



Kevin Williams,  
Interim Head of Legal and  
Democratic Services

**MEETING** : JOINT MEETING OF SCRUTINY COMMITTEES  
**VENUE** : COUNCIL CHAMBER, WALLFIELDS, HERTFORD  
**DATE** : TUESDAY 17 JANUARY 2017  
**TIME** : 7.00 PM

**MEMBERS OF CORPORATE BUSINESS SCRUTINY COMMITTEE**

Councillors M Allen (Chairman), R Brunton, M Casey, B Deering, J Kaye (Vice-Chairman), P Phillips, M Pope, M Stevenson, J Wyllie, Vacancy.

**MEMBERSHIP OF COMMUNITY SCRUTINY COMMITTEE**

Councillors P Moore (Chairman), I Devonshire (Vice-Chairman), H Drake, J Goodeve, D Oldridge, P Phillips, M Pope, P Ruffles, C Snowdon, N Symonds.

**MEMBERSHIP OF ENVIRONMENT SCRUTINY COMMITTEE**

Councillors J Wyllie (Chairman), P Boylan, Mrs R Cheswright, K Crofton, G Cutting, H Drake (Vice-Chairman), M Freeman, R Henson, M McMullen, S Reed.

**MEMBERSHIP OF HEALTH AND WELLBEING SCRUTINY COMMITTEE**

Councillors A Alder (Chairman), D Abbott, P Ballam, P Boylan, S Bull, S Cousins (Vice-Chairman), D Hollebon, Jeff Jones, S Stainsby, M Stevenson.

**Substitutes**

Conservative Group: Councillors D Andrews, I Devonshire,  
R Henson, D Oldridge, R Standley,  
C Woodward.

*(Note: Substitution arrangements must be notified by the absent Member to Democratic Services 24 hours before the meeting)*

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## DISCLOSABLE PECUNIARY INTERESTS

1. A Member, present at a meeting of the Authority, or any committee, sub-committee, joint committee or joint sub-committee of the Authority, with a Disclosable Pecuniary Interest (DPI) in any matter to be considered or being considered at a meeting:
  - must not participate in any discussion of the matter at the meeting;
  - must not participate in any vote taken on the matter at the meeting;
  - must disclose the interest to the meeting, whether registered or not, subject to the provisions of section 32 of the Localism Act 2011;
  - if the interest is not registered and is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days;
  - must leave the room while any discussion or voting takes place.
2. A DPI is an interest of a Member or their partner (which means spouse or civil partner, a person with whom they are living as husband or wife, or a person with whom they are living as if they were civil partners) within the descriptions as defined in the Localism Act 2011.
3. The Authority may grant a Member dispensation, but only in limited circumstances, to enable him/her to participate and vote on a matter in which they have a DPI.
4. It is a criminal offence to:
  - fail to disclose a disclosable pecuniary interest at a meeting if it is not on the register;
  - fail to notify the Monitoring Officer, within 28 days, of a DPI that is not on the register that a Member disclosed to a meeting;
  - participate in any discussion or vote on a matter in which a Member has a DPI;
  - knowingly or recklessly provide information that is false or misleading in notifying the Monitoring Officer of a DPI or in disclosing such interest to a meeting.

(Note: The criminal penalties available to a court are to impose a fine not exceeding level 5 on the standard scale and disqualification from being a councillor for up to 5 years.)

### **Public Attendance**

East Herts Council welcomes public attendance at its meetings and will provide a reasonable number of agendas for viewing at the meeting. Please note that there is seating for 27 members of the public and space for a further 30 standing in the Council Chamber on a “first come first served” basis. When the Council anticipates a large attendance, an additional 30 members of the public can be accommodated in Room 27 (standing room only), again on a “first come, first served” basis, to view the meeting via webcast.

If you think a meeting you plan to attend could be very busy, you can check if the extra space will be available by emailing [committee.services@eastherts.gov.uk](mailto:committee.services@eastherts.gov.uk) or calling the Council on 01279 655261 and asking to speak to Democratic Services.

### **Audio/Visual Recording of meetings**

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## AGENDA

1. Appointment of Chairman

2. Apologies

To receive apologies for absence.

3. Minutes – 9 February 2016

To confirm the Minutes of the meeting of the Committee held on Tuesday 9 February 2016 (Previously circulated as part of the Council Minute book for 17 February 2016)

4. Chairman's Announcements

5. Declarations of Interest

To receive any Members' declarations of interest and party whip arrangements.

6. Budget Report and Medium Term Financial Plan 2017/18 – 2020/21  
(Pages 5 – 78)

7. Housing Company Business Plan (Pages 79 – 110)

8. Treasury Management Strategy Statement 2017/18 (Pages 111 – 150)

9. Urgent Business

To consider such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration and is not likely to involve the disclosure of exempt information.

## EAST HERTS COUNCIL

### JOINT SCRUTINY – 17 JANUARY 2017

### BUDGET REPORT AND MEDIUM TERM FINANCIAL PLAN 2017/18 – 2020/21

### REPORT BY THE HEAD OF STRATEGIC FINANCE AND PROPERTY

WARD (S) AFFECTED: All

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#### Purpose/Summary of Report:

- This report sets out proposals for Council decisions on the following:
  - The 2016/17 revenue budget forecast
  - The 2017/18 revenue budget
  - The 2017/18 Schedule of Charges
  - The 2016/17 (revised) to 2020/21 Capital Programme
  - The Medium Term Financial Plan 2017/18 – 2020/21
  - The Council's Reserves

<b><u>RECOMMENDATION FOR JOINT MEETING OF SCRUTINY COMMITTEES:</u></b>	
<b>(A)</b>	<b>Any comments and amendments that the Joint Meeting of Scrutiny Committees wish to make on the proposals detailed within this report be sent to Executive for consideration prior to Council approval on 1 March 2017.</b>

## **1 BACKGROUND**

1.1 This report sets out the revenue and capital budget proposals for Council to approve. This early draft is for Leadership Team to consider and suggest amendments prior to submission to Members. In particular attention is drawn to section 6 and ERP F which contain details of savings and growth proposals.

1.2 The council's revenue budget comprises five major 'building blocks'

as follows:

- **Net Cost of Services:** These are the direct costs incurred by the council in delivering services through the three Directorates, less any specific income generated.
  - **Corporate Budgets:** These are costs incurred and income received by the council that are not service specific, e.g. Pension Fund deficit contributions, interest income and payments. Also included in this heading are the Contingency and New Homes Bonus Priority Spend budgets which are not allocated to specific services at the beginning of the financial year.
  - **Contributions to/from Reserves:** This represents funding within the revenue Budget from Earmarked Reserves, which have been allocated to fund specific purposes. The impact of the use of Reserves is a reduction in the total income demand on Council Taxpayers. Reserves are, however, a finite source of funding and their use should represent value for money.
  - **Sources of Funding:** These income budgets are general and non-service specific income sources. They include funding from Central Government and Non-Domestic Rate income.
  - **Council Tax:** This income is also a general and non-service specific source of income. Only once budgets have been prepared for the other 'building blocks' have been established can the amount required from Council Tax be calculated, known as the 'Demand on the Collection Fund'.
- 1.3 In setting the budget for 2017/18 and the MTFP for future years, consideration has been given to the high degree of uncertainty and therefore risk in determining Local Government funding levels. Whilst the national economy has exceeded expectations since the EU referendum vote the forecast over the period of the MTFP is uncertain.
- 1.4 The Chancellor of the Exchequer published the Spending Review 2016 and Autumn Statement on 23 November 2016 which set out the Government's spending plans for the period 2017/18 to 2019/20.
- 1.5 The Chancellor announced that the government has abandoned its commitment to reduce public sector net borrowing to a surplus by the end of this Parliament. It is now planning for a deficit of £21.9bn in 2019/20, compared to the surplus of £10.4bn planned for at Budget

2016, an increase in public sector net borrowing for 2019/20 of £32.3bn.

- 1.6 The Chancellor announced a new draft Charter for Budget Responsibility, with three new fiscal rules:
  - Borrowing should be below 2% by the end of this Parliament;
  - Public sector net debt as a share of GDP must be falling by the end of this Parliament;
  - Welfare spending must be within a cap, set by the government at Autumn Statement 2016 and monitored by the Office for Budget Responsibility (OBR).
  
- 1.7 The main points from the Ministerial statement on the Local Government settlement were as follows:
  - Core Spending Power will be increased from £43.6bn in 2016/17 to £44.7bn for 2019/20;
  - A Council Tax referendum limit of 2.0% will be maintained for upper tier councils and for district councils increases of less than 2% or up to and including £5 (whichever is higher) will not be subject to a referendum;
  - The annual Social Care Precept of 2% can be applied at 3% in 2017/18 and 2018/19 subject to a maximum of 6% across the period 2017/18 to 2019/20;
  - New Homes Bonus grant allocations will be reduced following consultation earlier in the year by DCLG in order to redirect funds towards social care costs.
  - 97% of councils applied for a four year Settlement.
  
- 1.8 The position of East Herts following the Autumn Statement and the publication of the provisional Local Government finance settlement is within the assumptions made in the Medium Term Financial Plan.
  
- 1.9 East Herts accepted the offer of a four year settlement and the figures released in the 2017/18 settlement match those proposed under the four-year deal. There is no change to the amount of Revenue Support Grant we will receive (£351k in 2017/18 and nothing thereafter).
  
- 1.10 The impact on funding sources as a result of the provisional settlement is covered in later sections of this report.

1.11 The Finance and Business Planning process undertaken over the past few months by the Leadership Team has prepared plans to meet the financial challenges over the period of the Medium Term Financial Plan. This process has allowed engagement and consultation with Members on these proposals, aligning the budget and service plans to the delivery of outcomes over a four-year period.

1.12 This report has been prepared having particular regard to the following reports and statutory returns:

- Calculation of the Council Tax Base; report to Council on 14 December 2016;
- Non Domestic Rates Calculation 2016/17; statutory return to Department of Communities and Local Government by 31 January 2017;
- Treasury Management Strategy and Annual Investment Strategy 2017/18; report to Audit and Governance Committee on 25 January 2017.

## 2.0 REPORT

2.1 The report contains the following sections and Essential Reference Papers:

REPORT SECTIONS:	
3	Summary of key budget proposals
4	2016/17 Revenue Budget: Forecast outturn: <ul style="list-style-type: none"> <li>• Net Cost of Services</li> <li>• Corporate Budgets</li> <li>• Contributions to/from Reserves</li> <li>• Sources of Funding (incl. Council Tax)</li> <li>• Overall forecast outturn position</li> </ul>
5	2017/18 Revenue Budget: Net Cost of Services
6	2017/18 Revenue Budget: Growth and Savings
7	2017/18 Revenue Budget: Schedule of Charges
8	2017/18 Revenue Budget: Corporate Budgets
9	2017/18 Revenue Budget: Contributions to/from Reserves
10	2017/18 Revenue Budget: Sources of Funding



11	2017/18 Revenue Budget: Council Tax Demand
12	Capital Programme 2016/17 (revised) to 2020/21
13	Medium Term Financial Plan
14	Review of the Council's Reserves
15	Advice from the Section 151 Officer

#### ESSENTIAL REFERENCE PAPERS:

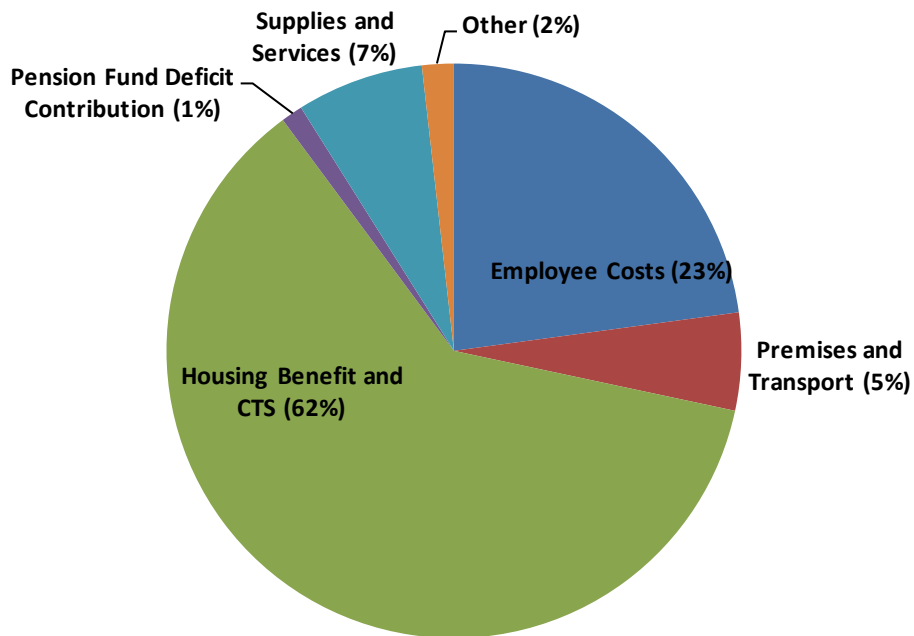
A	Implications/Consultations
B	Medium Term Financial Plan
C	Key variances from the 2016/17 budget
D	Budget movement 2016/17 to 2017/18
E	Pay and price assumptions in the MTFP
F	Revenue budget growth and savings proposals
G	Schedule of Charges for 2016/17
H	Capital Programme 2015/16-2019/20
I	Capital Programme Funding Statement
J	The Council's Reserves Policy and forecast position
K	Stress Test: Financial Risks facing the Council
L	Glossary of financial terminology

## 2 SUMMARY OF KEY BUDGET PROPOSALS

- 3.1 This budget report contains proposals for a gross revenue expenditure budget of £57.1m.
- 3.2 An analysis of the gross expenditure is shown below in Chart 1:

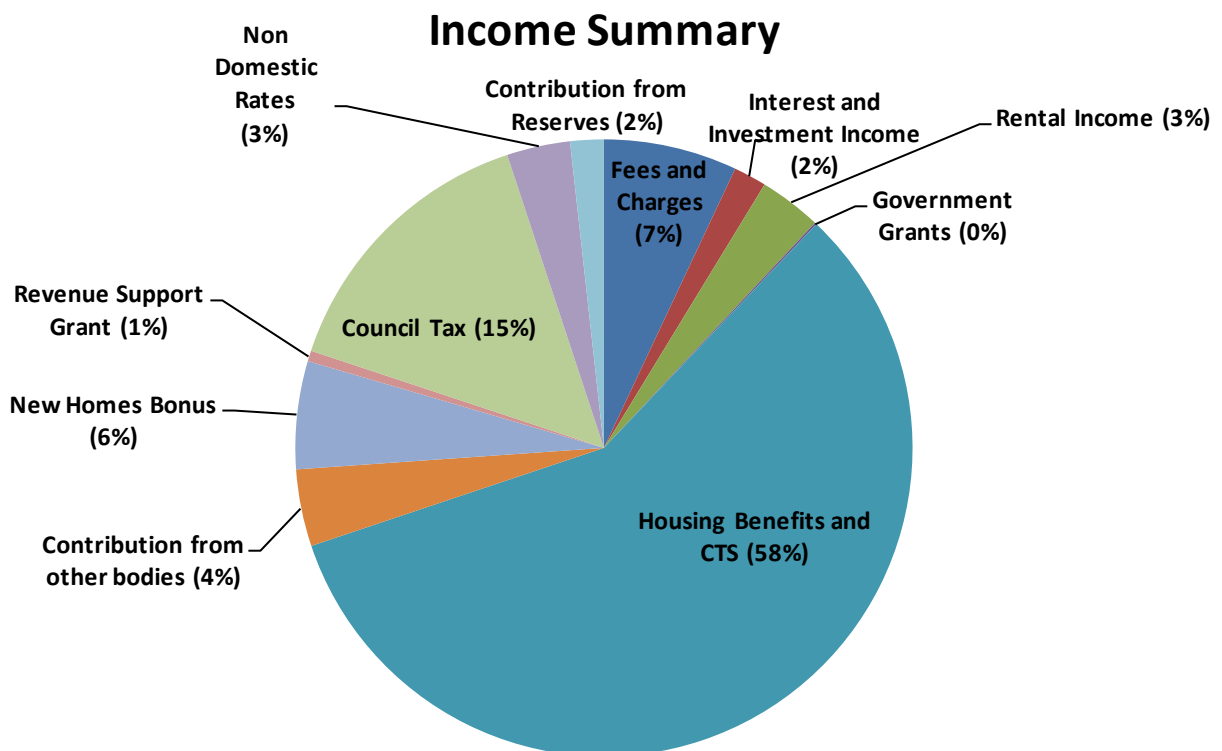
### ***Chart 1: Gross Expenditure Budget 2017/18***

## Expenditure Summary



3.3 An analysis of the funding for the revenue budget is shown below in Chart 2:

**Chart 2: Funding sources for the Revenue Budget**



3.4 The key themes of the budget for 2017/18 to 2020/21 found in this report can be summarised by the following statements:

- A 2% increase to the East Herts element of the Council Tax demand for 2017/18 with a further 2% increase per year to 2020/21.
- Investment in some key services
- Continued investment in capital schemes on a rolling basis in order to improve our assets and IT infrastructure reducing running costs in the long term.
- Consideration of the impact our fees and charges have on local taxpayers by minimising increases whilst at the same time ensuring our charging policies are adhered to.
- Ensuring that budget proposals are financially prudent, sensible and sustainable and represent value for money for local taxpayers.

### 3 2016/17 REVENUE BUDGET: FORECAST OUTTURN

4.1 **Overall forecast outturn position:** The council is forecast to underspend in 2016/17 by £338k. This is predominantly made up of revenue overspends of £718k and lower use of reserve funding of £1.066m as shown in Table 1 below.

**Table 1: 2016/17 Forecast outturn**

	ORIGINAL BUDGET 2016/17 £'000	FORECAST OUTTURN £'000	VARIANCE £'000
Chief Executive & Directors	466	429	(37)
Communications, Strategy & Policy	1,165	1,154	(11)
HR & Organisational Development	469	481	12
Strategic Finance & Property	1,445	1,842	397
Housing & Health	2,407	2,540	133
Democratic & Legal	1,102	1,117	73
Planning & Building Control	1,044	1,199	97
Operations	4,490	4,626	136

Shared Revenues & Benefits Service	273	172	(101)
Shared Business & Technology Service	1,298	1,317	19
<b>Total Net Cost of Services</b>	<b>14,159</b>	<b>14,877</b>	<b>718</b>
Contingency Budget	150	14	(136)
Contributions to reserves	1,227	492	(735)
Contributions (from) reserves	(1,874)	(1,484)	390
Collection Fund Deficit (Funded from Reserve)	917	360	(557)
Investment Income	(902)	(920)	(18)
<b>TOTAL:</b>	<b>13,677</b>	<b>13,339</b>	<b>(338)</b>

### Net Cost of Services:

- 4.2 The forecast outturn figures in this report have been prepared using information collated during the October Healthcheck budget monitoring process. Heads of Service, in partnership with finance colleagues, have produced a forecast outturn each month, refining this forecast as the year has progressed.
- 4.3 Overall the forecast outturn for the Net Cost of Services is higher than the original budget approved by Council in February 2016 by £718k (5%).
- 4.4 Significant variances between the original budget and forecast outturn that have occurred so far during 2016/17 are listed in **Essential Reference Paper C**. These variances have also been reported through the Healthcheck process.
- 4.5 The salaries budget of £13.059m is the largest controllable budget heading within the Net Cost of Services; this includes funding of £391k from earmarked reserves, additional income and government grants. The forecast outturn salaries position is £221k overspent of which £57k has approved funding from reserves (total reserve funding of £448k).
- 4.6 The Medium Term Financial Plan included an assumption of a 1% pay increase in 2016/17. This pay award was included in 2016/17 salary budgets.

