limits on activity

5.58 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.

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

£m	2019/20	2020/21	2021/22
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 2019/20			
		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 2019/20			
		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

5.60 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.

5.61 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt rescheduling

5.62 As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. As the Council has no external debt other than finance leases, debt re-scheduling is not something that will be undertaken.

Municipal Bond Agency

5.63 It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

Annual Investment Strategy

Investment policy – management of risk

5.64 The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

5.65 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

5.66 The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

5.67 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.

5.68 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.

5.69 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.

5.70 This authority has defined the list of types of investment instruments that the treasury management team are authorised to use, as per **APPENDIX 2.**

- Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.
- Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5.71 **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio.

5.72 **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in the **APPENDIX 2**.

5.73 **Transaction limits** are set for each type of investment in **APPENDIX 2**.

5.74 This authority will set a limit for the amount of its investments which are invested for longer than 365 days.

5.75 Investments will only be placed with counterparties from countries with a specified minimum sovereign rating.

5.76 This authority has engaged external consultants, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

5.77 All investments will be denominated in sterling.

5.78 As a result of the change in accounting standards for 2018/19 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (The Ministry of Housing, Communities and Local Government [MHCLG], are currently conducting a consultation for a temporary override to allow English local authorities time to adjust their portfolio of investments. Members will be updated when the result of this consultation is known.)

5.79 However, this authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Creditworthiness policy

5.80 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.

5.81 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 Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds 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

5.82 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.

5.83 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.

5.84 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.

5.85 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 any external support for banks to help support its decision making process.

5.86 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.

UK banks – ring fencing

5.87 The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

5.88 Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

5.89 While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

Investment Strategy

5.90 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). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

5.91 **Investment returns expectations.** Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.50%
- 2021/22 2.00%

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

2018/19	0.75%
2019/20	1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.75%

5.93 The overall balance of risks to economic growth in the UK is probably neutral. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

5.94 **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			
	2019/20	**2020/21**	**2021/22**
Principal sums invested > 364 days	£10m	£10m	£10m

5.95 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.

Investment risk benchmarking

5.96 This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day, 1, 3, 6 or 12 month LIBID uncompounded.

End of year investment report

5.97 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	**Community Impact Assessment Recommendations**	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 -
Cabinet - 6 December 2018 - Minute No CAB37/18
Audit and Accounts Committee - 11 December - Minute No AAC22/18

Background Papers - File available in Financial Services

APPENDIX 1

COUNCIL

29 JANUARY 2019

Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy 2019/20

Economic Background

GLOBAL OUTLOOK. World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation which is likely to prompt central banks into a series of increases in central rates. The EU is probably about a year behind in a similar progression.

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. 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 also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This now means that both asset categories are vulnerable to a sharp downward 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, conversely, 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.**

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases to reducing its holdings of debt. In addition, the European Central Bank has cut back its QE purchases substantially and is likely to end them completely by the end of 2018.

UK. The first half of 2018/19 has seen UK **economic growth** post only a modest performance. However, after an adverse weather depressed performance in quarter 1, growth has been recovering pace and the latest 3 month rolling average came in at a healthy 0.7%. The positive run of economic statistics was sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase **Bank Rate** on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest overall at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of **inflationary pressures**, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation came in at 2.4% in September and is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

As for the **labour market,** unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.1%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit.

However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. With inflation in danger of moving towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018. They also indicated that they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019. However, a combination of an expected four increases in rates of 0.25% by the end of 2019, together with a waning of the boost to economic growth from the fiscal stimulus in 2018, could combine to depress growth below its potential rate, i.e. monetary policy may prove to be too aggressive and lead to a reverse of policy.
The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this is probably a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank has indicated it is likely to end all further purchases in December 2018. Inflationary pressures are starting to build gently so it is expected that the ECB will start to increase rates towards the end of 2019.

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. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP 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. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds
and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.2 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effect of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England monetary policy** takes action too quickly, or too far, 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.

- 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, and due to the election in March of a government which has made a lot of anti-austerity noise. At the time of writing, the EU has rejected the proposed Italian budget and has demanded cuts in government spending which the Italian government has refused. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold Italian debt. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen sharply – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- **Other minority eurozone governments.** Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with.
- **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while **Italy,** this year, has also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much improved yield. In October 2018, we have seen a sharp fall in equity markets but this has been limited, as yet. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.

- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- **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 QE, 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.
- 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,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Brexit timetable and process

- March 2017: UK government notified 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 to be followed by a proposed transitional period ending around December 2020.
- 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 may leave the single market and tariff free trade at different times during the 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.

APPENDIX 2

COUNCIL

29 JANUARY 2019

Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy 2019/20

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 bills	UK sovereign rating	£6 million	12 months
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	£6 million	6 months
Money Market Funds CNAV	AAA	100%	Liquid

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
Money Market Funds LNVAV	AAA	100%	Liquid
Money Market Funds VNAV	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	N/A	100%	12 months
Term deposits with housing associations	Blue Orange Red Green No Colour	£6 million	12 months 12 months 6 months 100 days Not for use
Term deposits with banks and building societies	Blue Orange Red Green No Colour	£6 million	12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£6 million	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	£6 million	12 months

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

APPENDIX 3

COUNCIL

29 JANUARY 2019

Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy 2019/20

Approved Countries for Investment

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

AA+
- Finland
- U.S.A.