- 4.7 The 2016/17 original budget did not include an adjustment for the Leadership Team restructure. The resultant in year saving of £177k is being used to fund restructuring costs which currently total £317k. The additional costs over and above £177k will be funded from the Transformation Reserve, not included in the figures in Table 1.

### Corporate Budgets:

- 4.8 The forecast outturns for these budgets are included within the Medium Term Financial Plan shown in **Essential Reference Paper B**. The commentary that follows only considers those budgets that have changed during the financial year.
- 4.9 DCLG Transition Grant: This is a grant awarded by DCLG as part of the 2016/17 financial settlement to help ease the impact of the transition to local funding, £120k will be received in both 2016/17 and 2017/18.
- 4.10 The use of Earmarked Reserves and the General Reserve are documented in Table 2 below:

**Table 2: Use of Reserves in 2016/17**

	Balance at 1/04/2016 £'000	Planned use 2016/17 £'000	Forecast balance at 31/03/2017 £'000
General Reserve	1,189	-	1,189
Interest Equalisation Reserve	1,514	(300)	1,214
Local Development Plan	399	(150)	249
Housing Condition Survey	71	4	75
Elections Reserve	5	22	27
Performance Reward Grant	10	(10)	-
Transformation Reserve	2,402	19	2421
Preventing Repossessions	28	(10)	18
NHB Priority Fund Reserve	3,551	179	3,730
Collection Fund Reserve	483	(60)	423
DEFRA Flood Support for local businesses	37	(37)	-
Commercial Property Fund	1,271	(30)	1,241
Neighbourhood Planning Grant	65	(35)	30
IER Grant	34	(11)	23
Traffic Regulation Order Consolidation	5	(5)	-
MTFP Transitional Funding	-	120	120

Reserve			
<b>TOTAL:</b>	<b>11,064</b>	<b>(305)</b>	<b>10,760</b>

4.11 It is recommended that the forecast underspend for 2016/17, plus any changes to this position at year-end, are transferred to the Transformation Reserve.

#### **4 2017/18 REVENUE BUDGET: NET COST OF SERVICES**

- 5.1 The revenue budgets for 2017/18 have been prepared jointly by Heads of Service and budget holders in partnership with Strategic Finance.
- 5.2 As part of the Finance and Business Planning process Strategic Finance have worked with budget holders to identify and remove any contingency amounts contained within 2016/17 budgets.
- 5.3 Salary budgets are prepared on a zero-based approach, best described as starting from scratch. The budget for each employee has been adjusted to take into account an assumed 1% pay increase (subject to national negotiation).
- 5.4 The 2017/18 budget for Net Cost of Services is £14.607m This is a £448k increase compared to the 2016/17 original budget, the movement from the 2016/17 budget to 2017/18 budget is shown in **Essential Reference Paper D**.
- 5.5 The budgets shown above do not include internal recharges of Divisional and Support Costs required by the CIPFA Service Reporting Code of Practice (SerCOP) nor do they include capital charges.
- 5.6 Internal recharges of central support services such as Human Resources, Strategic Finance and IT to the end users of the service are a reappportionment of costs which have a nil impact on the Net Cost of Services but allow the calculation of the total cost of provision of services including overhead costs.
- 5.7 Capital charges are notional charges for the use of capital assets which are required for the annual Statement of Accounts but which do not require a source of funding. These charges will be calculated and included in the budget book before the start of the 2017/18 financial year.
- 5.8 Salary budgets: The total salary budget is £12.755m for 2017/18. The following assumptions and key movements have been incorporated

into the figures:

- A 2% vacancy factor is included in salary budgets, with a value of £256k, to take into account savings made through vacant posts and staff turnover. This is consistent with the vacancy factor applied in 2016/17.
- National Insurance contribution rates are included at the following rates: pay up to £8k at 0%; pay between £8k and £40k at 10.4%; pay of £40k and over at 13.8%.
- Employer's Pension Fund contributions have increased from 16.6% to 19.0% as a result of the triennial Pension Fund valuation completed in 2016/17. Salary budgets have been adjusted to include the increased cost of £222k in 2017/18. This will be funded from the General Reserve in 2017/18 and added to the base budget requirement from 2018/19 onwards.
- Included in the total salary budget are posts funded through use of reserves and increased income totalling £348k.

**5.9** Significant changes that have been included in the preparation of the 2017/18 Budget for Net Cost of Services are described in **Essential Reference Paper F**.

5.10 Price inflation: The 2017/18 budgets have been prepared according to the inflation assumptions shown in **Essential Reference Paper E**.

## **5 2017/18 REVENUE BUDGET: GROWTH AND SAVINGS**

6.1 **Essential Reference Paper F** shows the revenue budget growth and savings proposals for 2017/18. Growth and savings proposals have been classified into items that have already been built into the 2017/18 budget and those that are to be built in following approval by the Executive.

6.2 The net impact of these proposals are savings of £728k. £317k of these proposals are built into the revenue budgets shown in table 1 above. There is £411k still to be built in to the 2017/18 budgets.

## **6 2017/18 REVENUE BUDGET: SCHEDULE OF CHARGES**

7.1 The proposed Schedule of Charges for 2017/18 is set out in **Essential Reference Paper G**.

7.2 The fees and charges budgets included in the 2016/17 Net Cost of Services totalled £1.885m. An overall increase of 2.5% across all

fees and charges budgets is assumed in the MTFP resulting in 2017/18 assumed fees and charges budgets of £1.932m. The fees and charges budgets proposed for 2017/18 total £1.947m resulting in a favourable position in the MTFP.

- 7.3 As part of the Finance and Business Planning process, Heads of Service and budget holders were asked to carefully assess their fees and charges budgets, in particular to ensure that where the charging basis is 'cost recovery' that costs are actually recovered by the income received.
- 7.4 The impact of Council approving the proposed Schedule of Charges will result in a total fees and charges budget of £1.947m as detailed in Table 6.



**Table 6: Changes to fees and charges budgets 2017/18**

	Fees & Charges Budget 2016/17 £'000	Impact of Changes in Volume £'000	Impact of proposed fees & charges £'000	Fees & Charges Budget 2017/18 £'000
Hertford Theatre	(160.0)	4.0	-	(156.0)
Residents Parking	(104.3)	(4.5)	-	(108.8)
Parking Season Tickets	(62.5)	(1.5)	(16.8)	(80.8)
Waste Collection	(775.0)	(7.0)	(19.6)	(801.6)
Pest Control	(39.2)	1.2	(1.2)	(39.2)
Markets	(73.0)	1.0	(0.4)	(72.4)
Licences Environmental Health	(16.4)	-	(0.4)	(16.8)
Environmental Health Promotions	(3.0)	-	(0.1)	(3.1)
Hackney Carriage licences	(139.6)	-	(3.5)	(143.1)
Hostels	(120.0)	-	-	(120.0)
Bed & Breakfast	(10.0)	(5.0)	(0.4)	(15.4)
Development & Building Control	(80.0)	(26.0)	(14.0)	(120.0)
Land Charges	(272.5)	32.5	-	(240.0)
Legal Fees	(30.0)	-	-	(30.0)
<b>TOTAL:</b>	<b>(1,885.5)</b>	<b>(5.3)</b>	<b>(56.4)</b>	<b>(1,947.2)</b>

NB: Income budgets are shown as negative values in brackets

## **7 2017/18 REVENUE BUDGET: CORPORATE BUDGETS**

- 8.1 New Homes Bonus Priority Spend Fund: Current Council policy is to allocate 25% of New Homes Bonus grant received to be used for in-year Member-led economic development initiatives. The amount to be allocated in 2017/18 is £890k. This amount will be transferred to the Priority Fund Reserve and drawn down during the year as required.
- 8.2 New Homes Bonus grant payment to Parish and Town Councils: Current Council policy, as agreed in 2011/12, is to transfer 25% of the New Homes Bonus grant received to Parish and Town Councils to contribute to local projects and initiatives. The amount to be allocated in 2017/18 is £890k, a decrease of £11.5k (1.2%) in comparison to 2016/17.
- 8.3 Contingency Budget: It is proposed that the contingency budget is set at £150k for 2017/18 and future years within the MTFP. This is in line with the 2016/17 allocation and at 1% of Net Cost of Services is considered prudent.
- 8.4 Interest payments: There are fixed payments of £662k against two

loans which have been included in the MTFP remaining unchanged from 2016/17 to 2019/20. The loans total £7.7m of which £6m falls due in 2020. There will be no change to interest payments until 2020/21 when one of the loans is due for repayment. Repayment of this loan will result in a part year reduction of £439k in 2020/21 (the full year impact of £527k will be realised in 2021/22). This change is reflected in the MTFP. The cost of repaying these loans early is prohibitive due to early redemption clauses however officers continue to review this position.

8.5 **Interest Income:** The 2017/18 interest income budget is £1.084m. The forecast outturn position for 2016/17 is £920k. The 2017/18 budget is £182k higher than the 2016/17 budget and represents additional income from the Councils investment in two property funds. Income from investments and interest is difficult to predict given recent events following the referendum vote to leave the EU and uncertainty over the Bank of England interest rates.

8.6 **Annual Pension Fund Deficit Payment:** This is the annual contribution the council pays to the Pension Fund. The Local Government Pension Fund (LGPS) undergoes a financial valuation every three years, carried out by the scheme actuary Hymans Robertson LLP. The triennial valuation is an assessment of the financial health of the Pension Fund and the results are used to determine the contributions the council will need to pay to the Fund in order that the deficit can be bridged over a 20 year period. The valuation in 2016 showed the Pension Fund investments have performed better than expected over the three year period (a return of 22.2% compared to forecast 15.1%). In order to continue to stabilise Pension Fund payments it is proposed that the council will pay an additional £96k per annum until 2019/20 when the next valuation will take place funded from the General Reserve. The MTFP has been updated to include a £696k Pension Fund Deficit Payment beyond 2019/20 in order to be prudent. In addition the employer Pension Fund contribution on salary payments will increase from 16.6% to 19.0% from 2017/18, referred to in paragraph 5.8 above.

## **8 2017/18 REVENUE BUDGET: CONTRIBUTIONS TO/FROM RESERVES**

9.1 **General Reserves:** The MTFP assumes that £318k will be utilised in 2017/18 to fund additional pension costs.

9.2 **Earmarked Reserves:** It is recommended that £1,187k of Earmarked Reserves shown in Table 7 below are used to fund the 2017/18 Revenue Budget.

**Table 7: Proposed use of Reserves in 2017/18**

Earmarked Reserve	Amount to be used in 2017/18 £'000	Reason for the use of the Reserve
Local Development Plan	(237)	To pay for staffing and other costs of producing and consulting on the Local Plan.
Transformation Reserve	(237)	To fund items as agreed by Leadership Team and Executive
NHB Priority Fund Reserve	(207)	To fund items as agreed by Leadership Team and Executive
Collection Fund Reserve	(408)	To fund the council's share of the 2016/17 Collection Fund deficit – see paragraph 10.5
MTFP Transition Funding Reserve	(98)	To fund increase in NDR costs
<b>Subtotal (Earmarked Reserves):</b>	<b>(1,187)</b>	
General Reserve	(222)	To fund increase in Pension Fund contribution rate from 165.6% to 19.0%
General Reserve	(96)	To fund increase in Pension Fund contribution rate from 165.6% to 19.0%
<b>Total:</b>	<b>(1,409)</b>	

9.3 In addition, it is proposed to contribute £177k to the following Reserves as shown in Table 8.

**Table 8: Proposed additions to Earmarked Reserves in 2017/18**

Earmarked Reserve	Amount to add in 2017/18 £'000	Reason for the contribution to Reserve
MTFP Transition Funding Reserve	120	To fund future revenue spend
Provision for future whole Council elections	28	To pay for the costs of whole Council and national elections in future years.

Housing Condition Survey Reserve	14	To fund future House Condition Surveys
Neighbourhood Planning Grant	10	To fund future planning costs
TRO Consolidation	5	To fund the EHDC contribution to the biennial TRO consolidation exercise
<b>Total:</b>	<b>177</b>	

9.4 The Council has a policy to transfer 25% of all New Homes Bonus grant received to the New Homes Bonus Priority Spend Reserve, as described in paragraph 8.1. This will result in a contribution of £890k in 2017/18. This is shown as a separate line in the MTFP so is excluded from the table above.

9.5 Further information on the Council's Reserves can be found in Section 14 of this report

## 9 2017/18 REVENUE BUDGET: SOURCES OF FUNDING

10.1 The following paragraphs detail the funding that the council expects to receive in 2017/18 along with the assumptions that have been made in calculating these budgets.

10.2 **Revenue Support Grant:** The Minister for Local Government announced the provisional settlement for local government finance in Parliament on 15 December 2016. East Herts allocation is £351k, a reduction of £794k (70%) from 2016/17, which is in line with the MTFP and the four year settlement agreed with DCLG.

10.3 **Non Domestic Rate Income (NDR):** The income budget of £1.975m is based on the following assumptions:

- Growth in non-domestic properties: there is no growth in the number of non-domestic properties for next year as there isn't any readily available data to predict future business growth in the District with certainty
- Rate multiplier: Inflation on the Business Rate Multiplier for 2017/18 is assumed to be 0.8% (in line with September 2016 RPI)
- Appeals; The Council has a provision for successful appeals, given the Governments deadline of 31 March 2015 for backdated appeals this was substantially increased in 2014/15.

Assuming this is accurate the impact on future years should be limited to the cost of new appeals in each year. Some prudence has been built into 2015/16 estimate by building in a 1% reduction in income forecast

- The Autumn Statement confirmed that Small Business Rate Relief would be continued in 2017/18. The cost to the council of this relief is zero as there will be a compensating Section 31 grant.
- Within Autumn Statement 2015 the government proposed to revise the NDR system to increase the percentage retained by local government from 50% to 100%. There is a great deal of uncertainty on the impact of this reform on East Herts and it is likely to coincide with reforms of other sources of funding including the removal of Revenue Support Grant and transferring additional responsibilities to local government.

10.4 **Section 31 Grant:** The budget of £522k is based on the government's formula for calculating the grant owed to council's arising from their policy decisions on rate reliefs. The formula has been applied to our NDR projections. As described above there will be an increase in the grant received due to the continuation of Small Business Rate Relief with a corresponding reduction in NDR received.

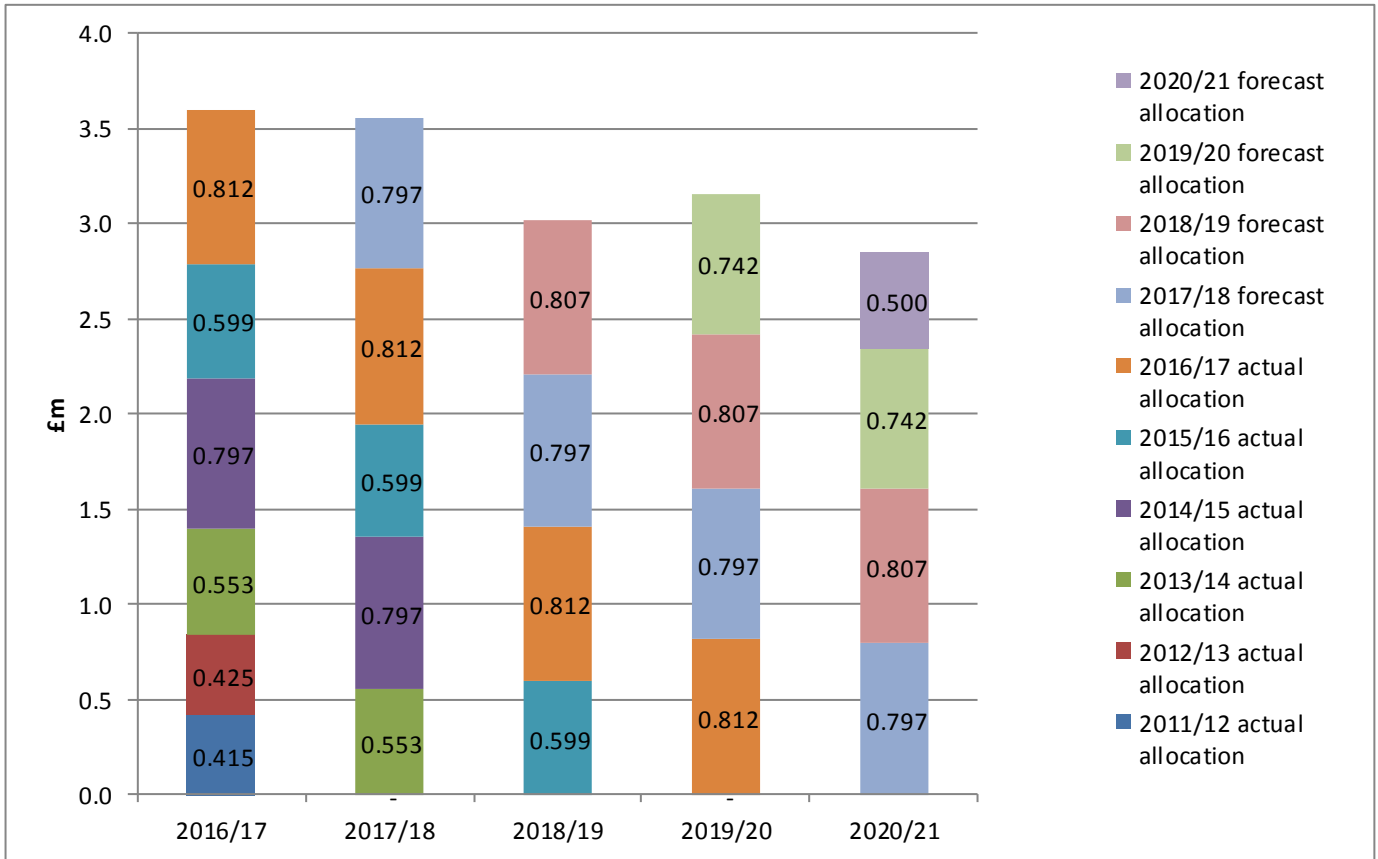
10.5 **Collection Fund:** There is an anticipated deficit of £408k on the Collection Fund as a result of the forecast deficit for 2016/17 on NDR and a surplus on Council Tax. This amount represents East Herts share of the deficit and it is recommended that the deficit is funded by the Collection Fund Reserve as shown in Table 7 above.

10.6 **New Homes Bonus (NHB):** The Minister for Local Government announced several changes to the NHB scheme in the provisional settlement for local government finance on 15 December 2016. These include:

- NHB payments will be made for 5 years rather than 6 years for 2017/18. The impact of this is a reduction in NHB of £425k in 2017/18;
- NHB payments will be made for 4 years from 2018/19 onwards. The impact of this is a reduction of £1.4m from 2018/19 onwards;
- The Government will consider withholding NHB where a local plan is not in place from 2018/19;

- A baseline of 0.4% will be implemented from 2017/18. Only growth above this baseline will attract NHB payments and the baseline may be adjusted in future years. The impact of this was a reduction in NHB in 2017/18 of £407k.

10.7 The total NHB allocation for East Herts in 2017/18 is £3.559m, comprising allocations from several years as shown in Chart 3. This allocation includes the changes detailed above and is above the forecast allocation of NHB for 2017/18 modelled in the MTFP.



**Chart 3: New Homes Bonus allocations**

## 10 2017/18 REVENUE BUDGET: COUNCIL TAX DEMAND

11.1 The formal resolution of the Council Tax for 2017/18 (including preceptor amounts), as required by the Local Government Finance Act 1992, will be considered by Council on 1 March 2017. This report only considers the East Herts share of the Council Tax demand.

11.2 District Councils retain the flexibility to increase Council Tax by less than 2% or up to and including £5 (whichever is higher) without triggering a referendum. The DCLG have amended their assumptions on Council Tax generation by increasing the tax base in future years

and by assuming that all local authorities will increase council tax by 1.99% (the previous assumption was 1.75%).

- 11.3 The income received from Council Tax is the net figure after paying Council Tax subsidies. It has been assumed that the amounts paid out in subsidies in 2017/18 will not change from the current financial year as the volume of claims has levelled off and is not increasing.
- 11.4 It is recommended that a 2% increase is made to the East Herts element of the Council Tax demand for 2017/18 with Band D Council Tax set at £159.09 (2016/17: £155.97). This increase of £3.12 is equivalent to an increase of 6p per week per Band D household. The maximum that East Herts could increase Council Tax by, without triggering a local referendum, is £5.
- 11.5 An increase of 1% in the Council Tax demand raises an additional £90k in 2017/18 and £360k cumulatively over the period of the MTFP. Consequently, a decrease of 1% in the Council Tax demand would cost the Council £90k in 2017/18 and £360k cumulatively over the period of the MTFP.

## 11 CAPITAL PROGRAMME 2016/17 (REVISED) TO 2020/21

- 12.1 **Revised Capital Forecast for 2016/17:** The forecast outturn for the 2016/17 capital programme is £5.078m which is £469k above the 2016/17 budget. Details of the movements which make up this forecast are shown in the paragraphs below.
- 12.2 Details on the movement of the Capital Programme are monitored and reported quarterly to Executive via the Healthcheck report. A summary of the movements in 2016/17 are shown in Table 9.

**Table 9: Capital Programme movements in 2016/17**

	£'000
Original budget	4,609
Addition of capital schemes slipped from 2015/16	291
New schemes approved during the year included in the 2016/17 capital programme	1,256
Savings made in capital scheme budgets	(2,327)
Overspends currently forecast in capital schemes	1,249
<b>Forecast outturn:</b>	<b>5,078</b>

- 12.3 Slippage on significant capital projects during 2016/17 will be

considered at the end of the financial year. Movements against the 2016/17 capital programme are reported through the Healthcheck.

- 12.4 The capital programme contains a number of rolling schemes which are included in the programme without the submission of a capital bid for funding. Officers have agreed that these schemes should be subject to review every three years with the current rolling scheme budgets included until 2019/20. For these schemes to be funded from 2020/21 onwards a capital funding bid will be required to be submitted. These funding bids will be submitted as part of next year's budget process and it is expected that the 2020/21 capital programme requirement will increase.
- 12.5 The council is also likely to undertake significant capital schemes within the medium term, e.g. Old River Lane. These schemes are not yet developed enough to allow an estimated budget to be included in the capital programme.
- 12.6 The complete proposed capital programme can be found in **Essential Reference Paper H** including schemes already approved in previous years. Table 11 describes how the capital programme will be funded and further details can be found in **Essential Reference Paper I**.

**Table 11: Capital Programme funding 2016/17 to 2020/21**

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Capital Programme	5,078	3,387	2,648	1,861	650
To be funded by:					
Capital Receipts	2,890	800	500	500	500
Government Grants	530	293	293	293	-
Third party grants, contributions and Section 106	708	124	440	-	-
Revenue contribution	276	26	26	26	-
Internal funding	674	2,144	1,389	1,042	150
External borrowing	-	-	-	-	-
<b>TOTAL:</b>	<b>5,078</b>	<b>3,387</b>	<b>2,648</b>	<b>1,861</b>	<b>650</b>



- 12.7 The funding by capital receipts is reliant on the sale of council property which are reviewed on a regular basis. There is a risk that the council may not achieve the estimated receipt from the sale or that the receipt is delayed. In such cases there would be additional internal funding of the capital programme.
- 12.8 The Council currently funds a large proportion of the capital programme through internal funding, i.e. the use of cash balances. This funding approach reduces the amount of cash available to invest and therefore costs the council approximately £14k in reduced interest income for every £1m spent on the capital programme.
- 12.9 **Prudential Code Implications:** The council is required under the Local Government Act 2003 to 'have regard' to the requirements of the CIPFA Prudential Code which requires that certain performance indicators and limits known as Prudential Indicators are calculated. The Prudential Indicators must be approved by Council before the beginning of each financial year. Their purpose is to help the council ensure that its capital investment plans are affordable, prudent and sustainable.
- 12.10 It is recommended that the capital programme being proposed in this budget report is affordable, prudent and sustainable. No new borrowing is required to fund the capital programme. The relevant Prudential Indicators show that the ratio of finance costs (borrowing) to the net revenue stream is low (1.45% to 4.49%) and the incremental impact of financing the new capital programme is an average of £9.70.

**Table 12: Prudential Indicators 3 and 4 estimates**

	2017/18	2018/19	2019/20	2020/21
Ratio of finance costs to net revenue stream	4.42%	4.49%	4.35%	1.45%
Incremental impact of financing decisions on Band D Council Tax	£12.02	£11.67	£11.48	£3.63

## 12 MEDIUM TERM FINANCIAL PLAN

- 13.1 The MTFP is found in **Essential Reference Paper B**. The MTFP position was last reported to Executive on 6 September 2016.
- 13.2 The MTFP model and assumptions are assessed and revised throughout the year with particular attention being paid to the announcements made in the Budget on 16 March 2016, the Autumn

Statement on 23 November 2016 and the Local Government Settlement on 15 December 2016.

- 13.3 The Council Tax base has been monitored throughout the year. Any emerging increases or decreases in the tax base have been modelled and the resultant impact included within the MTFP.
- 13.4 The Finance and Business Planning process has identified future funding proposals and potential savings that could be developed in future years. An assessment of historic trend patterns has been undertaken in order to reduce future underspends and ensure that resources are directed to reflect the priorities of the Council. Any growth or savings proposals that result from this process must be contained within the resources available to the Council as set out in the MTFP.
- 13.5 The Investment Strategy has been revised to ensure that the return on investment achieved is optimised based on market expectations and performance whilst maintaining the required security and liquidity within the council's investment portfolio. The MTFP has been updated to reflect the impact on the interest income received in particular with reference to the investment of £20m in Property Fund Unit Trusts.
- 13.6 There are likely to be significant changes over the period of the MTFP to the funding sources of local government as a result of changes announced by the Chancellor in the Autumn Statement. The MTFP has been prepared based on the best information available at the time and subject to expert advice. Once the details of these changes are known the MTFP will be updated.

### **13 REVIEW OF THE COUNCIL'S RESERVES**

- 14.1 Reserves are either usable or unusable. Unusable reserves arise from statutory accounting transactions and cannot be used to fund revenue or capital expenditure. This report only considers the Council's usable reserves. The Council's Reserves Policy is included in **Essential Reference Paper J**.
- 14.2 A summary of Earmarked Reserve balances forecast for 2016/17 and over the course of the MTFP are included in **Essential Reference Paper J**.

### **14 ADVICE FROM THE SECTION 151 OFFICER**

- 15.1 Section 25 of the Local Government Act 2003 requires the Statutory Section 151 Officer (Head of Strategic Finance and Property) to give advice to Council on the levels of reserves held and the robustness of

the budgets at the time Council makes its decision on the budget proposals.

15.2 It is the advice of the Head of Strategic Finance and Property that these budget proposals are prudent, sensible and robust. In determining the budget proposals:

- Funding sources have been extensively modelled
- A zero-based salary budget has been produced
- The Housing Benefits Subsidy budget has been reviewed; the council's largest area of expenditure and income
- The MTFP model and assumptions have been considered and refreshed
- The council's Earmarked and General Reserves have been reviewed
- The revenue impact of the capital programme has been considered
- The contributions towards the Pension Fund deficit have been assessed following the triennial actuarial valuation
- The key financial risks facing the council have been identified and assessed
- The budget proposals meet the requirements of the Local Government Finance Act 1997 for a balanced revenue position
- Proposals have been made in line with council policy to try and minimise the financial impact of budget proposals on East Herts residents by proposing limited Council Tax increases over the life of the MTFP. In addition the Council Tax Support scheme remains unchanged and increases to fees and charges are minimal.

15.3 Throughout this report attention has been drawn to the uncertainty of the local government funding regime and the potential impact on East Herts. The assumptions made in the preparation of this report and the MTFP are based on the best information available at the time.

15.4 East Herts has a relatively healthy financial position compared to many other councils and the proposals in this report aim to maintain this position.

## **15 IMPLICATIONS/CONSULTATIONS**

16.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper A**.

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## ESSENTIAL REFERENCE PAPER 'A'

### IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate)</i> :	Priority 1 – Improve the health and wellbeing of our communities  Priority 2 – Enhance the quality of people's lives  Priority 3 – Enable a flourishing local economy  The report proposes the budget for the Council in 2017/18 and the medium term financial plan which contributes to all the Corporate Priorities.
Consultation:	Member training and briefings have been undertaken as part of the Finance and Business Planning process.
Legal:	There are no legal implications.
Financial:	There are no direct financial implications arising from the report.
Human Resource:	No specific implications arise from this report
Risk Management:	The Budget report considers emerging risks to the funding the Council receives and sets out the mitigation of those risks.
Health and wellbeing – issues and impacts:	No specific implications arise from this report.

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# ESSENTIAL REFERENCE PAPER B

## REVENUE BUDGET - MEDIUM TERM FINANCIAL PLAN

### Summary Model - Budget Report 2017/18

2015/16 Outturn	2016/17 Budget	2016/17 Forecast Outturn	2017/18	2018/19	2019/20	2020/2021
£'000	£'000	£'000	£'000	£'000	£'000	£'000

<b>Net Cost of Services</b>	<b>16,157</b>	<b>14,159</b>	<b>14,877</b>	<b>14,607</b>	<b>14,496</b>	<b>15,105</b>	<b>15,339</b>
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#### Financial Planning

Efficiency Savings - Existing plans	-	-	-	-	(399)	(874)	(874)
Efficiency savings - to be identified	-	-	-	-	(229)	(229)	(229)
Efficiency savings (one off) - to be identified	-	-	-	-	(445)	-	(4)
Fees & Charges Annual Review	-	-	-	(56)	(102)	(150)	(312)

#### Corporate Budgets

New Homes Bonus Priority Spend	660	901	901	890	754	790	712
NHB Grants to Town & Parish Councils	699	901	901	890	754	790	712
Contingency Budget	-	150	14	150	150	150	150
Interest Payments	686	662	662	662	662	662	223
Interest & Investment Income	(1,089)	(902)	(920)	(1,084)	(1,090)	(1,277)	(1,177)
RCCO	1,001	25	25	26	26	26	26
Pension Fund Deficit Contribution	483	600	600	696	696	696	696
<b>Net Expenditure</b>	<b>18,597</b>	<b>16,495</b>	<b>17,060</b>	<b>16,780</b>	<b>15,272</b>	<b>15,688</b>	<b>15,262</b>

#### Reserves

Contributions to Earmarked Reserves	1,609	1,227	829	177	232	332	646
Contributions from Earmarked Reserves	(4,486)	(2,174)	(1,784)	(1,187)	(316)	(279)	(10)
Use of General Reserve	(124)	-	-	(318)	(96)	(96)	(96)
<b>Net Expenditure after reserves</b>	<b>15,595</b>	<b>15,548</b>	<b>16,105</b>	<b>15,453</b>	<b>15,092</b>	<b>15,645</b>	<b>15,802</b>

#### Funding

Revenue Support Grant	(2,057)	(1,145)	(1,145)	(351)	-	-	-
Council Tax Freeze Grant	(95)	-	-	-	-	-	-
NDR	(2,385)	(1,956)	(1,956)	(1,975)	(1,886)	(1,948)	(1,948)
Section 31 Grants	(820)	(712)	(712)	(522)	(533)	(548)	(548)
(Surplus)/Deficit on Collection Fund	1,368	917	360	408	-	-	-
Other general grants	(9)	(120)	(120)	(120)	-	-	-
New Homes Bonus	(2,798)	(3,602)	(3,602)	(3,559)	(3,016)	(3,159)	(2,847)
<b>Demand on Collection Fund</b>	<b>8,801</b>	<b>8,930</b>	<b>8,930</b>	<b>9,334</b>	<b>9,657</b>	<b>9,990</b>	<b>10,459</b>

Council Taxbase	56,425	57,254	57,254	58,674	59,511	60,353	61,952
<b>Council Tax at Band D (£)</b>	<b>155.97</b>	<b>155.97</b>	<b>155.96</b>	<b>159.09</b>	<b>162.28</b>	<b>165.52</b>	<b>168.83</b>

<b>Percentage Increase in Council Tax</b>	<b>(1.00%)</b>	<b>0.00%</b>	<b>0.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>
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### KEY VARIANCES FROM THE 2016/17 ORIGINAL BUDGET

#### **Strategic Finance & Property:**

Following the senior management restructure the salary budget has been aligned with the new structure resulting in a £177k predicted underspend.

Redundancies in Communications, Strategy and Policy of £133k are shown against the corporate budgets in Strategic Finance these will be funded from the salary underspend mentioned above.

The Council is replacing its financial management system, consultants have been bought in to provide guidance and assistance. This will cost £39k in 2016/17 and will be funded through use of the Transformation reserve.

Consultation costs for the Bishops Stortford town centre planning framework are £95k in 2016/17. This will be funded through use of the priority spend reserve.

The management fees for the property funds that the Council has invested in are lower than budgeted, resulting in a £50k underspend in 2016/17. This is a saving item on the MTFP for future years.

The budget for the office space that the Council uses at Charringtons House is forecast to be overspent by £52k as part of the office space is no longer sublet to Circle Anglia Housing Association.

An overspend of £43k is anticipated in respect of the rent that the Council receives as landlord of Charringtons House due to office space remaining vacant for longer than expected.

#### **Housing and Health:**

An underspend of £169k is reported against the Environmental Health Promotion budget. Part of this budget is funded by a contribution from HCC and part from EHC, the profile of this expenditure has altered from when the budget was set in February 2016 resulting in an underspend in 2016/17.

The total fee for Pole hole site works has increased, this is due to the requirements of additional equipment at the site as ground conditions were worse than originally anticipated and an increase in time taken for

works to be carried out. This has resulted in a £35k cost in 2016/17.

### **Democratic & Legal:**

There are increased salary costs of £70k in Democratic and Legal Services due to the use of agency staff, staff appointment expenses, overtime payments and redundancy costs.

Income from land charges is expected to be £33k below the 2016/17 budget due to less activity in the housing market.

### **Planning & Building Control:**

An overspend of agency staff costs of £163k in Development management are partially offset by a £50k underspend against the salary budget and £31k additional income

### **Operations:**

It is anticipated that pay and display income from car parks will be 5% above the 2016/17 budget, resulting in an additional £143k of income. This is due to car park usage being greater than assumed when the budget was set. This increase in income is in line with the 2015/16 outturn position

Consultants have been engaged to carry out an off street parking need survey, to identify future parking provision requirements in the district. This is estimated to cost £33k and is to be funded through the additional pay and display income as per the paragraph above.

It is anticipated that £70k less income will be distributed to EHC from HCC in 2016/17 with regards to the Alternate Financial Model (AFM) which allocates funding to the districts across Hertfordshire based on the level of waste diverted from landfill. This is a complex formula based on the levels of waste recycled and sent to landfill at East Herts and the other districts, which results in variations from the budget.

A change to the disposal of dry recyclable materials resulting in a gate fee being charged rather than income being generated is expected to lead to an overspend of £74k in 2016/17

### **Shared Revenues & Benefits:**

An increase in the summons costs recovered of £77k is reported. This is in line with the outturn position for 2015/16 and is reflected in the changes to the MTFP for 2017/18.

Total £'000	Chief Executive & Directors £'000	Communications, Strategy & Policy £'000	Human Resources & Organisational Development £'000	Strategic Finance & Property £'000	Democratic & Legal Services £'000	Housing and Health £'000	Planning & Building Control £'000	Operations £'000	Shared Revenues & Benefits Service £'000	Shared Business & Technology Service £'000
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<b>2016/17 Budget</b>	<b>14,159</b>	<b>466</b>	<b>1,165</b>	<b>469</b>	<b>1,445</b>	<b>1,102</b>	<b>2,407</b>	<b>1,045</b>	<b>4,490</b>	<b>273</b>	<b>1,299</b>
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Growth	<b>863</b>	-	-	119	151	26	39	90	388	50	-
Savings	<b>(1,591)</b>	-	(57)	(5)	(554)	(5)	(58)	(55)	(562)	(219)	(75)
Additional posts funded from reserve	<b>129</b>	-	-	-	-	-	-	129	-	-	-
Additional NNDR costs following revaluation	<b>100</b>	-	-	-	-	-	-	-	100	-	-
Removal of capital income shown as revenue	<b>293</b>	-	-	-	-	-	293	-	-	-	-
Housing benefit net reduction in subsidy	<b>224</b>	-	-	-	-	-	-	-	-	224	-
AFM reduction	<b>30</b>	-	-	-	-	-	-	-	30	-	-
Contract inflation	<b>169</b>	-	-	-	-	-	-	-	169	-	-
Other minor budget adjustments	<b>35</b>	16	(71)	(29)	86	63	(48)	(11)	36	(6)	(1)
Salary capitalisation	<b>(26)</b>	-	-	-	-	-	(26)	-	-	-	-
Additional Pension Fund Contributions	<b>221</b>	8	16	6	25	15	25	34	35	56	-

<b>2017/18 Budget</b>	<b>14,607</b>	<b>490</b>	<b>1,053</b>	<b>560</b>	<b>1,153</b>	<b>1,201</b>	<b>2,632</b>	<b>1,232</b>	<b>4,686</b>	<b>378</b>	<b>1,223</b>
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Planning assumptions for 2017/18 Budget Report:

<b>FACTOR</b>	<b>NOTE</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Council Tax Increase		2.00%	2.00%	2.00%	2.00%
Pay Settlement	1	1.75%	1.75%	1.75%	1.75%
Members' Allowances	2	1.00%	1.00%	1.00%	1.00%
Price inflation	3	1.70%	2.20%	2.00%	2.00%
Contract inflation	4	1.70%	2.20%	2.00%	2.00%
Council Tax Base	5	1.00%	1.00%	1.00%	1.00%
Fees and Charges	6	2.50%	2.50%	2.50%	2.50%

Notes:

1. Based on continued pay restraint through the life of the MTFP period. Includes an annual 0.75% increase to allow for increments and local award.
2. Members' allowances are set by an Independent Remuneration Panel but for MTFP planning purpose this is assumed to be in line with officer pay awards.
3. Price inflation is based upon OBR inflation forecasts for future years as at March 2016 (CPI).
4. Contract inflation is based upon OBR inflation forecasts for future years as at March 2016 (CPI).
5. Council Tax base increases have been calculated using trend information. Further revisions may occur once certainty around the scale and timing of future developments becomes clear.
6. Fees and Charges are assumed to increase by 2.5% year on year. This may be achieved through a combination of appropriate price increases or new sources of income being identified.