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

AA-
- Belgium
- Qatar

APPENDIX 4

COUNCIL

29 JANUARY 2019

Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy 2019/20

TREASURY MANAGEMENT SCHEME OF DELEGATION

Full Council

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

Committees/Council

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

Body/person(s) with responsibility for scrutiny

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

APPENDIX 5

COUNCIL

29 JANUARY 2019

Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy 2019/20

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all investments and is in accordance with the risk appetite of the authority

Capital Strategy

2018 - 2022

Stafford

BOROUGH COUNCIL

Contents

CAPITAL STRATEGY 2018-2022

1. Introduction

1.1 The updated Prudential Code and Treasury Management Code of Practice (both issued in December 2017) include new requirements in relation to the setting of a Capital Strategy that covers specific subject areas. In line with the Prudential Code, the aim of this Capital Strategy is to demonstrate how Stafford Borough Council will make capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability.

1.2 The Capital Strategy is determined from consideration of the Medium Term Financial Plan of the Council. This is a four year rolling programme plan that considers Revenue; Capital and Reserves of the Council and determines a Budget Strategy for that period.

1.3 Decisions in relation to the Capital Programme forms part of an overarching budget strategy whereby revenue and capital items are assessed against each other and evaluated against the Corporate Plan Objectives.

1.4 The Capital Strategy sets out the long term context in which capital expenditure and investment decisions are made as part of this overarching process and establishes that the Council gives due consideration to risk, reward, and impact on the achievement of priority outcomes.

1.5 This Capital Strategy Statement sets out the broad principles to be applied by the Council when considering capital investment. It provides the context for how the Council's Capital Programme seeks to support the realisation of the Council's corporate business objectives. It also provides part of the strategic context for the Council's Asset Management Plan.

1.6 The Capital Programme represents significant investment in the acquisition or improvement of long term assets such as land, buildings, infrastructure, plant & equipment and information technology for the purposes of delivering the objectives and priorities set out in the Corporate Business Plan, including economic growth, community well being and financial sustainability

1.7 The size of the Capital Programme is therefore dependent upon the Corporate Plan and the capital and revenue resources available. Although historically the Council has had a reasonably large capital programme this has reduced in recent years. In particular reducing revenue resources and scarce capital resources has meant that prudence, sustainability and affordability are the key determinants of the Budget Strategy.

1.8 The delivery of Legislative/Statutory requirements represents a key part of the capital programme and specific grant funding is a key resource to the Council and funds this Council's Disabled Facilities Programme. External funding in the form of grants and contributions for other non legislative initiatives are also sought. However, these are targeted at schemes as derived from the Corporate Plan rather than their availability.

1.9 The proposed four-year Capital Programme for 2018/19 –2021/22 set out in the budget report is summarised in Table 1 below.

Table 1 Capital Programme					
	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2018/22 Earmarked £000
Community	1,045	1,180	1,037	1,037	1,651
Environment	425	230	150	150	202
Leisure	7,694	3,056	0	0	1,617
Planning and Regeneration	281	178	2,500	0	150
Resources Portfolio	800	50	50	0	832
Total	**10,245**	**4,694**	**3,737**	**1,187**	**4,452**

1.10 The updated programme reflects slippage and new schemes which now form part of the 2019/20 budget process as detailed in the budget report, the new schemes total approximately £2 million pounds and primarily relate to an Invest to Save initiative for Accommodation Transformation and Rationalisation and the earmarking of programmed capital receipts in relation to Stone Leisure Strategy Phase 2 Table 2 provides an update in relation to the capital resources to fund this programme.

Table 2: Estimates Resources and Expenditure 2018-19 to 2021-22			
	General	Section 106	Total
	£'000	£'000	£'000
Capital resources b/fwd. 1 April 2018	**13,413**	**3,073**	**16,486**
Capital Grants	5,712		5,712
Capital Receipts	900	226	1,126
Reserves &RCCO	423		423
Contributions	236		236
New Homes Bonus	1,313		1,313
Working Balances	876		876
Draft Capital Programme 2018-19 to 2021-22	(22,775)	(1,540)	(24,315)
Remaining resources at 31 March 2022	**98**	**1,759**	**1,857**

1.11 The Council must continue to plan its capital resources efficiently and effectively over the medium to long term, both to support the corporate objectives and service user's needs and also to maintain a sustainable financial base.

1.12 The capital strategy forms part of a suite of strategies in relation to Debt, Borrowing and Investments culminating in the Annual Treasury Management Strategy approved by Council each year.

2. Strategic Objectives

2.1 Capital Investment is guided and prioritised by the Council's key objectives as set out in its Corporate Business Plan. These objectives must be taken into account in determining appropriate capital investment and asset disposal programmes.

2.2 The Councils vision is to provide "A prosperous and attractive borough with strong communities" .Over the next three years the Council will focus on the following corporate business objectives:

- To deliver sustainable economic and housing growth to provide income and jobs.
- To improve the quality of life of local people by providing a safe, clean, attractive place to live and work and encouraging people to be engaged in developing strong communities that promote health and wellbeing.
- To be a well-run, financially sustainable and ambitious organisation, responsive to the needs of our customers and communities and focussed on delivering our objectives.