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Savings/Income/Growth proposals

NB: Savings/Income are negative values,  
Growth items are positive values

Head of Service	Service Area	Portfolio Holder	Brief Description  Heading in <b>BOLD</b> - Description in normal font	Revenue Budget Financial Impact				Capital Investment £'000	Workforce Impact	Impact on other services	Equalities Impact
				2016/17 Budget	2017/18	2018/19	2019/20				
				£'000	£'000	£'000	£'000				
Chief Executive	Council-wide		<b>Senior Management Restructure</b>		(199)	-	-	-	High		Low
Planning & Building Control	DM	Suzanne Rutland-Barsby	<b>Enforcement</b> - proactive service		20	-	-	-	Med	Minimal	Low
Revenues & Benefits SS		Geoff Williamson	<b>Summons Costs income - income from raising summons for non payment of council tax and Business rates</b>		(80)	-	-	-	Low	None	
Revenues & Benefits SS		Geoff Williamson	<b>50% of the Reduction in staff (4) planned from resizing business case -</b>		(60)	-	-	-	Med	None	
Communications, Strategy & Policy	All	Geoff Williamson	<b>Restructure Service</b> - final proposals to be made to LT 22 August. Savings to be realised Q4 onwards.	-	(15)	-	-	TBC (redundancy)	High	Will improve offer	High
Communications, Strategy & Policy	Economic Development	Gary Jones	<b>Restructure Service</b> - final proposals to be made to LT 22 August. Savings to be realised Q4 onwards.		(10)			TBC (redundancy)	Med		Med
Communications, Strategy & Policy	Communications	Linda Haysey	<b>Reduce Link from 4 copies to 3 copies per annum</b>		(7)				Low	some impact upon communicating council activities	Med
Strategic Finance & Property		Geoff Williamson	<b>Restructure Service</b> - report to follow to LT on 8 Aug & estimated to require additional resource	-	139	-	-		Med		Low
Strategic Finance & Property	Insurance	Geoff Williamson	<b>Contract retender</b> - savings from new insurance contract	-	(64)	-	-		Low		Low
Legal & Democratic Services	Elections		<b>Electoral Services Assistant</b>	-	26	-	-				
Operations	Parking	Gary Jones	<b>Increase budget to reflect current levels of income generation through Pay and Display</b>	-	(87)	-	-		Low	None	Low
Operations	Parking	Gary Jones	<b>Remove Smart Card concession</b> for 5hr and long stay P&D parking	-	(33)	-	-		Low	None	Low
Operations	Parking	Gary Jones	<b>Remove(concession) RingGo scheme</b> - no longer required as Pay on Exit parking enabled	-	(10)	-	-		Low	None	Low
Operations	Parking	Gary Jones	Introduction of Saturday parking charge at Wallfields	-	(20)	-	-				
HR & Organisational Development	Council-wide	Suzanne Rutland-Barsby	<b>Apprentices</b> - salary cost of additional apprentices	-	70	-	-		Low		Low
Housing & Health	Housing Options		<b>Housing Options officer</b>		11						
Revenues & Benefits SS	Council Tax	Geoff Williamson	<b>Subsidy Grant</b> - Adjust council tax admin subsidy grant		50	50	50				

Page 40 Head of Service	Service Area	Portfolio Holder	Brief Description Heading in BOLD - Description in normal font	Revenue Budget Financial Impact				Capital Investment £'000	Workforce Impact	Impact on other services	Equalities Impact
				2016/17 Budget £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000				
				Operations	Leisure	Eric Buckmaster	<b>Leisure Contract</b> - reduction in contract expenditure				
Director	Council-wide	Geoff Williamson	<b>Council Accomodation</b> - review accomodation needs of Council and workforce implications		-	-	-		High	Low	
Planning & Building Control	Building Control	Tony Jackson	<b>Joint Service</b>	28	10	(29)	(46)		High	Minimal	Low
Planning & Building Control	DM	Suzanne Rutland-Barsby	<b>DM Fees</b> - national increase and potential self set fees		(40)	(10)	(10)		Low	Minimal	Low
Planning & Building Control	DM	Suzanne Rutland-Barsby	<b>Pre-app fees</b> - premium charges		(10)	(20)	-		Med	Minimal	Med
Planning & Building Control	DM	Suzanne Rutland-Barsby	<b>Staffing resources</b> - process improvement		-	(30)	-		Med	Minimal	Low
Planning & Building Control	Planning Policy	Linda Haysey	<b>Staffing resources</b> - post DP adoption		-	(30)	-		Med	Minimal	Med
Planning & Building Control	DM	Suzanne Rutland-Barsby	<b>Joint Service</b> - administration		-	-	(30)		High	Minimal	Med
Housing & Health	Housing	Eric Buckmaster	<b>Starter Homes</b> - management								
Strategic Finance & Property	Assets	Geoff Williamson	<b>New Developments</b> - unadopted site management								
Planning & Building Control	Appeals & Consultancy	Suzanne Rutland-Barsby			60	-	-				
Revenues & Benefits SS		Geoff Williamson	<b>LTE Premium</b> - EHC share, - if members vote to introduce this premium charged on LTE properties		(12)	-	-		Low	None	
Revenues & Benefits SS		Geoff Williamson	<b>Reduction of empty homes discounts</b> - if members vote to remove these disocunts		(14)	-	-		Low	None	
Revenues & Benefits SS		Geoff Williamson	<b>Changing collection rate by 0.25%</b> - increase collectable % of taxbase		(22)	-	-		Low	None	
Revenues & Benefits SS		Geoff Williamson	<b>Changing risk delay on taxbase</b> - revise risk assessment on taxbase assumptions		(26)	-	-		Low	None	
Communications, Strategy & Policy	Consultation	Geoff Williamson	<b>Cease residents survey</b>		(8)	-	-		Low	Nil	Low
Operations	Markets	Gary Jones	<b>Reduce cost to Council (phased Approach)</b>		-	-	-		Low	Nil	Low



Head of Service	Service Area	Portfolio Holder	Brief Description  Heading in BOLD - Description in normal font	Revenue Budget Financial Impact				Capital Investment £'000	Workforce Impact	Impact on other services	Equalities Impact
				2016/17 Budget	2017/18	2018/19	2019/20				
				£'000	£'000	£'000	£'000				
Communications, Strategy & Policy	Communications	Linda Haysey	<b>Cease Gov Delivery -</b>	-	(12)	-	-	-	Low	Small	Low
Business & Technology SS	Print	Graham McAndrew	<b>Delivery of specialist/bulk print from an external agency</b> - potentially as part of process to review post handling.	-	(25)	-	-	Minor	Med	Need to ensure that we have contingencies to print documents required urgently in-house. Saving will be about £50K in total but shared with SBC	Low
Business & Technology SS	Corporate	Geoff Williamson	<b>Digital East Herts</b> Corporate programme to drive more efficient customer focused service delivery enabled through improved on-line services. This will include reviewing the hosting arrangement for EHC websites.	-	(50)	(200)	(250)	Major	High	Will be a corporate programme. Will impact upon the way that all services operate.	High
Strategic Finance & Property	Post Room & Couriers	Geoff Williamson	<b>Mail Solution</b> - Centralise outgoing and incoming mail with print solution & reduction in FTE required to deliver service. Delivers large postal cost saving	-	(150)	-	-	TBC	High	Efficiencies delivered thru not having to print & envelope post	Low
Strategic Finance & Property	Property & FM	Geoff Williamson	<b>Wallfields Parking</b> - charge annual £120 fee for Wallfields parking permit	-	-	-	-	-	High		Low
Strategic Finance & Property	Property & FM	Geoff Williamson	<b>Lone Working Solution</b> - Funding for Corporate solution (currently funded from reserve)	-	12				Low		Low
Strategic Finance & Property	Property & FM	Geoff Williamson	<b>Treasury Management Fees</b> - reduction in TM fees as Property Fund transactions are complete	-	(50)				Low		Low
Strategic Finance & Property	Property & FM	Geoff Williamson	<b>Stationary</b> - centralise stationary budgets and provide one location on each floor with stationary	-	(10)	-	-	-	Low		Low
Strategic Finance & Property	Assets & Estates	Geoff Williamson	<b>Old River Lane</b> - Future increase is income from further development of site	-	-	-	-	TBC	Low		Med
Strategic Finance & Property	Assets & Estates	Geoff Williamson	<b>Old River Lane</b> - Temporary parking income on No 1 site	-	(76)	-	-		Low		Low
Strategic Finance & Property	Assets & Estates	Geoff Williamson	<b>Housing/Development Co</b> - acquisition &/or development of properties for rent	-	(33)	(53)	(41)	1,527	Low		Low
Operations	Parking	Gary Jones	<b>Additional P&amp;D costs</b> (merchant fees, license)	-	72	-	-	-	Low	None	Low
Operations	Parking	Gary Jones	<b>Increase P&amp;D Tariffs.</b> Increases to car parking rates	-	(225)	-	-	-	Low	None	Low
Operations	Parking	Gary Jones	Elimination of Subsidy - Buntingford and Sawbridgeworth	-	(15)	(15)	-				
Operations	Parking	Gary Jones	Reduction in printing P&D tickets	-	(6)	-	-				
Operations	Parking	Gary Jones	<b>Car Park Cleansing</b>	-	20	-	-	-			

Page 42 Head of Service	Service Area	Portfolio Holder	Brief Description  Heading in BOLD - Description in normal font	Revenue Budget Financial Impact				Capital Investment £'000	Workforce Impact	Impact on other services	Equalities Impact
				2016/17 Budget	2017/18	2018/19	2019/20				
				£'000	£'000	£'000	£'000				
Operations	Parking	Gary Jones	<b>Procurement Consultancy</b>	-	13	-	(13)	-			
Operations	Parking	Gary Jones	<b>Footway and Grass verge parking</b> (enforcement)	-	12	-	-	-			
Operations	Parking	Gary Jones	<b>Jackson Sq security</b>	-	5	-	-	-			
Operations	Parking	Gary Jones	<b>Park Mark Award</b>	-	3	-	-	-			
Operations	Parking	Gary Jones	<b>Introduction of Shared Use parking</b> (in Bishop Stortford)	-	25	(25)	-	-			
Operations	Parking	Gary Jones	<b>Wifi</b> at Jackson Sq Car Park	-	5	-	-	-			
Operations	Parking	Gary Jones	<b>Review of RPZ</b> - in Hertford and Ware	-	-	20	(20)	-			
Operations	Parking	Gary Jones	<b>Contract Costs</b>	-	-	-	100	-			
Operations	Waste Services	Graham McAndrew	<b>Shared Service</b> -	-	-	-	(200)	-	Med	Work reduction for some support services due to NHDC being the Administrative Authority	
Operations	Waste Services	Graham McAndrew	<b>Replacement bins</b> - maintenance and replacement of waste containers, trade waste bins and litter bins based on customer demand (remove capital budgets)	-	139	-	-	-	Low	Low	
Operations	Waste Services	Graham McAndrew	<b>Cost of recycling/sale of materials</b> due to market pressures	75	-	20	-	-			
Operations	Waste Services	Graham McAndrew	<b>Paper waste revenue</b>	-	(93)	-	-	-			
Operations	Leisure Services	Eric Buckmaster	<b>New Contract</b> - Reduction in contract management fee following capital investment and new contract	-	-	-	(230)	2,000	Low	No additional impact other than support from Estates for development work	
Housing & Health	Pest Control	Graham McAndrew	<b>Efficiencies from review/ceasing service</b>	-	-	-	(45)	-	High	Possible increased workload for Env Health	
Operations	Hertford Theatre	Eric Buckmaster	<b>Review subsidy</b> - review subsidy provided to HT to aim for self sufficiency	-	-	-	-	-			
Operations	Hertford Theatre	Eric Buckmaster	<b>Increase booking handling fee</b>	-	(20)	-	-	-			
Operations	Waste Services	Graham McAndrew	<b>Increase transport costs</b>	-	42	-	-	-			
Operations	Waste Services	Graham McAndrew	<b>Environment Agency permit</b>	-	12	-	-	-			

Head of Service	Service Area	Portfolio Holder	Brief Description	Revenue Budget Financial Impact				Capital Investment	Workforce Impact	Impact on other services	Equalities Impact
				2016/17 Budget	2017/18	2018/19	2019/20				
Heading in BOLD - Description in normal font				£'000	£'000	£'000	£'000	£'000			
Housing & Health	CCTV Trading Co	Eric Buckmaster	<b>Increased income</b> - from expanding size of business	-	(20)	(5)	(5)	-	Low		Low
HR & Organisational Development	Council-wide	Suzanne Rutland-Barsby	<b>Apprentices</b> - cost of apprenticeship levy	-	49	(21)	-	-	Low		Low
Planning & Building Control			<b>Service restructure</b>								
Housing & Health	Community Safety		<b>PCSO's</b>		28						
Operations	Grounds Maintenance	Graham McAndrew	<b>Contract retender</b> -consultation for new contract		40	(40)					
	Council-wide	Geoff Williamson	<b>Line-by-line Budget Review</b>		(40)	-	-	-			

<b>TOTAL :</b>	103	(728)	(388)	(740)	3,527
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**CHANGES ALREADY INCLUDED IN MTFP:**

Planning & Building Control	Building Control	Suzanne Rutland-Barsby	<b>Development Management</b> - income decreases	-	-	125	-	Low		Low
Operations	Hertford Theatre	Geoff Williamson	<b>Hydro Scheme income</b> as a result of electricity generation on site	-	(11)	-	-	Low		Low
Housing & Health	Housing	Eric Buckmaster	<b>Condition Survey</b>	-	-	50	-			

<b>TOTAL:</b>	-	-	(11)	175	-
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<b>OVERALL TOTAL:</b>	-	(728)	(399)	(565)	(1,691)
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Operations

Basis of Charge	Unit of Charge	2016/17 Charge	2017/18 Charge	Year on Year Variance	VAT
		£	£	%	

HIRE CHARGES FOR HERTFORD THEATRE

WEEKDAYS Auditorium am (9am to 1pm)	Discretionary	264.00	264.00	0.00%	E
WEEKDAYS Auditorium am per hour	Discretionary	66.00	66.00	0.00%	E
WEEKDAYS Auditorium pm (1pm to 6pm)	Discretionary	405.00	405.00	0.00%	E
WEEKDAYS Auditorium pm per hour	Discretionary	81.00	81.00	0.00%	E
WEEKDAYS Auditorium Evening (6pm to midnight)	Discretionary	546.00	546.00	0.00%	E
WEEKDAYS Auditorium Evening per hour	Discretionary	91.00	91.00	0.00%	E
WEEKDAYS Auditorium 9am-6pm (discounted rate)	Discretionary	569.00	569.00	0.00%	E
WEEKDAYS Auditorium 1pm-midnight (discounted rate)	Discretionary	801.00	801.00	0.00%	E
WEEKDAYS Auditorium 9am-midnight (discounted rate)	Discretionary	1,015.00	1,015.00	0.00%	E
WEEKDAYS Studio am (9am to 1pm)	Discretionary	100.00	100.00	0.00%	E
WEEKDAYS Studio am per hour	Discretionary	25.00	25.00	0.00%	E
WEEKDAYS Studio pm (1pm to 6pm)	Discretionary	125.00	125.00	0.00%	E
WEEKDAYS Studio pm per hour	Discretionary	25.00	25.00	0.00%	E
WEEKDAYS Studio Evening (6pm to midnight)	Discretionary	150.00	150.00	0.00%	E
WEEKDAYS Studio Evening per hour	Discretionary	25.00	25.00	0.00%	E
WEEKDAYS Studio 9am-6pm (discounted rate)	Discretionary	200.00	200.00	0.00%	E
WEEKDAYS Studio 1pm-midnight (discounted rate)	Discretionary	250.00	250.00	0.00%	E
WEEKDAYS Studio 9am-midnight (discounted rate)	Discretionary	350.00	350.00	0.00%	E
WEEKDAYS River Room am (9am to 1pm)	Discretionary	100.00	100.00	0.00%	E
WEEKDAYS River Room am per hour	Discretionary	25.00	25.00	0.00%	E
WEEKDAYS River Room pm (1pm to 6pm)	Discretionary	125.00	125.00	0.00%	E
WEEKDAYS River Room pm per hour	Discretionary	25.00	25.00	0.00%	E
WEEKDAYS River Room Evening (6pm to midnight)	Discretionary	150.00	150.00	0.00%	E
WEEKDAYS River Room Evening per hour	Discretionary	25.00	25.00	0.00%	E
WEEKDAYS River Room 9am-6pm (discounted rate)	Discretionary	200.00	200.00	0.00%	E
WEEKDAYS River Room 1pm-midnight (discounted rate)	Discretionary	250.00	250.00	0.00%	E
WEEKDAYS River Room 9am-midnight (discounted rate)	Discretionary	350.00	350.00	0.00%	E
WEEKDAYS Foyer am (9am to 1pm)	Discretionary	100.00	100.00	0.00%	E
WEEKDAYS Foyer am per hour	Discretionary	25.00	25.00	0.00%	E
WEEKDAYS Foyer pm (1pm to 6pm)	Discretionary	125.00	125.00	0.00%	E
WEEKDAYS Foyer pm per hour	Discretionary	25.00	25.00	0.00%	E
WEEKDAYS Foyer Evening (6pm to midnight)	Discretionary	150.00	150.00	0.00%	E
WEEKDAYS Foyer Evening per hour	Discretionary	25.00	25.00	0.00%	E

Operations

	Basis of Charge	Unit of Charge	2016/17 Charge	2017/18 Charge	Year on Year Variance	VAT
			£	£	%	
WEEKENDS AND BANK HOLIDAYS Auditorium am (9am to 1pm)	Discretionary		324.00	324.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Auditorium am per hour	Discretionary		81.00	81.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Auditorium pm (1pm to 6pm)	Discretionary		455.00	455.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Auditorium pm per hour	Discretionary		91.00	91.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Auditorium Evening (6pm to midnight)	Discretionary		780.00	780.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Auditorium Evening per hour	Discretionary		130.00	130.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Auditorium 9am-6pm (discounted rate)	Discretionary		679.00	679.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Auditorium 1pm-midnight (discounted rate)	Discretionary		1,085.00	1,085.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Auditorium 9am-midnight (discounted rate)	Discretionary		1,359.00	1,359.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Studio am (9am to 1pm)	Discretionary		100.00	100.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Studio am per hour	Discretionary		25.00	25.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Studio pm (1pm to 6pm)	Discretionary		125.00	125.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Studio pm per hour	Discretionary		25.00	25.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Studio Evening (6pm to midnight)	Discretionary		150.00	150.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Studio Evening per hour	Discretionary		25.00	25.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Studio 9am-6pm (discounted rate)	Discretionary		200.00	200.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Studio 1pm-midnight (discounted rate)	Discretionary		250.00	250.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Studio 9am-midnight (discounted rate)	Discretionary		350.00	350.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS River Room am (9am to 1pm)	Discretionary		100.00	100.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS River Room am per hour	Discretionary		25.00	25.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS River Room pm (1pm to 6pm)	Discretionary		125.00	125.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS River Room pm per hour	Discretionary		25.00	25.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS River Room Evening (6pm to midnight)	Discretionary		150.00	150.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS River Room Evening per hour	Discretionary		25.00	25.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS River Room 9am-6pm (discounted rate)	Discretionary		200.00	200.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS River Room 1pm-midnight (discounted rate)	Discretionary		250.00	250.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS River Room 9am-midnight (discounted rate)	Discretionary		350.00	350.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Foyer am (9am to 1pm)	Discretionary		100.00	100.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Foyer am per hour	Discretionary		25.00	25.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Foyer pm (1pm to 6pm)	Discretionary		125.00	125.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Foyer pm per hour	Discretionary		25.00	25.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Foyer Evening (6pm to midnight)	Discretionary		150.00	150.00	0.00%	E
WEEKENDS AND BANK HOLIDAYS Foyer Evening per hour	Discretionary		25.00	25.00	0.00%	E
WEEKLY Auditorium Mon - Sunday (amateur)	Discretionary		5,375.00	5,375.00	0.00%	E

Operations

	Basis of Charge	Unit of Charge	2016/17 Charge	2017/18 Charge	Year on Year Variance	VAT
			£	£	%	
WEEKLY Auditorium Mon - Sunday (professional)	Discretionary		6,750.00	6,750.00	0.00%	E
WEEKLY Studio Mon - Sunday	Discretionary		2,150.00	2,150.00	0.00%	E
WEEKLY River Room Mon - Sunday	Discretionary		2,150.00	2,150.00	0.00%	E
Concert Grand Piano	Discretionary	per 3 hours	135.00	135.00	0.00%	S
Piano Tuning	Discretionary		70.00	70.00	0.00%	S
Electric Piano	Discretionary		40.00	40.00	0.00%	S
LCD Projector & Screen	Discretionary		55.00	55.00	0.00%	S
Portable PA Unit	Discretionary		50.00	50.00	0.00%	S
Radio Mic	Discretionary		30.00	30.00	0.00%	S
Hand Radio Mic	Discretionary		5.50	5.50	0.00%	S
Cinema - Adults	Discretionary		5.83	5.83	0.00%	S
Cinema - Concessions	Discretionary		4.17	4.17	0.00%	S

Parking

Off Street Resident Season Ticket - Port Vale	Statutory		229.17	229.17	0.00%	S
Off Street Resident Season Ticket - Crown Terrace	Discretionary		1,026.00	1,026.00	0.00%	S
Off Street Resident Season Ticket - Baldock Street - Ware	Statutory		800.83	800.83	0.00%	S
Off Street Business Permit - Charrington's House BS Long Stay	Discretionary		693.00	1,030.54	48.71%	
On Street Resident Season Ticket - 1st Permit	Cost Recovery		36.00	36.00	0.00%	n/a
On Street Resident Season Ticket - 2nd Permit	Cost Recovery		72.00	72.00	0.00%	n/a
On Street Resident Season Ticket - 3rd Permit (only available where possible in B1 (Stansted Rd, BS), B2 (Dunmow Rd, BS), B3 (Windhill BS), B7 Chantry BS), W2 (Coronation Rd Ware))	Cost Recovery		72.00	72.00	0.00%	n/a
On Street Resident Season Ticket - Motorcycle permit	Cost Recovery		19.00	19.00	0.00%	n/a
On Street Resident Season Ticket - Contractor permit	Cost Recovery	per week	21.00	15.00	-28.57%	n/a
On Street Resident Season Ticket - Business permit	Cost Recovery	per annum	315.00	315.00	0.00%	n/a
On Street Resident Season Ticket - Carers/ Special permits (discretionary)	Cost Recovery		36.00	36.00	0.00%	n/a
On Street Resident Season Ticket - Vistors Vouchers	Cost Recovery	per hour	0.10	0.10	0.00%	n/a
On Street Resident Season Ticket - Vistors Vouchers	Cost Recovery	per hour pensioners	0.05	0.05	0.00%	n/a
On Street Resident Season Ticket - Charge for Temporary Dispensation from Parking Restrictions	Cost Recovery		15.00	15.00	0.00%	n/a
On Street Residents Parking Permits - Folly Island - 2nd Permit	Cost Recovery		55.00	55.00	0.00%	n/a
Penalty Charges issued under Regulation 9 of the General Regulations - Higher Level Penalty Charge - Paid within 21 days	Statutory	per PCN	35.00	35.00	0.00%	OS
Penalty Charges issued under Regulation 9 of the General Regulations - Higher Level Penalty Charge - Paid after 21 days	Statutory	per PCN	70.00	70.00	0.00%	OS
Penalty Charges issued under Regulation 9 of the General Regulations - Higher Level Penalty Charge - Paid after service of charge certificate	Statutory	per PCN	105.00	105.00	0.00%	OS
Penalty Charges issued under Regulation 9 of the General Regulations - Lower Level Penalty Charge - Paid within 21 days	Statutory	per PCN	25.00	25.00	0.00%	OS

Operations

	Basis of Charge	Unit of Charge	2016/17 Charge	2017/18 Charge	Year on Year Variance	VAT
			£	£	%	
Penalty Charges issued under Regulation 9 of the General Regulations - Lower Level Penalty Charge - Paid after 21 days	Statutory	per PCN	50.00	50.00	0.00%	OS
Penalty Charges issued under Regulation 9 of the General Regulations - Lower Level Penalty Charge - Paid after service of charge certificate	Statutory	per PCN	75.00	75.00	0.00%	OS
Penalty Charges issued under Regulation 10 of the General Regulations. - Higher Level Penalty Charge - Paid within 21 days	Statutory	per PCN	35.00	35.00	0.00%	OS
Penalty Charges issued under Regulation 10 of the General Regulations. - Higher Level Penalty Charge - Paid after 21 days	Statutory	per PCN	70.00	70.00	0.00%	OS
Penalty Charges issued under Regulation 10 of the General Regulations. - Higher Level Penalty Charge - Paid after service of charge certificate	Statutory	per PCN	105.00	105.00	0.00%	OS
Penalty Charges issued under Regulation 10 of the General Regulations - Lower Level Penalty Charge - Paid within 21 days	Statutory	per PCN	25.00	25.00	0.00%	OS
Penalty Charges issued under Regulation 10 of the General Regulations - Lower Level Penalty Charge - Paid after 21 days	Statutory	per PCN	50.00	50.00	0.00%	OS
Penalty Charges issued under Regulation 10 of the General Regulations - Lower Level Penalty Charge - Paid after service of charge certificate	Statutory	per PCN	75.00	75.00	0.00%	OS
Bishop's Stortford market traders' tariff - Link Road	Discretionary	per Thursday or Saturday	2.32	3.00	29.31%	S
Bishop's Stortford market traders' tariff - Northgate End	Discretionary	per Thursday or Saturday	2.32	3.00	29.31%	S
Bishop's Stortford market traders' tariff - Apton Road	Discretionary	per Thursday or Saturday	2.32	3.00	29.31%	S
Old London Road - Hertford - Market Traders	Discretionary	per day	3.00	3.00	0.00%	S
Old London Road - Hertford - Coach / Lorry tariff	Discretionary	per visit	12.50	12.50	0.00%	S

ANIMAL CONTROL

Stray dog with ID chip (unless first offence and dog is collected the same day)	Statutory	per dog	25.00	25.00	0.00%	n/a
Stray dog without ID chip	Statutory		25.00	25.00	0.00%	n/a
Stray dog collected			21.00	22.00	4.76%	n/a
Kennel Charges	Discretionary	per night	15.00	15.00	0.00%	n/a
ID chipping dogs (Ind)	Discretionary	per chip	17.50	18.33	4.74%	S
ID chipping dogs (Campaign)	Discretionary	per chip	9.17	9.17	0.00%	S
Small dead animal removal	Discretionary	per animal	34.16	35.00	2.46%	S
Assistance to third party organisations	Discretionary	per hour	29.16	30.00	2.88%	S
Provision of dog waste bag	Discretionary	per box of 5000	29.16	30.00	2.88%	S
Dog Fouling Sign	Discretionary	per sign	12.50	12.83	2.64%	S

Allotments

Allotments (25.3m <sup>2</sup> )	Discretionary	per annum	3.50	3.60	2.86%	n/a
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Outdoor Exercise Group Activities \*

Charges for personal trainers and organisations are levied to commercial organisations and individuals using EHC owned land for organised group activities where a charge is levied to participants either directly or through a membership scheme. These are ceiling prices and may be reduced at the discretion of the Head of Environmental Services for shorter time periods or where activities are undertaken in partnership with the Council in pursuit of corporate objectives relating to health and well being. These charges do not apply to the Council's own Leisure Services contractor.

Organisations - per site	Cost Recovery		1,230.00	1,260.00	2.43%	n/a
Personal Trainers - per trainer	Cost Recovery		461.25	475.00	2.98%	n/a



Operations

Basis of Charge	Unit of Charge	2016/17 Charge	2017/18 Charge	Year on Year Variance	VAT
		£	£	%	

**REFUSE COLLECTION - Commercial Refuse Collection**

Paid Collections (excl. HCC disposal costs)	Cost Recovery	medium	74.50	76.00	2.01%	S
Paid Collections (excl. HCC disposal costs)	Cost Recovery	large	154.00	157.00	1.95%	S
Mixed Heriditaments - charged according to the proportion of trade waste collected.	Cost Recovery		Individual charge			
Commercial Events - Cleansing / Refuse Collection	Cost Recovery	per hour	77.00	78.50	1.95%	S

**REFUSE COLLECTION - Domestic Refuse Collection**

Bulky Waste Collection - 1 Item	Cost Recovery	per collection	25.00	26.00	4.00%	n/a
Bulky Waste Collection - 2 Items	Cost Recovery	per collection	35.00	36.00	2.86%	n/a
Bulky Waste Collection - 3 Items	Cost Recovery	per collection	45.00	46.00	2.22%	n/a
Bulky Waste Collection - 4 Items	Cost Recovery	per collection	55.00	56.00	1.82%	n/a
Bulky Waste Collection - Load - small	Cost Recovery	per collection	65.00	66.00	1.54%	n/a
Bulky Waste Collection - Load - medium	Cost Recovery	per collection	95.00	97.00	2.11%	n/a
Bulky Waste Collection - Load - large	Cost Recovery	per collection	142.00	145.00	2.11%	n/a
Bulky Collection Cancellation Fee	Cost Recovery	per cancellation	10.00	10.00	0.00%	n/a

**REFUSE COLLECTION - Other**

Cleansing private land (Performance area - regular schedule)	Cost Recovery	per linear metre per annum	23.50	24.00	2.13%	S
Cleansing private land - ad hoc litter picking	Cost Recovery	per hour	74.00	75.50	2.03%	S
Abandoned Vehicles (end of life vehicles) surrendered and removed by LA	Cost Recovery	per vehicle	41.00	42.00	2.44%	S
Abandoned Vehicles (end of life vehicles) surrendered and removed by LA	Cost Recovery	per caravan	63.50	65.00	2.36%	S
Cleaning graffiti on private land (chemical cleaning only. Subject to damage waiver from land owner and site survey. Graffiti removal from private land is at the discretion of the Head of Environmental Services and will not be undertaken where there is a risk of damaging surfaces, traffic management requirements or significant health and safety implications. Individual charges may be waived at the discretion of the Head of Environmental Services as part of campaigns or in the interests of preventing or discouraging significant levels of crime and disorder)	Cost Recovery	per m <sup>2</sup>	55.00	55.00	0.00%	n/a
Cleaning graffiti - small items	Cost Recovery	per item	32.50	33.00	1.54%	n/a

**REFUSE COLLECTION - Clinical**

Charge per site	Statutory	per visit (max 26)	14.50	15.00	3.45%	S
Sharps containers	Statutory	per container	8.50	9.00	5.88%	S
Sacks - trade (infectious waste)	Statutory	per sack	5.20	5.75	10.58%	S
Sacks - domestic (infectious waste)	Statutory	per sack	0.90	1.25	38.88%	n/a
Sacks - trade (Offensive waste)	Statutory	per sack	3.00	3.55	18.33%	S
Sacks - domestic (Offensive waste)	Statutory	per sack	0.70	1.25	78.57%	n/a
Extra Sacks delivery charge	Statutory	per occasion	25.50	26.00	1.96%	n/a

**COMMERCIAL WASTE**

Operations

Basis of Charge	Unit of Charge	2016/17 Charge	2017/18 Charge	Year on Year Variance	VAT
		£	£	%	

Note: The below are 'ceiling' prices and subject to the discretion of the Head of Environmental Services. For these commercial waste collection services the minimum contract period is 3 months. A minimum of 3 months notice must be given by the customer to cancel the contract. In the event of the customer cancelling the contract or the Council terminating the contract for non-payment, no refund will be given for the service not supplied during the notice period

Commercial Waste Collection Services - sacks	Statutory	per 50	89.00	91.00	2.25%	E
Commercial Waste Collection Services - 240 litres	Statutory	per bin per annum	401.00	410.00	2.24%	E
Commercial Waste Collection Services - 340 litres	Statutory	per bin per annum	461.00	470.00	1.95%	E
Commercial Waste Collection Services - 660 litres	Statutory	per bin per annum	783.00	801.00	2.30%	E
Commercial Waste Collection Services - 1,100 litres	Statutory	per bin per annum	984.00	1,004.00	2.03%	E
Prescribed Waste Collection Service - Sacks	Statutory	per 50	51.00	52.00	1.96%	E
Prescribed Waste Collection Service - 240 litres	Statutory	per bin per annum	298.00	304.00	2.01%	E
Prescribed Waste Collection Service - 340 litres	Statutory	per bin per annum	318.00	325.00	2.20%	E
Prescribed Waste Collection Service - 660 litres	Statutory	per bin per annum	533.00	544.00	2.06%	E
Prescribed Waste Collection Service - 1,100 litres	Statutory	per bin per annum	577.00	589.00	2.08%	E
Prescribed Waste for Educational Establishments - Sacks	Statutory	per 50	51.00	52.00	1.96%	E
Prescribed Waste for Educational Establishments - 240 litres	Statutory	per bin per annum	270.00	276.00	2.22%	E
Prescribed Waste for Educational Establishments - 340 litres	Statutory	per bin per annum	302.00	308.00	1.99%	E
Prescribed Waste for Educational Establishments - 660 litres	Statutory	per bin per annum	493.00	503.00	2.03%	E
Prescribed Waste for Educational Establishments - 1,100 litres	Statutory	per bin per annum	533.00	544.00	2.06%	E
Bin removal & re-delivery charge following non-payment	Statutory	per occasion	25.50	26.00	1.96%	E
Extra sacks delivery charge	Statutory	per occasion	25.50	26.00	1.96%	E

PEST CONTROL

Payment for domestic premises is to be made by card at the time of booking. Cash/cheque payments are only to be offered if resident is unable to pay by card. Payment at the time of treatment is to be discouraged. This is due to the high cost of handling cash and cheque payments.

Commercial Premises - Rats & Mice	Discretionary	per hour or part hour	62.00	64.00	3.23%	S
Commercial Premises - Contract service available	Discretionary	per annum	individual price	individual price	n/a	S
Commercial Premises - Wasps	Discretionary	one nest job	51.50	53.00	2.91%	S
Commercial Premises - Ants	Discretionary	one nest job	51.50	53.00	2.91%	S
Commercial Premises - Additional nests	Discretionary	per add. nest	17.50	18.00	2.86%	S
Commercial Premises - Bed Bugs	Discretionary	per hour or part hour	62.00	64.00	3.23%	S
Commercial Premises - Fleas	Discretionary	per hour or part hour	62.00	64.00	3.23%	S
Commercial Premises - Cockroaches	Discretionary	per hour or part hour	62.00	64.00	3.23%	S
Commercial Premises - Squirrels	Discretionary	per hour or part hour	62.00	64.00	3.23%	S
Commercial Premises - Cluster Fly Infestation	Discretionary	per hour or part hour	62.00	64.00	3.23%	S
Commercial Premises - Visit for Advice ONLY	Discretionary	per hour	62.00	64.00	3.23%	S
Commercial Premises - Visit for Advice ONLY	Discretionary	per half hour	-	32.00	100.00%	S

Operations

	Basis of Charge	Unit of Charge	2016/17 Charge	2017/18 Charge	Year on Year Variance	VAT
			£	£	%	
Commercial Premises - Servicing of electronic fly killers	Discretionary	per annum	individual price	individual price	n/a	S
Commercial Premises - Sale of electronic fly killers	Discretionary	per unit	individual price	individual price	n/a	S
Commercial Premises - Pigeon / Bird Proofing	Discretionary	per job	individual price	individual price	n/a	S
Commercial Premises - Installation of air vent covers, proofing small holes	Discretionary	per job	individual price	individual price	n/a	S
Commercial Premises - Installation of bristle strips	Discretionary	per job	individual price	individual price	n/a	S
Commercial Premises - Supply and fit insect screens	Discretionary	per job	individual price	individual price	n/a	S
Domestic Premises - Rats A call out charge of £25 per job will be levied irrespective of whether rats are found. A 'job' can include up to 3 visits included in the call out price. No charge is recoverable where rats are reported in public places.	Discretionary	per job	50.00	50.00	0.00%	S
Domestic Premises - Mice	Discretionary	per job	50.00	50.00	0.00%	S
Domestic Premises - Wasps	Discretionary	one nest job	45.83	50.00	9.10%	S
Domestic Premises - Ants	Discretionary	one nest job	45.83	50.00	9.10%	S
Domestic Premises - Additional nests	Discretionary	per add. nest	17.50	18.33	4.74%	S
Domestic Premises - Cluster Fly Infestation	Discretionary	one job (up to 3 visits)	62.00	63.33	2.15%	S
Domestic Premises - Bed Bugs	Discretionary	one job (up to 3 visits)	170.84	175.00	2.44%	S
Domestic Premises - Bed Bugs	Discretionary	additional visits	61.93	63.33	2.26%	S
Domestic Premises - Squirrels	Discretionary	per job	79.44	83.33	4.90%	S
Domestic Premises - Fleas	Discretionary	per hour	83.33	83.33	0.00%	S
Domestic Premises - Cockroaches	Discretionary	per hour	50.00	50.00	0.00%	S
Domestic Premises - Visit for Advice ONLY	Discretionary	per half hour	21.60	25.00	15.74%	S
Domestic Premises - Return Visit Charge (rats & mice)	Discretionary	per job	61.93	63.33	2.26%	S
Domestic Premises - Installation of air vent covers, proofing small holes	Discretionary	per job	individual price	individual price		S
Domestic Premises - Installation of bristle strips	Discretionary	per job	individual price	individual price		S
Domestic Premises - Additional charge for a smoke test in drain (rodents)	Discretionary	per occasion	50.00	50.00	0.00%	S
Concessionary fee for residents in receipt of income related benefit - waived in cases of hardship at the discretion of the Head of Environmental Services	Discretionary	per job	12.50	15.00	20.00%	S