3. Corporate Planning Framework

3.1 The current financial strategy gives the following guidelines

- Existing service provision to be maintained (as a minimum)
- Additional Capital resources to be generated to invest in the Borough
- Focus on income generation and invest to save initiatives
- To deliver asset management requirements
- Revenue and capital resources allocated in accordance with service priorities and customer needs, discharge of legislative requirements and achievement of corporate objectives

3.2 In addition to the above decisions on the use of capital resources are guided by the policy context as set out in the Asset Management Plan and the Corporate Business Plan.

3.3 This Council will consider the funding of capital investment on a corporate basis. Approved capital investment schemes will only be funded by capital receipts, grants and contributions, the application of revenue funds and borrowing. Other forms of funding such as leasing or working in partnership will be considered , if such an option demonstrably represents the most affordable option to the Council and/or is necessary to secure specialist skills and expertise required to deliver a project otherwise not readily available to the Council.

3.4 The Council does not have a bespoke commercial strategy as such and any such scheme is evaluated as described above. The Council seeks to make best use of its own assets by maximising its lettings whereas the acquisition of commercial or residential properties is based upon its Business Case and affordability.

3.5 In the context of capital spending the authority is guided by the accounting standards with regard to capitalisation and also operates a deminimus threshold of £20,000.

4. Prioritisation of Capital Scheme Proposals

4.1 New capital scheme proposals are primarily driven through the budget process. The budget process requires revenue and capital options to be considered, assessed and evaluated against each other.

4.2 Consideration of growth bids is based upon firm business cases and is prioritised as follows:

- A statutory requirement or compliance with an existing legal obligation
- Health and safety requirements to meet mandatory obligations
- Invest to save proposals which will result in a net revenue budget saving (via reduced expenditure or increased income) and with anticipated financial payback in a reasonable time period or, Schemes that enable the authority to meet its objectives and are affordable.
- Schemes that are fully and securely externally funded.

4.3 The process consists of two stages - An outline Business Case is initially produced by managers as an indicative proposal. These are then reviewed by Leadership team and then Cabinet using the criteria set out in 4.2 above. A Detailed Delivery Business Case is then developed for schemes approved at stage one of the process.

4.4 Schemes are classed as Maintenance of Assets; Acquisition of Assets; Invest to Save and Development/Enhancement of Service Provision. The bids are assessed against their contribution to corporate objectives and funding sources and categorised as Essential, Highly Desirable or Desirable.

4.5 Capital schemes subject to stage 1 approval then go onto the next stage to include a detailed plan via a completed bid form. The second stage bid form requires more detail of the capital project, detailing timescales, milestones and a Gantt chart which assists in the monitoring of the scheme throughout the project life. Key departments (other than the lead department) that are involved in delivering are identified and confirmation provided, that staff resources are available and can be committed to delivering the proposed project. The bid form also clearly identifies any external dependencies the project has that could impact on the Council achieving its original project and timescales

4.6 A re-assessment of delivery and funding and the overall level of resources available is undertaken before the scheme is included in the Draft Capital Programme for consultation.

4.7 A copy of the Bid forms are attached as appendix A and B

5. Assessment of Revenue Implications of Capital Investment

5.1 In the interests of properly evaluating the affordability of a project, the revenue implications of capital bids are also included on the bid form in order to:

- Evaluate the overall financial business case of the capital project (revenue and capital cost/savings aspects),
- Enable corporate, joined-up, forward financial and service planning.

5.2 The Business Case form also requires the revenue implications of each scheme to be identified and profiled.

5.3 Regardless, of how the scheme is proposed to be financed, Capital financing charges based upon borrowing/ or loss of investment interest (whichever is the higher at that time) are applied to ensure the opportunity cost of the scheme is taken into account for all schemes.

5.4 In addition where the assets are used for generating rental income, whether for investment purposes or economic development, the risks to the income stream should be reflected. The risks of this type of investment include potential vacant periods, decline in market rents, non-payment by tenants or users, etc. These should be evaluated as part of the business case by including a factor for bad debt or vacancy periods, and risks relating to the project should be carefully considered and fully disclosed to decision makers.

6. Performance Measurement and Monitoring

6.1 Evaluation of projects against business objectives, target service outcomes and relevant performance indicators takes place at three stages – prior to implementation, during implementation and on completion.

6.2 The longer a project takes to come to fruition, the greater the risk is that the financial cost of the project will have increased, both due to the additional staff time spent on the project and the inflationary impact on the costs involved in bringing the asset into operation. Likewise, there is degree of correlation between the length of time a project spends in the feasibility and development stage and an increased risk of project failure or abandonment. Should a project fail for any reason, the regulations require all capital costs to be returned to revenue, which may create significant pressures, depending on the level of spend at that point

6.3 Hence the Capital Programme process includes :

- A two stage process for bids
- A Permission to spend report showing the actual delivery timetable
- Ongoing Performance Monitoring
- Post implementation review.

6.4 The Business Case/Capital Bid Proforma includes all aspects of the scheme from contribution to Objectives; Community Benefits: Performance Management; working with key departments/Partners; Dependencies : risks and finances.

6.5 Subject to approval the Bid Proforma becomes the Project Management Performance Template and flows through to completion and post implementation review.

6.6 Prior to commencement of the scheme a Permission to Spend report is submitted to Cabinet to ensure the scheme delivers in accordance with the original objectives and to confirm delivery timescales.