Markets

Hertford - Standard pitch 3m x 2.1m (10' x 7')	Discretionary	per pitch	21.80	21.80	0.00%	
Hertford - Casual Trader pitch 3m x 2.1m (10' x 7')	Discretionary	per pitch	26.00	26.00	0.00%	
Hertford - Additional space	Discretionary	per 0.3m (per sq ft)	1.20	1.20	0.00%	
Ware - Standard pitch 3m x 2.1m (10' x 7') Where five consecutive weeks are taken, the fifth week will be free.	Discretionary	per pitch	14.00	14.00	0.00%	E
Ware - Casual Trader pitch 3m x 2.1m (10' x 7')	Discretionary	per pitch	15.60	15.60	0.00%	E
Ware - Additional space	Discretionary	per 0.3m (per sq ft)	1.20	1.20	0.00%	E
Charity Stall - Any Market	Discretionary		10.90	10.90	0.00%	E
Electricity Fee Charges	Cost Recovery	per stall per day	3.10	3.20	3.22%	n/a

Operations

	Basis of Charge	Unit of Charge	2016/17 Charge	2017/18 Charge	Year on Year Variance	VAT
			£	£	%	
Market Licence - Commercial - up to 10 stalls	Discretionary		32.80	33.60	2.44%	n/a
Market Licence - Commercial - up to 11 - 30 stalls	Discretionary		54.90	56.30	2.55%	n/a
Market Licence - Commercial - up to 31plus stalls	Discretionary		114.25	117.20	2.58%	n/a
Market Licence - Charity	Discretionary		22.65	23.20	2.43%	n/a
Farmers Markets - Village	Discretionary		112.45	120.00	6.71%	E
Farmers Markets - Hertford (own stall)	Discretionary		23.55	-	-100.00%	E
Farmers Markets - Hertford (East Herts stall)	Discretionary		27.70	28.00	1.08%	E
Farmers Markets - Jackson Square	Discretionary	per quarter	1,511.90	1,550.00	2.52%	E



**EXISTING SCHEMES**

	Project Manager	2016/17 Original Budget £	2016/17 Revised Budget £	2017/18 Original Budget £	2018/19 Original Budget £	2019/20 Original Budget £	2020/21 Original Budget £
<b>Strategic Finance &amp; Property</b>							
<b>Compliance Works to Swimming Pools</b>							
Fabric improvements to Swimming Pools	S. Whinnett	40,000	20,000	20,000	-	-	-
Glazing & equalities access works to Swimming Pools	S. Whinnett	40,000	-	-	40,000	-	-
<b>Leventhorpe Swimming Pool, Sawbridgeworth *</b>							
Renew main supply fan to the main pool area	S. Whinnett	25,000	-	-	25,000	-	-
<b>Hartham Swimming Pool, Hertford</b>							
Refurbishment of Pool Filters to ensure the efficiency of the pools filtration plant operation & to maintain the pools water quality	S. Whinnett	25,000	25,000	-	-	-	-
<b>Grange Paddocks Swimming Pool, Bishop's Stortford</b>							
To treat laminated timber beams to ensure they are properly protected from high humidity & chemicals used in the treatment of the pool water	S. Whinnett & J. Earley	-	-	25,000	-	-	-
Grange Paddocks Teaching Pool - Replace existing handrail & tiles to walls, steps & base of pool	S. Whinnett & M. Kingsland	-	33,770	-	-	-	-
<b>Fanshawe Swimming Pool, Ware *</b>							
Refurbish/Replace Pool Filters, to maintain efficient operation of the pool filter & pool water quality	S. Whinnett	20,000	28,000	-	-	-	-
Replace Pool Circulating Pumps	S. Whinnett	20,000	-	20,000	-	-	-
Joint Provision Pools (Ward Freman, Leventhorpe & Fanshawe) - Replacement Air Conditioning to Offices	S. Whinnett	15,000	-	-	15,000	-	-
<b>OPERATIONAL BUILDINGS</b>							
Rolling programme for planned preventative capital maintenance of operational buildings	S. Whinnett & J. Earley	195,000	100,000	239,610	250,000	250,000	250,000
Hertford Theatre Entrance Lobby Roof - to replace the existing defective roof with new leak free, energy efficient roof and reduce overheating in the entrance lobby/ foyer area in summer months	S. Whinnett & J. Earley	18,800	18,800	-	-	-	-

**EXISTING SCHEMES**

	Project Manager	2016/17 Original Budget £	2016/17 Revised Budget £	2017/18 Original Budget £	2018/19 Original Budget £	2019/20 Original Budget £	2020/21 Original Budget £
Hertford Theatre - Flood Alleviation Works to Sump Pumps - To modify the existing sump pump installation to reduce the likelihood of any future flooding of the Theatre	S. Whinnett & J. Earley	20,000	20,000	-	-	-	-
Hertford Theatre - Emergency Lighting works to backstage areas	S. Whinnett & J. Earley	-	10,480				
Hertford Theatre - Replace Auditorium Roof	S. Whinnett & J. Earley	-	-	-	190,000	-	-
Buntingford Service Centre - Energy Saving Lighting - To replace the existing lighting in the recycling, workshop and storage area with energy efficient/low maintenance LED lighting	S. Whinnett & J. Earley	35,000	46,760	-	-	-	-
Library Car Park, Ware - to carry out drainage & resurfacing works to the annexe area of the public car park	S. Whinnett & J. Earley	-	19,680	-	-	-	-
Replacement of Chairs & Desks	T. Smith	10,000	4,400	10,000	10,000	10,000	
<b>Charringtons House 2nd Floor Suite Refurbishment</b>							
Maximise return from Council assets by generating rental income & business rates income for the Council once the suite is refurbished	A. Osborne	300,000	300,000	-	-	-	-
Demolition 1 The Causeway, B/S	S. Whinnett	-	600,000	-	-	-	-
<b>North Drive, Ware</b>							
Reconstruct road & drainage	A. Osborne	-	10,350	-	-	-	-
<b>Total Strategic Finance &amp; Property</b>		<b>763,800</b>	<b>1,237,240</b>	<b>314,610</b>	<b>530,000</b>	<b>260,000</b>	<b>250,000</b>

**Shared Business & Technology Services**

**IT Schemes**

Replacement Infrastructure (Note 1)	P. Wain	35,000	47,140	35,000	154,950	67,010	
Establishment of LES & internet links to replace MPLS	H. Lewis	-	24,050	-	-	-	-
Funding for Applications	P. Tyler	40,000	-	-	-	-	-



	Project Manager	2016/17 Original Budget £	2016/17 Revised Budget £	2017/18 Original Budget £	2018/19 Original Budget £	2019/20 Original Budget £	2020/21 Original Budget £
<b>EXISTING SCHEMES</b>							
Merging IT systems - Licensing & Env Health	J. Geall	-	48,900	-	-	-	-
Merging IT systems - Licensing & Env Health. Capital Salaries	J. Geall	-	25,380	-	-	-	-
Service Desk & Utilities	H. Lewis	-	25,090	-	-	-	-
Shared service print investment costs 50%	H. Lewis	-	20,500	-	-	-	-
Rolling programme to be utilised on ICT projects subject to ITSG review	H. Lewis	405,000	293,400	379,600	400,000	400,000	400,000
New HR & Payroll System	P. Tyler	-	55,000	-	-	-	-
Client Equipment	H. Lewis	-	15,290	-	-	-	-
Electoral Management Software		-	75,000	-	-	-	-
New Finance System	P. Gregory	175,000	175,000	125,000	-	-	-
New Asset Management System	P. Gregory	20,000	20,000	-	-	-	-
Revs & Bens EDM Solution	R. Brock	-	110,000	-	-	-	-
Car Park Data Warehousing	P. Tyler	-	22,000	-	-	-	-
Audio & Visual Equipment Council Chamber Wallfields	P. Wain	-	4,700	-	-	-	-
Audio & Visual Equipment Hertford Theatre	P. Wain	-	10,000	-	-	-	-
<b>Total Shared Business &amp; Technology Services</b>		<b>675,000</b>	<b>971,450</b>	<b>539,600</b>	<b>554,950</b>	<b>467,010</b>	<b>400,000</b>

<b>Operations</b>							
<b>Car Park Management System</b>							
To implement a cost effective car park management system for the Council to manage its car parks for the next 10 years	A. Pulham	340,000	340,000	-	-	-	-
<b>Open Space Improvements at the Wash, Hertford</b>							
Improved amenity for local residents and visitors to the town by enhancing this key area at the centre of Hertford (Note 13)	I. Sharratt	-	-	-	-	50,000	-
<b>Folly View Open Space Improvements, Hertford</b>							

**EXISTING SCHEMES**

	Project Manager	2016/17 Original Budget £	2016/17 Revised Budget £	2017/18 Original Budget £	2018/19 Original Budget £	2019/20 Original Budget £	2020/21 Original Budget £
Improved amenity for local residents and visitors to the town by providing an attractive open space for people to sit and enjoy the historic river frontage (Note 13)	I. Sharratt	-	-	-	-	15,000	
<b>Cannons Mill Lane Open Space Improvements, Bishop's Stortford</b>							
Improved amenity for local residents and future residents of Bishops Stortford North Development (Note 13)	I. Sharratt	-	-	-	-	30,000	
<b>Waytemore Castle, Bishop's Stortford</b>							
Open space improvements and historical conservation work	I. Sharratt	-	-	168,760	-	-	-
<b>Refurbishment of Hertford Theatre Café/Bar</b>							
The layout, design and equipment provision is in need of upgrade in order to meet the needs of our customers and maximise the potential for revenue generation	B. Cannell	50,000	50,000	-	-	-	-
Hertford Theatre replacement of 6 lighting hoists	B. Cannell	-	13,080	-	-	-	-
<b>Refuse Collection &amp; Recycling</b>							
Containers Replacement Programme	D. Allen	100,000	109,160	-	-	-	-
Replacement Litter Bins	D. Allen	5,500	7,370	-	-	-	-
Commercial Waste Bins	D. Allen	33,500	56,490	-	-	-	-
<b>Bell Street, Sawbridgeworth</b>							
Modernise the public convenience facilities, whilst providing storage space for Sawbridgeworth T C, relieving EHC of the ongoing revenue burden of this	D. Allen	-	-	67,400	-	-	-
<b>Hartham Pavilion Refurbishment</b>							
Create new public toilet space, redevelop existing café area, create functional changing area for footballers & incorporate meeting/training room. (Note 12)	M. Kingsland	-	94,550	-	-	-	-
<b>Provision of Play Equipment</b>							
Play equipment & infrastructure replacement	I. Sharratt	50,000	50,000	50,000	50,000	50,000	
<b>Open space improvements at Bishop's Park, Bishop's Stortford</b>							
Installation of a car park, footpath improvements & health/play facilities. (Note 2)	I. Sharratt	106,000	106,000	-	-	-	-





	Project Manager	2016/17 Original Budget £	2016/17 Revised Budget £	2017/18 Original Budget £	2018/19 Original Budget £	2019/20 Original Budget £	2020/21 Original Budget £
<b>EXISTING SCHEMES</b>							
<b>Woodland restoration at Presdales Recreation Ground, Ware</b>							
Installation of a circular walk, car park improvements & woodland restoration. (Note 3)	I. Sharratt	-	-	85,000	-	-	-
<b>Play Area Hartham Common, Hertford</b>							
Installation of new play equipment, landscape enhancements and ancillary improvements, to include bespoke seating areas and tree & shrub planting. (Note 4)	I. Sharratt	-	-	-	275,000	-	-
<b>Play Area The Bourne, Ware (Phase 2)</b>							
Installation of a fitness & play facility for older children & open space access improvements to include new footpath, new play equipment & tree planting. (Note 5)	I. Sharratt	-	47,700	-	-	-	-
<b>Play Area Grange Paddocks, Bishop's Stortford</b>							
Install new play area, to include new activity equipment & surfacing. New footpath & installation of new seating. (Note 6)	I. Sharratt	95,500	95,500	-	-	-	-
<b>Pishiobury Park, Sawbridgeworth</b>							
Wetland Habitat Project - improvements to boardwalk/paths permitting safe access to the wetland area of the park (Note 7)	I. Sharratt	-	12,180	-	-	-	-
<b>Hartham Common, Hertford</b>							
Potential projects include development of water play area, improvements to car parking & pedestrian access	I. Sharratt	25,000	-	25,000	-	-	-
<b>Buryfield Recreation Ground, Ware</b>							
Installation of play area to encourage healthy activity for younger children (Note 10)	I. Sharratt	-	2,760	-	-	-	-
<b>Energy Efficiency &amp; Carbon Reduction Measures</b>							
Installation of solar panels at Wallfields, Hertford	D. Thorogood/S. Whinnett	-	45,000	-	-	-	-
<b>Castle Weir Micro Hydro Scheme</b>							

**EXISTING SCHEMES**

	Project Manager	2016/17 Original Budget £	2016/17 Revised Budget £	2017/18 Original Budget £	2018/19 Original Budget £	2019/20 Original Budget £	2020/21 Original Budget £
To provide a small Hydro-electricity turbine in the river Lee at Hertford Weir. This is an invest to save project and will generate electricity providing power for Hertford Theatre and for sale to the Grid. The scheme is subject to a rigorous approval process by the Environment Agency for flood risk and protection of biodiversity	D. Thorogood	200,980	-	200,980	-	-	-
Bishop's Stortford Market Improvement Scheme	P. Pullin	22,650	1,520	42,410	-	-	-
<b>Total Operations</b>		<b>1,029,130</b>	<b>1,031,310</b>	<b>639,550</b>	<b>325,000</b>	<b>145,000</b>	<b>-</b>

**Housing & Health**

**River & Watercourse Structures**

Improve, maintain & renew structures along rivers and watercourses to alleviate possible flooding throughout the district.	G. Field	47,500	55,320	47,500	47,500	47,500	
Air Quality Capital Grant Scheme - Subway improvement works in Hertford to include bespoke artwork & signage (Note 1)	G. Field	-	1,130	-	-	-	

**Land Management Programme**

Land Management Asset Register & Associated Works	G. Field	50,000	63,920	50,000	50,000	50,000	
Land Management Programme - Land Management Asset Register & Associated Works. Capital Salaries	G. Field	-	8,090	-	-	-	
Air Pollution Monitoring Equipment	G. Field	-	19,830	-	-	-	

**Private Sector Improvement Grants**

Disabled Facilities (Note 2)	S. Winterburn	694,150	400,000	530,000	530,000	530,000	
Disabled Facilities - Discretionary	S. Winterburn	100,000	50,000	60,000	60,000	60,000	
Decent Home Grants	S. Winterburn	150,000	100,000	120,000	120,000	120,000	
Energy Grants	S. Winterburn	20,000	58,000	20,000	20,000	20,000	
Future Social Housing Schemes	L. Harris	820,740	-	820,740	-	-	
Ridgeway Scheme, Hertford (Network Homes)	L. Harris	-	250,000	-	250,000	-	



	Project Manager	2016/17 Original Budget £	2016/17 Revised Budget £	2017/18 Original Budget £	2018/19 Original Budget £	2019/20 Original Budget £	2020/21 Original Budget £
<b>EXISTING SCHEMES</b>							
Gladstone Road, Ware (Network Homes)	L. Harris	-	38,000	39,000	-	-	
Capital Salaries	P. Gregory	26,000	26,000	26,000	26,000	26,000	
<b>Community Capital Grants</b>							
To take forward the Council's priorities for people, place and prosperity, especially in rural areas of East Hertfordshire. Grants will be awarded for projects and items of equipment that provide new community facilities, or significantly improve valued existing ones, improve opportunities and bring positive change in your local area for the wider community.	C. Pullen	120,000	92,000	124,600	80,000	80,000	
<b>Total Housing &amp; Health</b>		<b>2,028,390</b>	<b>1,162,290</b>	<b>1,837,840</b>	<b>1,183,500</b>	<b>933,500</b>	<b>-</b>

<b>Planning &amp; Building Control</b>							
<b>Historic Building Grants</b>							
Enable grants to be offered to the owners of historic buildings to encourage their maintenance and upkeep	K. Steptoe	91,700	67,680	55,000	55,000	55,000	

<b>Communications, Strategy &amp; Policy</b>							
Revised website templates including new navigation, enhanced accessibility and device responsiveness	B. Wood	20,000	13,000	-	-	-	
Environmental Enhancements to East Herts town centres	P. Pullin	-	28,000	-	-	-	-
<b>Total Communications, Strategy &amp; Policy</b>		<b>20,000</b>	<b>41,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Director-led projects</b>							
Watton-at-Stone Parish Council - New Tennis Courts	A. Taylor	-	38,000	-	-	-	-
Bishops Stortford Town Council - path works on Sworders Field	A. Taylor	-	28,810	-	-	-	-

**EXISTING SCHEMES**

	Project Manager	2016/17 Original Budget £	2016/17 Revised Budget £	2017/18 Original Budget £	2018/19 Original Budget £	2019/20 Original Budget £	2020/21 Original Budget £
Improvements to The Wash, Maidenhead Street & Bull Plain, Hertford	A. Taylor	-	500,000	-	-	-	-
<b>Total Director-led projects</b>		-	<b>566,810</b>	-	-	-	-
<b>TOTAL</b>		<b>4,608,020</b>	<b>5,077,780</b>	<b>3,386,600</b>	<b>2,648,450</b>	<b>1,860,510</b>	<b>650,000</b>

\* Expenditure on Joint Use Pools 40% funding sought from HCC/schools as appropriate.

Funding for future years as follows (as agreed at 23.7.13 Exec):-

- 2017/18 - £35,000
- 2018/19 - £154,950
- 2019/20 - £67,010
- 2020/21 - £74,000

Note 1 - Fully funded from S106 monies

Note 2 - External funding yet to be identified

Note 3 - Potential funding to be explored from S106 & Forestry Commission incl. £85,000 from the old Hertford Police Station development.

Note 4 - Proposed that this is part funded by S106 agreements in the Hertford area totalling £190k

Note 5 - £6,488 funding from S106 Weston House Hospital, Ware.

Note 6 - Funded by £13,686 S106 monies (Firlands House, B/S & Whitehall Leys) with further potential S106 funding

Note 7 - This project will require match funding to maximise the potential of this project and this sum reflects provision for this.

Note 8 - Currently working with the Countryside Management Service to lever in external funding

Note 9 - Provision to attract external funding.

Note 10 - £50,750 funded from S106 monies

Note 11 - Agreed annual management fee reduction of £17,000 over 8 years. £24,700 funded from S106 (St. John's, Hertford)

Note 12 - Proposed that this is funded by S106 agreements in the Hertford area totalling £62k

Note 13 - Proposed that this is funded by S106 monies

**Capital Programme Funding Statement 2016/17 to 2020/21**

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Proposed Capital Programme</b>	<b>5,078</b>	<b>3,387</b>	<b>2,648</b>	<b>1,861</b>	<b>650</b>	<b>13,624</b>
<b>To be funded by:</b>						
<b>Capital Receipts:</b>						
Capital Receipts Bfwd	-	-	-	-	-	-
Capital Receipts New	2,890	800	500	500	500	<b>5,190</b>
<b>Capital Receipts Sub-total</b>	<b>2,890</b>	<b>800</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>5,190</b>
<b>Government grants:</b>						
DFG - specified capital grant (note 1)	530	293	293	293	-	1,409
<b>Third Party contributions:</b>						
HCC Air Monitoring	20	-	-	-	-	20
R&R Flood Grants ( DEFRA )	1	-	-	-	-	1
Hartham Pavilion (s106 monies)	62	-	-	-	-	62
Ridgeway Scheme (s106 monies)	250	-	250	-	-	500
Gldstone Rd Hsg scheme (s106)	38	39	-	-	-	77
WAS Tennis Courts (s106)	38	-	-	-	-	38
BS TC sworders path (s106)	29	-	-	-	-	29
Presdales walk (s106)	-	85	-	-	-	85
Play Area Hartham (s106)	-	-	190	-	-	190
Play Facility - The Bourne (s106)	6	-	-	-	-	6
Play Area GP (s106)	14	-	-	-	-	14
Hfd Town centre (s106 )	250	-	-	-	-	250
<b>Third Party Sub-total</b>	<b>708</b>	<b>124</b>	<b>440</b>	<b>-</b>	<b>-</b>	<b>1,272</b>
<b>Revenue Contribution</b>	<b>276</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>-</b>	<b>354</b>
<b>Internal Funding</b>	<b>674</b>	<b>2,144</b>	<b>1,389</b>	<b>1,042</b>	<b>150</b>	<b>5,399</b>
<b>Total Funding</b>	<b>5,078</b>	<b>3,387</b>	<b>2,648</b>	<b>1,861</b>	<b>650</b>	<b>13,624</b>

**Notes:**

- 1 With effect from 2015/16 Disabled Facilities Grant income will no longer be funded direct from the Government but will be distributed via Hertfordshire County Council under the Better Care Fund arrangements.

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## **East Herts Council Reserves Policy**

- 1.0 The Council's Reserves Policy
- 1.1 The current Reserves Policy was approved by Council at its meeting in February 2011.
- 1.2 The Policy sets out a maximum and minimum level of General Reserves. There is no maximum or minimum level set for Earmarked Reserves but the Policy states that they generally will be expected to be used within the period of the MTFP.
- 1.3 General reserves are a working balance to manage cash flows and limit the need for temporary borrowing and to provide a contingency for unforeseeable events and emergency spending. Earmarked reserves are set aside for a defined purpose to meet known or predicted future liabilities.
- 1.4 The minimum level of General Reserves to be held under the Policy is £3m: to be specific the sum of the General Fund and General Reserve (less any amount in the Building Control Account) should not normally be less than £3m.
- 1.5 The maximum level of general reserves is based on adding a basket of figures and proportions to give a quantum figure, as follows:

**Table 1: Calculation of the maximum level of general reserves to be held**

<b>CALCULATION</b>	<b>POSITION AS AT 31/03/16 £m</b>
40% of the budget requirement at start of year (2016/17: £8.930m)	3.572
2.5% of total assets in the last audited financial statements (2015/16: £130.073m)	3.252
The sum of future planned withdrawals and/or contributions to the general reserve in the last approved MTFP	0.000
Less any sum held as an insurance reserve	(1.010)
<b>TOTAL</b>	<b>5.814</b>

- 1.6 General Reserves at the end of the 2015/16 financial year stood at £5.044m, £0.770m within the Policy threshold.

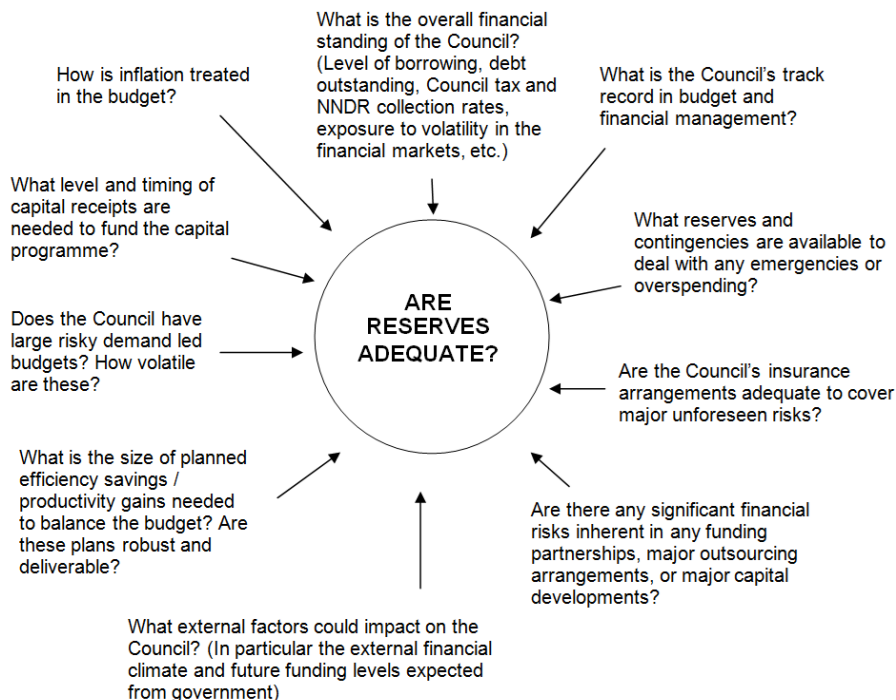
2.0 Why Councils need to hold Reserves

2.1 Reserves are an essential part of good financial management. They help Councils cope with unpredictable financial pressures, help them smooth the impact of known spending requirements over time, and help to fund any in-year overspending. The level, purpose, and planned use of reserves are important factors for elected Members and council officers to consider in developing medium-term financial plans and setting annual budgets.

2.2 There is no set formula for deciding what level of reserves is appropriate and councils are free to determine the level of reserves they hold. Where councils hold very low reserves there may be little resilience to financial shocks and sustained financial challenges. However where reserves are too high there may be opportunity costs involved in holding these reserves (for example a lack of investment in making service changes that could generate better outcomes for residents and/or increased savings or revenue generation for the Council).

2.3 The requirement for financial reserves is acknowledged in statute (Local Government Finance Act 1992). Full Council is responsible for approving the level of reserves and the Reserves Policy whilst the Section 151 Officer has a statutory duty to report publically to Council on the adequacy of reserves when calculating the annual budget requirement.

2.4 CIPFA issues guidance on reserves and the latest guidance (LAAP Bulletin 99) identifies the issues to consider in determining an appropriate level of reserves as follows:





3.0 Reporting of Reserves

3.1 As a minimum, the annual budget report and the final accounts report will set out opening balances, expected or actual transfers to and from reserves together with closing balances. The Head of Strategic Finance and Property as S151 officer will comment on the adequacy of reserves in those reports.

3.2 During the year the adequacy of reserves will be reviewed as part of the health check monitoring in the light of any significant budget variances. If the balance on general reserves appears likely to move outside of the minimum boundary the need for corrective action will be considered in the next planned health check report or earlier if the Council's S151 officer so requires.

4.0 Governance arrangements in respect of reserves (extracted from Financial Regulations (section 3.8))

4.1 In the event of a department underspend the Executive may establish an earmarked reserve and approve appropriations thereto where the purpose of that reserve is to defer expenditure included in a budget (or supplementary budget) approved by the Council where the expenditure in subsequent years will be in respect of the purpose for which the original budget (or supplementary budget) was approved.

4.2 Proposals to appropriate more than £100,000 to a single reserve or more than £500,000 in aggregate in any year beyond sums set out in the Medium Term Financial Plan shall be subject to the prior approval of the Council.

5.0 Current Reserve balances

5.1 The table below summarises the balances currently held in Earmarked Reserves:

**Table 2: Statement of Earmarked Reserve Balances**

	<b>Balance 31 March 2016 £000</b>	<b>Forecast 31 March 2017 £000</b>	<b>Forecast 31 March 2018 £000</b>	<b>Forecast 31 March 2019 £000</b>	<b>Forecast 31 March 2020 £000</b>	<b>Forecast 31 March 2021 £000</b>
Interest Equalisation Reserve	(1,514)	(1,214)	(1,214)	(1,214)	(1,214)	(1,214)
Insurance Fund	(1,010)	(1,010)	(1,010)	(1,010)	(1,010)	(1,010)
Emergency Planning Reserve	(36)	(36)	(36)	(36)	(36)	(36)
LDF/Green Belt Reserve	(399)	(249)	(12)	(12)	(12)	(12)
Housing Condition Survey Reserve	(71)	(75)	(89)	(103)	(67)	(81)
Council Elections Reserve	(5)	(28)	(55)	(83)	(10)	(38)
Sinking fund - Leisure Utilities / Pension Reserve	(228)	(228)	(228)	(228)	(228)	(228)
Performance Reward Grant Reserve	(11)	-	-	-	-	-
Waste Recycling Income Volatility Reserve	(300)	(300)	(300)	(300)	(300)	(300)
Footbridge Reserve	(150)	(150)	(150)	(150)	(150)	(150)
Transformation Reserve	(2,402)	(2,421)	(2,184)	(2,020)	(1,891)	(1,890)
DCLG Preventing Repossessions	(28)	(18)	(18)	(18)	(18)	(18)
New Homes Bonus Priority Spend	(3,551)	(3,730)	(4,413)	(5,167)	(5,957)	(6,669)
Collection Fund Reserve	(483)	(423)	(15)	(200)	(485)	(877)
DEFRA Flood Support	(37)	-	-	-	-	-
Commercial Property Fund	(1,271)	(1,241)	(1,241)	(1,241)	(1,241)	(1,241)
Neighbourhood Planning	(65)	(30)	(40)	(40)	(40)	(40)
IER	(34)	(23)	(23)	(23)	(23)	(23)
Traffic Regulation Order Consolidation Reserve	(5)	-	(5)	-	(5)	-
MTFP Transition Fund Reserve	-	(120)	(141)	-	-	-
<b>Total</b>	<b>(11,600)</b>	<b>(11,386)</b>	<b>(11,194)</b>	<b>(11,777)</b>	<b>(12,508)</b>	<b>(13,538)</b>

## ESSENTIAL REFERENCE PAPER K

### STRESS TEST: FINANCIAL RISKS FACING THE COUNCIL

RISK CRITERIA USED IN ASSESSING ADEQUACY OF RESERVES	COMMENTARY ON EAST HERTS POSITION	RISK RATING
The treatment of pay and price inflation in the budget	Estimated pay and price inflation is fully provided in service budgets so low risk of services overspending due to inflationary pressures. A 1% increase in pay or price inflation equates to £110k.	LOW
Estimates of the level and timing of capital receipts to fund the capital programme	Capital receipts not yet received are taken into account when financing the capital programme. The anticipated use in 2016/17 is £2.9m which could be funded internally if the capital receipts are not generated.	MEDIUM
The level of demand led pressures and volatile/risky budgets	<p>Council Tax Support scheme: The number of claimants seems to be relatively stable at present. Medium term demand will depend a lot on the national/local economy and as the population ages the cost of the scheme will rise. Each 1% increase in CTS equates to £8k.</p> <p>CT Collection rate remains stable but dependent on state of local economy.</p> <p>NDR income remains volatile as the amount we collect is dependent on the number of appeals made.</p> <p>Housing Benefits: we get pound for pound subsidy from government to cover the benefits we pay out. The financial risk is in making overpayments (by mistake or through fraud) and the Council not collecting this back from the claimant. Predicting demand for housing benefits is also very difficult and future demands will partially depend on the type of new housing built in the area.</p> <p>Fees and charges: income budgets are reviewed annually as part of the budget setting and are based on the most up-to-date information available at the time. A 5% shortfall on car park income = £153k and in other income = £91k.</p>	<p>LOW AT THE MOMENT</p> <p>LOW to MEDIUM</p> <p>HIGH</p> <p>MEDIUM</p> <p>LOW / MEDIUM</p>

## ESSENTIAL REFERENCE PAPER K

<b>RISK CRITERIA USED IN ASSESSING ADEQUACY OF RESERVES</b>	<b>COMMENTARY ON EAST HERTS POSITION</b>	<b>RISK RATING</b>
The robustness and level of planned efficiency savings / productivity gains	The delivery of savings built into the MTFP is crucial to the delivery of a balanced overall budget.	MEDIUM
The financial risks inherent in any significant funding partnerships, outsourcing contracts, or major capital developments	East Herts has an increasingly more complicated model of service delivery than was previously the case. More services are procured through contract or through partnership delivery models. This means that the Council could face short term financial risks if a partner/contractor pulls out of the arrangement (even though there would be an exit strategy written into the agreement). In addition, the increasing amount of budget contractually committed means that it has less flexibility in the short term to divert resources towards any short term budget pressure.	MEDIUM
The overall financial standing of the Council (level of borrowing, debt outstanding, cash balances, exposure to volatility in the financial markets, etc.)	<p>Level of borrowing: The Council has loans totalling £7.7m of which £6.2m falls due in 2020. The likelihood of the Council not having sufficient investments to repay this debt is very low.</p> <p>The Council's cash and investment holdings as at end of 2015/16: were £34m. The Council's Treasury Management Strategy currently favours a risk adverse approach to its investments with a requirement that 50% of investments are in short term UK treasury bills or other short dated bank deposits in order for the Council to have ready access to cash. The biggest risk is a further decrease in the UK bank base rate which is unlikely to fall below 0.25%.</p> <p>The move to property investment endorsed in the 2014/15 Treasury Management Strategy will increase the Council's risk exposure.</p> <p>There is a longer term risk that the Council may no longer be able to fund its capital programme from cash reserves/investments in the future. This depends on whether the amount invested in capital expenditure remains at its current level and other demands.</p>	LOW

## ESSENTIAL REFERENCE PAPER K

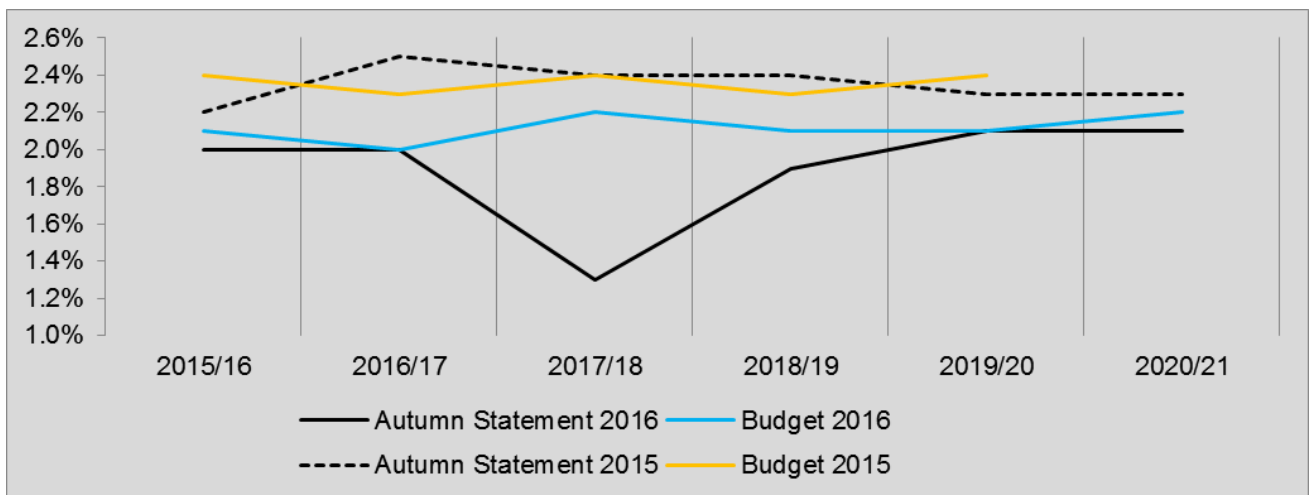
<b>RISK CRITERIA USED IN ASSESSING ADEQUACY OF RESERVES</b>	<b>COMMENTARY ON EAST HERTS POSITION</b>	<b>RISK RATING</b>
The long term solvency of the Pension Fund	The triennial valuation of the Pension Fund was undertaken during 2016 and resulted in the Council increasing annual Pension Fund payments from £600k to £696k from 2017/18 in order to stabilise the Pension Fund deficit and employer contribution rate over a 3/4 year period.	MEDIUM
The Council's track record in budget and financial management.	The Council has a long history of under spending its revenue budget. The risk of unplanned overspends occurring that require emergency funding is low.	LOW
The availability of reserves and contingencies to deal with any emergencies or overspending	As this report sets out, the Council is in a healthy position with regards to the amount of general and earmarked reserves it holds.  In addition, the MTFP currently shows some £150k contingency in the revenue budget for future financial years.	LOW
The adequacy of the Council's insurance arrangements to cover major unforeseen risks.	The Council is fully insured and currently does not self-insure any of its potential risks. The Council also has an Insurance Fund Reserve with a balance in excess of £1m	LOW
External factors particularly the external financial climate which the Council is subject to and future funding levels expected from government.		HIGH

## ECONOMIC UPDATE:

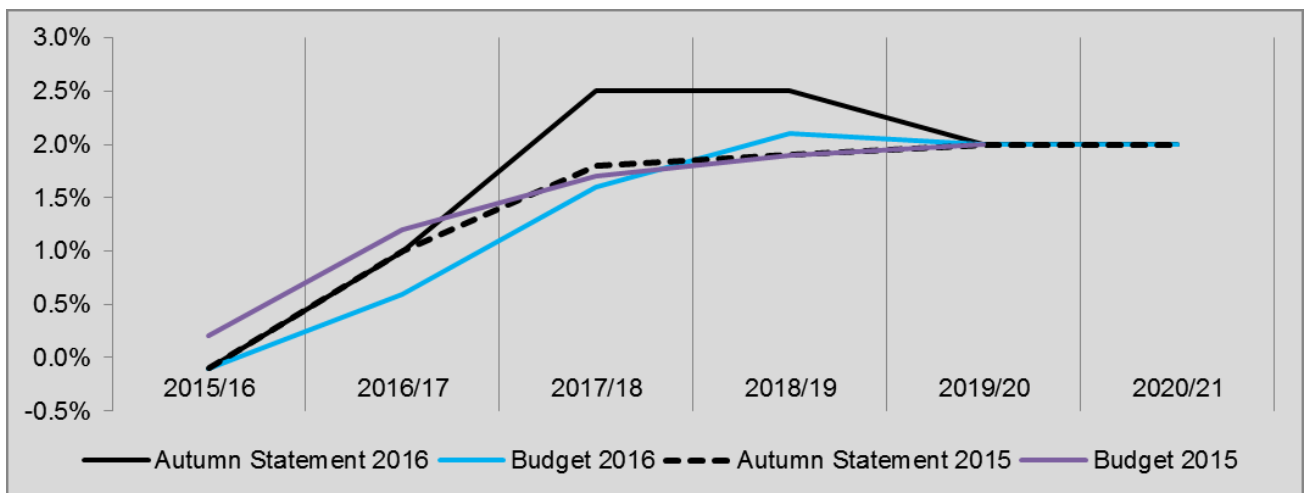
**GDP growth** has been slightly slower during 2015 than in 2014, and this pattern continued with quarter-on-quarter growth of 0.5% in the third quarter of 2015. Private spending on consumption and investment remained robust, but there was marked weakness in the contribution to growth from net overseas trade. GDP growth is close to the OBR's estimate of potential growth, suggesting that the output gap is narrowing slowly.