6.7 As a general requirement, the progress in delivering capital schemes on time, within budget and against target service outcomes will be monitored as follows:

- Budgets – on a monthly basis reported to budget managers, Leadership team and Cabinet. In addition quarterly updates are provided to scrutiny committees on both revenue and capital
- Timescales and outcomes – these are produced by budget managers on a quarterly basis and identify progress and projected timescales so the programme may be adjusted where necessary. Reports are submitted to Leadership Team and Cabinet together with the corrective action as appropriate

6.8 Schemes that are not committed within three years of approval are deleted from the capital programme and will require a new bid if appropriate.

6.9 Post implementation reviews of Capital Projects are undertaken to evaluate against the original submission whereas the Project Management process identifies Lessons learnt on an ongoing basis.

7. Long Term Capital Expenditure Plans

7.1 The Council faces a number of challenges going forward, one of which is the depletion of capital funds available. This affects both capital expenditure and also, both directly and indirectly, revenue net expenditure. The maintenance and replacement of income generating infrastructure / plant and equipment is essential, whereas interest earned on capital investments as resources are depleted will have a negative revenue impact. . Whilst the effect on revenue expenditure has been reduced due to the expectation of low interest rates for some considerable period this position remains a challenge in considering the Council's capital funding needs.

7.2 The Council's capital expenditure can be considered to comprise a combination of recurrent activities, annual and periodic, and those which are of an individual nature.

7.3 In relation to periodic activities sinking funds have been established for the following items :

- Cremator replacement
- Sweepers
- 3g pitches
- Pest control vehicles

The replacement of streetscene vehicles etc. is however based upon a Business Case reflecting amongst other things the delivery of maintenance arrangements and the level of external work , fee generating , and income undertaken

7.4 Based on the current capital programme the annual recurrent activity relates to three items namely :

- Waste Contract – replacement wheeled bins £0.150 million
- Disabled Facilities Grants £1.037 million
- Corporate IT Equipment programme £0.050 million

7.5 Based on indicative figures this suggests that at least £0.200 million needs to be made available annually to support such initiatives. This is apart from any new capital projects the Council considers necessary to support its strategic objectives.

7.6 Individual one off schemes are subject to the capital bidding process. Funding requirements cannot be identified in advance as such since other than requirements arising from the Asset Management plan each business case is likely to be unique and investment schemes by their nature opportunistic.

7.7 The Council therefore needs robust plans to meet its funding needs for future capital expenditure in the longer term. If it were to be funded by borrowing it would increase revenue costs as a result of the interest charge for the borrowing and the Minimum Revenue Provision made in accordance with the regulations made under the Local Government Act 2003. In the absence of other sources of capital this essentially means that capital costs would be funded from revenue resources over time. Borrowing must therefore be affordable.

7.8 The Council will therefore pursue an active strategy of seeking:

(a) Income generating investments. It is justified to use the Council's financial resources for these provided they generate in real terms greater net income than that which would be earned by retaining monies in bank deposits, where liquidity of the funds is not necessary. Each such investment meeting that criterion would increase the overall revenue resources available to the Council.

(b) Partnerships with developers where this maximises income and achievement of policy objectives as compared to the Council developing or investing alone. Such partnerships may relate to individual sites or schemes, or be more strategic and long term in nature.

(c) Generation of income from sales of any valuable assets that are not being used to deliver operational services or are not delivering best value.

7.9 Once a project has been delivered successfully the cash expended is then bound in the asset. In the case of assets that are for service delivery and do not generate a rental income stream, the money invested in the asset is only recovered if and when the asset is sold at a future date. This carries inherent financial risks in that the asset may have decreased in value, depending on market conditions, or may not have increased in value sufficiently to mitigate the effects of inflation. This is justified on the basis of the service delivery in question, since the purpose of such investments is not the financial return. However such costs need to be taken into account for income generating Investments.

8. Capital Finance

8.1 As outlined above, decisions on capital investment are made in the context of limited revenue and capital resources. The Council is reliant on capital receipts and grants/contributions from third parties to fund its capital programme. Other potential funding options include prudential borrowing and direct revenue funding, although these are subject to the constraints outlined above.

Capital Receipts

8.2 Capital receipts are derived from the sale of the Council’s assets, and may also include income from the principal element of finance leases where the Council is the lessor.

8.3 In most cases the Council is able to retain 100% of the capital receipt income from these asset sales, which is then available to support new capital expenditure.

Government Grants

8.4 The conditions attached to Government grants vary with each individual grant. Some may fund the full cost of a capital project, while others require the local authority to identify alternative funding for a proportion of the project costs. These grants, such as the Disabled Facilities Grant funding, are usually focussed towards Government priorities.

Third Party Grants and Contributions (including planning obligations / S106 income)

8.5 Conditions attached to third party contributions also tend to vary depending on the grant and the awarding third party. Examples include planning obligations, section 106 agreements or unilateral undertakings, contributions from local bodies (such as parish councils), contributions from national bodies (such as Sport England; Football Foundation Trust) and funding from the Heritage Lottery etc..

8.6 For both Government grants and third party grants and contributions it is important that the grant conditions are adhered to in order to manage the risk of being required to repay the grant or contribution.

Capital and Revenue Reserves

8.7 As part of its Medium Term Financial Strategy, the Council has set aside various reserves in order to make funding available for its capital programme. These include, among others, the Invest to Save, RCCO (revenue contribution to capital outlay), VAT Shelter and the Capital Receipts Reserve. In accordance with the capital financing strategy New Homes Bonus is also being used to finance any new schemes approved as part of the 2019/20 budget.

Revenue Contributions

8.8 Due to ongoing pressures on the revenue budget, direct revenue funding for capital is traditionally a minimal source of funding for capital projects. However, the current capital programme shown in table 2 shows £0.423m of Direct Revenue Funding for capital covering the period 2018/19 to 2021/22.

External Borrowing (sometimes referred to as Prudential Borrowing)

8.9 Councils may borrow money from external sources such as the Public Works Loan Board (PWLB), other local authorities, etc. to fund capital expenditure under the provisions of the Local Government Act 2003, provided that it is prudent, affordable and sustainable to do so. The Council must set prudential indicators each year, which include parameters for borrowing, including the upper limits for the value, nature and maturity of the debt incurred.

8.10 As mentioned above, there is a revenue cost attached to external borrowing relating to both the interest charges payable and the statutory prudent revenue provision required under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended).

8.11 The Council has in the past identified prudential borrowing requirements, however, the increase in the level of Working Balances maintained by the Council has enabled this requirement to be completely offset

Other

8.12 Other appropriate funding sources will be considered as they arise.

8.13 Sometimes it is possible to deliver a desired capital project by working with an external partner. While this is not a direct source of funding to the council, it is a potential means of delivering key capital projects for the authority.

9. Capital Funding Strategy

9.1 The Council's capital funding strategy is normally to allocate funding streams in the order outlined below, although the Council may make changes to this strategy if it is deemed necessary in order to deliver priority outcomes. In all cases any time limited funding will be applied before funding that has no time limits on its use.

- Time limited funding – funding that must be used within a specified time period will usually be applied first, assuming that there is expenditure that it can be legitimately be applied to. This is subject to any requirements for match funding.
- Ring fenced funding – Funding linked to a particular scheme or type of scheme will be allocated in full to the relevant capital project. One example is Government funding for Disabled Facilities Grants.
- Other external funding – Funding from external bodies is applied first unless the conditions attached require it to be match funded from the Council's own resources, in which case the two funding streams will be applied in tandem.
- Capital receipts (including those held in the capital receipts reserve) – This is currently the main funding source for the capital programme. Due to low interest rates since the economic crisis of 2008, use of capital receipts comes at a relatively low cost of financing, and this situation is expected to continue throughout the medium term.
- Direct Revenue Funding – This may come from revenue reserves or from contributions from revenue budgets.
- Borrowing – This as compared to other funding streams does come at a cost. Whereas other funding has an indirect cost in the loss of investment income on the funds being applied borrowing, entails both a requirement to pay interest on the loan and repay the borrowing. Due to the higher costs associated with external borrowing (statutory minimum revenue provision and interest), this form of capital funding sits low in the priority list. As a last resort borrowing may be considered

where no other suitable funding source is available and a valid business case exists. . Ideally the full ongoing costs of funding the interest and MRP costs of borrowing should be fully covered by income or cashable savings generated by the asset purchased.

Where this is not the case members must be aware of the long term commitment that the decision to borrow places on the revenue budget and have confidence that the service delivery potential of the capital investment merits the associated revenue growth. These costs must be affordable in the context of the Medium Term Financial Plan.

10. Governance Arrangements

Annual Capital Programme Approval

10.1 Governance arrangements for the Capital Programme are set out in Section 5 Budget and Policy Procedural Rules but more specifically in Part 8 Financial Procedure Rules paragraph 2.5 to 2.65 of the Councils Constitution.).A flow chart of the approval process is attached as Appendix C.

10.2 Bids (Business Cases) for new schemes for the following year's three year capital programme are invited alongside revisions to existing schemes during the summer each year. The nature and profile of the expenditure and funding plans are identified at this stage. The consideration of requirements for the next three years enables priorities to be determined for both revenue and capital items after taking into account available resources.

10.3 The Capital Programme is considered by Cabinet and the relevant Scrutiny Committee in November/December each year and updated and approved by Council in February each year as part of the Medium Term Financial Plan.

10.4 Additional projects may be added, or amendments to existing schemes may be made, to the Capital Programme during the financial year on an exception basis with approval of Council. This may be by means of a budget update report or a specific report seeking approval for one or more new projects or changes to/deletion of existing projects.

10.5 Should it be necessary, provisions for urgent decisions set out in the Constitution may be used to amend the Capital Programme.

Decision Making

10.6 When making decisions in respect of capital expenditure the Council will take account of stewardship of public funds, value for money, prudence, affordability, and sustainability.

Monitoring Arrangements

10.7 Monitoring arrangements for the Capital Programme are set out as part of the Performance Management Regime described earlier.

10.8 It is the duty of every Manager to monitor and regulate the financial performance of their area of responsibility during the currency of each estimate period .

10.9 The capital and revenue monitoring position will be reported to budget managers, Leadership team and Cabinet each month and to Scrutiny Committee on a quarterly basis.

Risk Management

10.10 All large capital projects are managed under the council's Project Management regime, which incorporates risk identification and risk management.

10.11 For all capital projects, project managers update financial forecasts on a quarterly basis identifying any areas subject to risk of overspend, underspend, or slippage.

10.12 There is also a degree of funding risk in the Capital Programme, where reliant on grant funding claims. Should claims not be completed or targets not met in accordance with planned objectives, this risk would need to be mitigated, for example by reducing, or reviewing the planned expenditure.

11. Overview of Asset Management Planning

11.1 The Corporate Asset Management Plan sets out three main priorities, which are:

- To support regeneration across the Borough, including delivery of new housing and economic growth
- To ensure that the operational property is fit for purpose and supports the delivery of high quality services for our residents to better use assets to achieve Borough priorities
- To promote the philosophy of One Public Estate to work with public partners to achieve synergies with the utilisation of accommodation space and service delivery

11.2 These themes and the strategic priorities influence the way the Council involves property at a strategic level as well as day-to-day property management activities.

11.3 The Asset management plan sets out the role of property to the Council, priorities and key requirements. Progress against the plan is reported to Leadership Team, Cabinet and Resources Scrutiny Committee.

11.4 As at 1 April 2018 the Councils assets had a total value of approximately £43.864 million as follows:

Fixed Assets

	31.03.18	31.03.17
	£	£
Property, Plant and Equipment		
Other Land & Buildings	41,375,176.29	36,237,696.85
Infrastucture	1,193,375.27	1,335,773.89
Community Assets	817,154.62	817,154.62
Plant & Equipment	1,678,329.73	2,130,195.33
Assets under Construction	1,620,724.79	465,551.16
Surplus Assets	344,190.00	344,190.00
Leased Equipment	-	-
	47,028,950.70	**41,330,561.85**
Investment Properties		
Investment Properties	**1,496,000.00**	**1,835,000.00**
Intangible Assets		
Intangibles	**53,237.90**	**88,390.11**
Heritage Assets		
Heritage Assets	**609,822.00**	**609,822.00**
Total Fixed Assets	**49,188,010.60**	**43,863,773.96**

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11.5 The Council has a relatively small portfolio of public buildings and is unlikely to generate significant resources from disposal. However, a comprehensive programme of property review is under way which will:-

- Identify opportunities to rationalise properties/land
- Look at ways of reducing costs
- Maximise efficient use of buildings/land
- Identify future requirements
- Justify why surplus/property land is held
- Challenge the holding of investment property land

The Public Building's Manager and the relevant Head of Service will review all building assets. This review will examine issues of sufficiency and suitability and will utilise consultative exercises in relation to those criteria.

Disposal of small parcels of land is delegated to the Legal section but any major disposals would be initially considered by the Leadership Team, for approval, and subsequently to the appropriate Cabinet Member.

12. Commercial Activity

12.1 The Council does not currently have any specific areas of commercial activity. It does however have a number of properties which it holds for other business objectives which it leases out and receives a rental income for. In particular the Council seeks to make the most effective and efficient use of its Civic Centre with a number of public sector partners letting floor area on a number of floors.

12.2 The Council is not averse to investing into commercial activities but these would need to be on the basis of a sound invest to save business case after considering the key aspects of affordability, sustainability risk and investment returns generated.

APPENDIX A

Outline Stage 1 Capital Bid Proforma

Budget Bid Title:

Service Area:

Lead Officer:

Total Bid:

External Funding Contribution: **YES / NO**

Brief Project Description

Contribution to Corporate Objectives

Please outline how the proposal supports strategic priorities and describe how it contributes towards the themes of the Corporate Business Plan. Delete as appropriate the priorities that are addressed:-

Sustainable Economic and Housing Growth	YES / NO
Community Health and Wellbeing	YES / NO
Financial Sustainability	YES / NO

Lead Officer Comments

Peer Review

Will the proposal address any areas identified in the peer review?

Lead Officer Comments

Financial Summary

	2019/20	2020/21	2021/22 onwards	Estimated Total Cost
Project costs (provide details of key areas of spend)	£	£	£	£
External Funding Sources: Grants & contributions				
Project costs (net of external funding)	£	£	£	£
Ongoing revenue costs (if applicable)				

Other financial issues

For externally funded projects – please provide details of the funding sources and whether or not the funding is guaranteed.
For Capital Schemes – please provide details of ongoing revenue costs.
For invest to save schemes – details of the future revenue streams and the payback period

Head of Service Approval / Comments

APPENDIX B

Stage 2 Capital Bid proforma

Deadline for submission: - *******

Introduction

The Council continues to face a challenging financial situation over the next four years and resources will continue to be tight. However, the Cabinet has indicated that it will give careful consideration to budget bids, particularly "invest to save" projects where spending now can generate additional income in the future or can reduce future revenue costs.

Process

Budget bids for additional service initiatives/improvements that may be **revenue or capital** in nature must be set out in the attached business case pro-forma and returned electronically to Alison Kendall (alisonkendall@cannockchasedc.gov.uk) by no later than ************, if they are to be considered for inclusion in the 2018/19 Budget or the Capital Programme 2018/19 to 2020/21.

Bids will initially be categorised as "Essential", "Highly Desirably" and "Desirable if resources allow". Where bids can be justified on an "invest to save" basis, the higher its relative ranking is likely to be.

Bids will also of course be assessed to establish how well they contribute to the Council's priorities.

Please be concise, but remember that it is important that the business case provides enough detail for the Cabinet to be able to assess the proposal's impact on the community and the potential to pay for itself in financial terms.

The bids will require sign off by all departments prior to submission as detailed below.

Attachments – Checklist

Detailed Timetable / Milestones
Gantt Chart of projects requirement identified from stage 1

Bid Cleared by

Department	Officer	Date
Finance	______________	______________
Human Resources	______________	______________
Legal	______________	______________
Property Services	______________	______________

Budget Bid Title:
Service Area:
Lead Officer:
Brief Project Description:

TOTAL BID: **CAPITAL** **REVENUE**

1. CONTRIBUTION TO THE COUNCIL'S PRIORITIES

Please outline how the proposal supports strategic priorities and describe how it contributes towards the themes of the Corporate Business Plan. Tick below the priorities that are addressed:-

☐ Sustainable, Economic and Housing Growth (1) ☐ Community Health and Wellbeing (2) ☐ Financial Sustainability (3)	**Lead Officer comments:**

Corporate Business Objectives

1 To deliver sustainable economic and housing growth to provide income and jobs
2 To improve the quality of life of local people by providing a safe, clean, attractive place to live and work and encouraging people to be engaged in developing strong communities that promote health and wellbeing.
3 To be a well-run, financially sustainable and ambitious organisation, responsive to the needs of our customers and communities and focused on delivering our objectives.

2. COMMUNITY BENEFIT

Will the proposal contribute towards community need which has been identified and evidenced?

Lead Officer Comments:

3. PERFORMANCE MANAGEMENT

(a) Please provide a timetable and project milestones, describing how the milestones will be monitored, managed and reported .
(b) Highlight proposals for controlling the factors that could cause delay or cost overrun.
(c) Provide details of how the impact of the project will be measured in terms of improved service delivery or use of assets.

Lead Officer Comments.

4. WORKING WITH OTHER KEY COUNCIL DEPARTMENTS

(a) Please describe the extent to which key departments will be required to contribute to the project and meeting proposed timescales (for example property services)

Lead Officer comments

(b) **KEY DEPARTMENTS IDENTIFIED –** if key departments are identified in section 4a above, the said department to please complete 4b clarifying if they have recourses to contribute to the project as proposed above and to meet timescales set out.

Key Department Lead Officer comments

5. WORKING WITH PARTNERS

Please describe the extent to which partners will be involved in the project and the percentage of the gross project cost that will be funded by partners. Please include details of exit strategy if applicable.

Lead Officer comments

6. DEPENDENCIES/ EXTERNALITIES

Please describe the extent to which the project is dependent on a partner or externality to meet the proposed scheme timescales. (For example the County Council or land being available?) What will be the impact if such dependencies are delayed?

Lead Officer comments

7. LEGAL ISSUES

Please identify the legal implications of taking and not taking the proposed course of action.

Lead Officer comments

8. FINANCIAL ISSUES

Please identify: -

- Project costs / savings (incl. cost of feasibility studies);
- any external financial contributions towards the project;
- the phasing of expenditure for capital projects;
- the total cost of project.

FINANCIAL SUMMARY

	2018/19	**2019/20**	**2020/21 onwards**	**Estimated Total Cost**
Project costs (provide details of key areas of spend)	£	£	£	£
External Funding Sources: Grants & contributions				
Project costs (net of external funding)	£	£	£	£
Ongoing revenue costs (if applicable)				

Other financial issues

For externally funded projects – please provide details of the funding sources and whether or not the funding is guaranteed.
For Capital Schemes – please provide details of ongoing revenue costs.
For invest to save schemes – details of the future revenue streams and the payback period.

Lead Officer comments:

9. RISK ASSESSMENT

Please identify the key risks for the scheme.

Description of Risk

10. HEAD OF SERVICE ENDORSEMENT

Head of Service comments:

Please return to Alison Kendall alisonkendall@cannockchasedc.gov.uk by no later than *********.**

APPENDIX C

Capital Approval Process flow chart

August	Stage 1 Bid Process to get proposed project into the capital programme (not budget) – service complete bid proforma and submit to Finance
Sept	Bids reviewed by Leadership Team & Cabinet against Council Priorities
Sept	Cabinet give initial approval to develop stage 2 bid
Oct	Stage 2 Bid Process form completed to get proposed project into the capital programme (not budget) – service complete bid proforma and submit to Finance
Nov	Draft Capital Programme submitted to Cabinet
Nov-Jan	Capital Programme then submitted to the relevant scrutiny committee
Feb	Programme submitted to Council for approval as part of the budget process*
	\`Permission to spend\` report to Cabinet before inclusion in Capital budget

***Exceptional Circumstances**: Additional schemes may be added to the programme throughout the year if Cabinet approval is sought.

Stafford
BOROUGH COUNCIL

ITEM NO 10

Report of:	**Head of Operations**
Contact Officer:	**Robert Simpson**
Telephone No:	**01785 619411**
Ward Interest:	**Nil**
Report Track:	**Council 29/01/19**

COUNCIL

29 JANUARY 2019

Licensing of Activities Involving Animals

1 Purpose of Report

1.1 To update members on major reforms to the legislation governing animal licensing with the coming into effect of the Animal Welfare (Licensing of Activities involving Animals) (England) Regulations 2018 (the Regulations).

2 Recommendation

2.1 That the Council notes the implementation of the Regulations.

2.2 That the Head of Operations be authorised and instructed to introduce the necessary arrangements to administer and enforce all aspects of the Regulations (including the determination of fees for variations and re-inspections and for licences issued for more than one year).

2.3 That the Constitution Working Group be asked to consider updating the scheme of delegations to reflect the legislative changes.

3 Key Issues and Reasons for Recommendation

3.1 Members are asked to note that the legislation relating to the licensing of activities involving animals is changing. On 1 October 2018 the Animal Welfare (Licensing of Activities involving Animals) (England) Regulations 2018 (the Regulations) came into effect. The Regulations will have an impact on how the Council administers its functions in relation to animal licensing compliance and enforcement.

3.2 The Regulations, and accompanying guidance, introduce a risk-based approach whereby establishments will be inspected by Councils and given a “star rating” (out of five). The breadth of activities requiring licences has increased, as have the costs to the Council in administering the regime. These costs have been approved by Council as part of the Fees and Charges introduced on 1 January 2019.

3.3 The Regulations also introduce the facility for licence holders who are dissatisfied with the Council’s rating to appeal and to request revisits. A transparent procedure will therefore be required to facilitate this.

4 Relationship to Corporate Priorities

4.1 The implementation of these regulations is relevant in helping to achieve Business Objective 2: “To improve the quality of life of local people by providing safe, clean, attractive places to live and work and encouraging people to be engaged in developing strong communities that provide health and wellbeing”

- Implementing risk-based, proportionate controls, ensuring all businesses are treated equitably;
- Allowing “earned recognition”, so better businesses, with higher animal welfare standards, receive fewer inspections and have longer licences;
- Promoting high standards of both regulatory compliance animal welfare;
- Ensuring all businesses involved in these activities are identified and appropriately licensed;
- Ensuring non-compliant businesses do not gain unfair competitive advantage.

5 Report Detail

5.1 The introduction of the Regulations follows an extensive Government consultation exercise, commenced in December 2015, the aim of which was to minimise burdens on both businesses and local authorities, through the introduction of a single ‘Animal Establishment Licence’ for animal boarding establishments, pet shops, riding establishments, and dog breeding.

5.2 The Regulations also reflect high levels of public interest in animal welfare, introducing stricter control of puppy sales and a crack-down on so-called “puppy farms” and backstreet breeders. There will be a ban on the sale of puppies below the age of 8 weeks and a requirement for a puppy to be shown with its mother by breeders prior to sale.

5.3 Another key part of the Regulations will be a new “star rating” (out of five) for dog breeders, pet shops and other licensed activities involving animals. This rates these businesses, on welfare and other grounds, and helps buyers use the best breeders as well as assisting local authorities to more heavily regulate the poorer rated (such as through more welfare inspections, increased costs and shorter licences).

5.4 The Regulations replace a number of old Acts of Parliament. For example, the Pet Animals Act 1951, under which pet shops are licensed, is nearly seventy years old, and the riding/animal boarding legislation is over fifty years old. Many animal-related businesses don't fit into the current system: animal groomers, dog trainers, pet sitters and the sale of animals on the internet are relatively recent innovations.

5.5 The Regulations replace the following outdated licensing and registration regimes in England:

- Performing Animals (Regulation) Act 1925;
- Pet Animals Act 1951;
- Animal Boarding Establishments Act 1963;
- Riding Establishments Acts 1964 & 1970;
- Breeding of Dogs Act 1973 and Breeding and Sale of Dogs (Welfare) Act 1999.

5.6 The Regulations provide for the licensing of persons involved in England in:

- selling animals as pets;
- providing boarding for cats;
- providing boarding for dogs in kennels;
- providing home boarding for dogs;
- providing day care for dogs;
- breeding dogs;
- hiring out horses;
- keeping or training animals for exhibition.

5.7 Key features of the Regulations:

- Establishments will now be given a “star rating” to assist customers in deciding which facility to use;
- Licences are issued using a risk-based inspection, which determines the “star rating” of the business;
- Licences can now be issued for up to three years in certain circumstances, whereas formerly only up to 12 months;
- Licences can now be suspended, varied or revoked, whereas previously licences could only be revoked by the Courts if the holder had been prosecuted;
- One Licence can cover several licensable activities, whereas previously each activity required a separate licence and fee;
- Vets inspections are no longer always required;
- District Councils are now responsible for licensing performing animals;
- Breeders must show puppies alongside their mother before a sale is made.
- Puppy sales must be completed in the presence of the new owner – preventing online sales where prospective buyers have not seen the animal first.
- Ban on dealing in puppies and kittens under the age of eight weeks.
- Regulate adverts, including on the internet, by ensuring licensed sellers of all pets include the seller’s licence number, country of origin and country of residence of the pet in any advert for sale.

5.8 Extensive guidance notes and both general and specific conditions of licence have been issued by the Department for Environment & Rural Affairs (DEFRA) on all of the above activities as well as individual codes of practice for the welfare of cats and dogs. Local Authorities must have regard to this guidance when carrying out its functions under the Regulations.

6 Implications

Financial	All costs will be recovered from applicants through an appropriate fee structure.
Legal	This is the introduction of primary legislation and therefore there is no requirement to consult on the matter. The Council will however, take the opportunity to advise existing licence holders of the changes and publicise the new Regulations. Implementation of appropriate arrangements as detailed above ensures the Council discharges its statutory licensing functions effectively and that decisions made by Officers and Members are transparent, proportionate and comply with Human Rights and Equalities legislation. Consequential changes to the current Scheme of Delegation may be required. Other legal matters are dealt with elsewhere in the report.
Human Resources	Resources required for implementation of this Policy will be drawn from within the existing Regulatory Services and Licensing teams.
Human Rights Act	None.
Data Protection	None.
Risk Management	None.

6.2 **Community Impact Assessment Recommendations**	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 - Nil

Background Papers - File available in Operations