UK GDP is expected to grow at an average of around 1.3 % in 2017/18 and 2.0% from 2018/19 onwards. Consumer spending and business investment will be the main drivers of UK growth in these years. Risks to growth in the short term arise from international risks, particularly in relation to the referendum vote to leave the EU. There is a great level of uncertainty around the potential impact of the decision to leave the EU and the impact on the UK economy.

The chart below shows the Office for Budget Responsibility (OBR) GDP Growth Forecast:



**CPI inflation** has begun to increase following several years of consistently low inflation. CPI rose by 1.2% in the year to November 2016. The rate in November was the highest since October 2014, when it was 1.3%. Rises in the prices of clothing, motor fuels and a variety of recreational and cultural goods and services, most notably data processing equipment, were the main contributors to the increase in the rate.



**GLOSSARY OF FINANCIAL TERMINOLOGY USED IN THIS  
REPORT**

**Budget**

A statement of an authority's plans for net revenue or capital expenditure over a specified period of time. The annual budget is prepared as part of the Council's Annual Council Tax setting process. The budget, once approved, is an instrument of delegation which is used to authorise, monitor and control expenditure (and income). Legally every Council must set a budget by the 11th March preceding the financial year.

**Capital Charges**

Charges to services for the use of assets (property, land, equipment) needed to provide the service. Their purpose is to ensure that the cost of services reflects the true economic cost of financing and consuming the capital assets (property, vehicles, equipment and plant) used in the delivery of the service. The payment is a notional one i.e. it is not cash backed.

**Capital expenditure**

Spend on assets that have a lasting value, for example, land, buildings and large items of equipment such as vehicles. This can also include indirect expenditure in the form of grants or loans to other persons or bodies.

**Capital Programme**

The Council's plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.

**Capital Receipts**

The proceeds from the disposal of land or other assets. These receipts can be used to finance capital but not revenue expenditure.

### **Central Support Charges**

The transfer of costs from central services departments to service departments to reflect the support services provided, e.g. payroll

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy are one of the UK accountancy institutes. Uniquely, CIPFA specialise in the public sector. Consequently CIPFA holds the responsibility for setting accounting standards for local government.

### **Collection fund**

A statutory account maintained by the Council recording the amounts collected from Council Tax and Business Rates and from which it pays the precept to Hertfordshire County Council, the Police Authority and various town and parish councils.

### **Collection Fund surplus (or deficit)**

Any year-end balance of the council tax collection fund (which can be a deficit or a surplus) is shared between the county council (a precepting authority), the local police authority and East Herts. Any year-end balance of the business rates collection fund is shared between central government, East Herts and Hertfordshire County Council in the same proportions as their shares of business rates income.

### **Department for Communities and Local Government (DCLG)**

A government department created in May 2006 that promotes community cohesion and equality and is responsible for housing, urban regeneration, planning and local government.

### **Contingency Budget**

This is money set-aside centrally in the Council's base budget to meet the cost of unforeseen items of expenditure, such as higher than expected inflation or new responsibilities. The Executive agrees all contingency funding requests through the Health Check monitoring process.



### **Corporate Budgets**

These are budget items that are not service specific and comprise the Council's interest payments, investment income, and annual contribution to the Pension Fund deficit. Corporate Budgets also include the Contingency Budget and the New Homes Bonus Priority Spend Fund which at the beginning of the year have not been allocated to specific services.

### **Council Tax Base**

The Council Tax base for a Council is used in the calculation of council tax and is equal to the number of Band D equivalent properties. To work this out, the Council counts the number of properties in each band and works out an equivalent number of Band D equivalent properties. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992. They are: A 6/9, B 7/9, C 8/9, D 9/9, E 11/9, F 13/9, G 15/9 and H 18/9, so that Band A is six ninths of the 'standard' Band D, and so on.

### **CPI and RPI**

The main inflation rate used in the UK is the CPI (Consumer Price Index), the Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is currently set at 2%. The CPI differs from the RPI (Retail Price Index) in that CPI excludes housing costs.

### **DEFRA**

Department for Environment, Food and Rural Affairs.

### **DWP**

Department for Work and Pensions.

### **Earmarked Reserves**

Reserves which are set aside for specific purposes: for example:

- To provide resilience against future risks such (e.g. Interest Equalisation Reserve and Insurance Fund)
- Smoothing the impact of uneven expenditure between years (e.g. local elections reserve)

## **ESSENTIAL REFERENCE PAPER L**

- To create policy capacity for one-off priority funding (e.g. New Homes Bonus Priority Spend Reserve)

### **Fees and Charges**

Income raised from making charges for the provision of services such as licence permits, car parking and planning fees.

### **Financial Year**

The local authority financial year commences on 1st April and finishes on the following 31st March.

### **Forecast Outturn**

The estimated financial position at the end of the financial year.

### **General Reserves**

Amounts built up that are not set-aside for specific purposes but to meet any unforeseen pressures.

### **Gross Domestic Product (GDP)**

GDP is defined as the value of all goods and services produced within the overall economy.

### **Net Cost of Services**

This is the cost of providing the Council's customer-facing and back-office services.

### **Non Domestic Rates (NDR)**

Also known as 'business rates': a form of taxation on commercial and business properties (i.e. non-domestic properties). The Government determines the rate at which it is imposed nationally, but it is collected by billing authorities (district and borough councils). Up until 31 March 2013 business rates were all paid into a central national pool and then redistributed to authorities according to resident population numbers. From 2013/14 local

## **ESSENTIAL REFERENCE PAPER L**

authorities retain a “Local Share”, (50%), the aim of which is to provide an incentive to help businesses set up and grow.

### **New Homes Bonus**

Under this scheme Councils receive a new homes bonus (NHB) per each new property built in the borough for the first six years following completion. Payments are based on match funding the council tax raised on each property with an additional amount for affordable homes. It is paid as a non ring-fenced grant.

### **Office for Budget Responsibility (OBR)**

A non-departmental advisory body that provides independent forecasts on the UK economy.

### **Original Budget**

This is the budget for the new financial year agreed annually by Council in February.

### **Prudential Borrowing**

The Local Government Act 2003 replaced detailed central government controls over the level of local authority capital expenditure with a system of self-regulation based upon a requirement to ensure that capital expenditure plans are affordable, sustainable and prudent, as prescribed in CIPFA’s prudential code.

### **Revenue Contribution to Capital Outlay (RCCO)**

Use of the revenue budget to finance capital expenditure.

### **Revenue Expenditure**

The day-to-day running expenses on services provided by Council.

### **Revenue Support Grant (RSG)**

A general non ring-fenced government grant to support councils’ general revenue expenditure.

### **Section 31 Grants**

These are government awarded grants to compensate councils for central government policy decisions in respect of rate reliefs. These grants are not ring-fenced.

### **Section 106**

Section 106 agreements, also known as planning obligations, are agreements between developers and local planning authorities that are negotiated as part of a condition of planning consent.

The Town and Country Planning Act 1990 enables local authorities to negotiate contributions towards a range of infrastructure and services, such as community facilities, public open space, transport improvements and/or affordable housing.

### **Section 151 officer**

Legally Councils must appoint under section 151 of the Local Government Act 1972 a named chief finance officer to give them financial advice, in East Herts' case this is the post of the Director of Finance & Support Services.

### **Sources of Funding**

This term is used at East Herts to mean general and not service specific sources of income such as New Homes Bonus, NDR, and Revenue Support Grant.

### **Specific Grants**

As the name suggests funding through a specific grant is provided for a specific purpose and cannot be spent on anything else e.g. Housing Benefit Subsidy grant.

### **Spending Review**

The Spending Review is an internal Government process in which the Treasury negotiates budgets for each Government Department.

## **ESSENTIAL REFERENCE PAPER L**

### **Treasury Management**

The process of managing the Council's cash flows, borrowing and cash investments to support East Herts' finances. Details are set out in the Treasury Management Strategy which is approved by Executive and Full Council in February each year.

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## EAST HERTS COUNCIL

### JOINT MEETING OF SCRUTINY COMMITTEES – 17 JANUARY 2017

#### REPORT BY THE HEAD OF HOUSING AND HEALTH AND HEAD OF FINANCE AND PROPERTY

#### HOUSING COMPANY BUSINESS PLAN

WARD(S) AFFECTED: ALL

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#### **Purpose/Summary of Report**

- This report discusses the establishment of a housing company, wholly owned by East Herts Council, which would act as an investment vehicle, receiving five residential properties already owned by the council and purchasing another 20 in the open market over the coming five years.
- The primary aim is to provide revenue income for the council to offset diminishing government support and grants.
- In order to create an income stream, the proposed company would provide quality private rental housing opportunities.
- It would be for members, not the company, to direct the use of the income to support their priorities.
- The business case in front of members includes a detailed 30 year business plan for the investment vehicle drawing on external tax advice provided by PwC. The assumptions within the model have been thoroughly reviewed and, where necessary, amended following consideration by the Corporate Business Scrutiny Committee at its meeting of 29 November 2016.
- The report also draws on detailed advice from Trowers and Hamlins legal practice which confirms the basis on which the council is able to set up such a company.
- The 30 year business plan and associated sensitivity testing indicates that an investment vehicle can be formed which is viable given a range of assumptions concerning the trajectory of the local housing market and wider economic movements.
- The report invites the Joint Meeting of the Scrutiny Committees to scrutinise the business case and amended business plan.

**RECOMMENDATIONS FOR THE JOINT MEETING OF SCRUTINY:**

**That:**

<b>(A)</b>	<b>The full business case and 30 year business plan be endorsed for approval by the Executive; and</b>
<b>(B)</b>	<b>A housing company based on the business case and business plan be recommended for approval by the Executive.</b>

**1.0 Background : Why set up a housing company?**

1.1 East Herts Council's Corporate Strategic Plan 2016/17 – 2019/20 includes conducting feasibility work on the establishment of a housing company. In East Herts, a housing company to acquire homes to then let out in the private market as proposed could:

- create a revenue stream which members could use to deliver their priorities
- provide quality homes to rent in the private market
- be designed to, as well as provide housing, acquire and/or develop commercial premises should this be financially attractive.

1.2 This report lays out the business case for the council setting up a housing company. The business plan, included in the exempt **Essential Reference Paper "B"**, demonstrates the viability of the company acquiring a portfolio of homes for rental in the private market. For avoidance of doubt, the business plan does not envisage the development of new homes, just the acquisition and letting out of existing properties.

1.3 The council is required to set a balanced budget each year. In light of changes to government funding the council will need to generate more income itself and/or make savings to achieve this from 2017/18 onwards. This business plan demonstrates a means by which the council can generate a new source of income to contribute to replacing diminishing government funding, thus providing members with supplementary resources to further the council's corporate priorities to improve the health and wellbeing of our communities, enhance the quality of people's lives and enable a flourishing local economy.

**2.0 Full Business Case for the Establishment of a Housing Company wholly-owned by East Herts Council**



- 2.1 As considered by the Corporate Business Scrutiny Committee in August and discussed further by the Corporate Business Scrutiny Committee in November, the first element of work on setting up a housing company is to establish a viable business case for the acquisition of residential properties, including those currently held directly by the council, for letting in the private market.
- 2.2 Taking this first step would enable the company to start trading quickly. Having established an investment vehicle, members may wish to then consider the viability of housing development through a wholly-owned company. Development, however, is outside that scope of this report and the attached business plan.

### ***Legal context***

- 2.3 Trowers and Hamlins has provided detailed advice on the legal aspects of establishing a housing company; the information in this section of the report has been taken from the advice provided.
- 2.4 Section 1 of the Localism Act 2011 provides local authorities with the power to do anything an individual may do, subject to a number of limitations. This is referred to as the 'general power of competence'. A local authority may exercise the general power of competence for its own purpose, for a commercial purpose and/or for the benefit of others.
- 2.5 In exercising this power, a local authority is still subject to its general duties, such as the fiduciary duties it owes to its rate and local tax payers and to the public law requirements to exercise the general power of competence for a proper purpose.
- 2.6 Section 4 of the Localism Act 2011 requires that where a local authority exercises the general power of competence for a commercial purpose it ***must*** do this through a company.
- 2.7 Section 95 of the Local Government Act 2003 is also of relevance. The associated regulations, Regulation 2 of the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009, require a business case to be prepared and approved by the Council before a company starts trading. This report forms the first draft of a business case with the associated financial business plan also covered.

### ***Provision of homes of different tenures***

- 2.8 This report is concerned solely with the business case and a 30 year business plan for an investment vehicle to acquire existing

properties and let them out at market rents. It is recognised that members may wish at a future stage to explore the case for the company moving on to *build* properties. If the company were to develop new homes, there would be a requirement to provide affordable homes in line with the council's planning policies. Under such circumstances, mixed tenure developments would be expected consisting of homes for rent and sale in the private sector, along with affordable rented and low cost home ownership homes in line with planning requirements.

- 2.9 Although the current proposal is concerned with acquisition for private rent, the council asked Trowers and Hamlins to clarify the position of the company regarding the provision of market versus affordable housing. Trowers and Hamlins drew particular attention to the Ministerial Statement about the establishment of local housing companies issued in March 2015 by the then Housing Minister. The Ministerial Statement stated, amongst other things, that the Government would not support local housing companies where such companies are established for the purposes of avoiding the right-to-buy or the borrowing restrictions imposed by Government on housing revenue accounts, that is, the accounts in which stock-holding authorities manage their council housing. Trowers and Hamlins advised that restrictions and requirements which are contained in any other legislation are not overridden by the council's reliance upon the general power of competence.
- 2.10 The housing company proposed in this report is *not* envisaged as a vehicle for circumventing the right-to-buy or borrowing caps placed on stock-holding councils. In connection with the Ministerial Statement, on the basis of the instructions given by the council, Trowers and Hamlins is comfortable that the council's rationale for establishing and participating in the proposed company is not for improper purposes and the clear intention to make a profit and provide market housing raises no cause for concern. Officers would add that, as is the case for all housing developers, any profit derived from housing development will need to take account of the provision of affordable housing required by East Herts Council's planning policies, which are, in part, predicated on meeting local need and demand for affordable housing.
- 2.11 In this way, the commercial focus of the company and the local need for affordable housing to be delivered through the planning process are not in conflict.

### ***Form of company and proposed governance arrangements***

- 2.12 The Localism Act 2011 defines which forms of company a local authority can use to trade. These are; a company limited by shares, a company limited by guarantee and a community benefit society. Of note, a limited liability partnership is not an available legal structure.
- 2.13 The legal advice provided by Trowers and Hamlins is that the company should be a company limited by shares. This form of company complies with the ability to trade provisions set out within the Localism Act 2011. East Herts Council will own the entire share capital. There are certain requirements that will apply to the company, some of which are statutory such as the obligation to file annual returns and accounts, while others the council will be able to determine itself, including the governance arrangements.
- 2.14 While yet to be determined, it is proposed that the governance of the housing company would include:
- East Herts Council being the sole shareholder, with full Council making decisions reserved for the shareholder in the company's articles of association and shareholder agreement. Such decisions would include the approval of the company's business plan on an annual basis
  - a group of three elected members forming a shareholder advisory group, appointed by the Leader of the Council acting in consultation with the Chief Executive, to exercise oversight of the company's reports and performance, provide strategic guidance and advise the full Council when it is exercising its rights and responsibilities as the shareholder
  - the company's Board of Directors – the body which manages the affairs of the company on a day-to-day basis. It is proposed that in the first instance all directors shall be officers of the council, who would not receive any additional remuneration for this role. In time, there may be provision for additional independent directors appointed for their expertise in regarding to housing, development, finance and the like; independent directors may require some remuneration.
- 2.15 While the company's Board of Directors would manage the company's affairs on a day-to-day basis, the council would have a number of ways in which it could legitimately guide the activity of

the company, including:

- as the shareholder – appointing and removing directors, signing off the company’s annual business plan, and signing off any changes to the company’s Memorandum and Articles of Association, and making any offer decisions reserved for the shareholder in the article and shareholder agreement
- as a funder – deciding whether or not to make loans to the company. It is considered that it would be difficult for the newly formed company to secure affordable loans by any other means. Note: loans must be at commercial rates so as not to contravene State Aid regulations
- as an owner of properties and/or land owner – making available properties and/or land to the company. Note: disposal must be at market value so as not to contravene State Aid regulations and to satisfy the council’s Local Government Act 1972 Section 123 duty to obtain the best consideration that can be reasonably obtained
- as a planning authority – should the company build homes in the future, as with any housing developer, the council would assess whether a particular proposal by the company meets planning requirements including acceptable levels of affordable housing and/or other s106 contributions as required by the council’s planning policies
- as a strategic housing authority – again, should the company build homes in the future, as when working with any housing developer, the council would direct the required affordable housing mix and/or the need for specialist housing on sites in line with the relevant planning policies.

2.16 It is envisaged that the company would not employ its own staff during its early stages of operation, and indeed perhaps not unless approval is given in future to embark on housing development. It is believed that the necessary skills, at the initial stages, are available in-house or readily available in the local market, notably regarding property management.

***Would a holding company be beneficial?***

2.17 The report to Corporate Business Scrutiny in August raised the possibility of establishing a holding company to bring together the council’s interests in the various companies in which it currently has, or it anticipated to have, a share.

- 2.18 Trowers and Hamlins' report observed that a holding company could possibly enable a more streamlined approach to governance within East Herts Council, however, the report went on to conclude that, *"we would advise that at this point there appears to us to be insufficient justification from a governance or legal perspective for the establishment of a holding company alongside the establishment of the Company (noting that we are not advising on tax matters)."*
- 2.19 From a tax point of view, PwC have brought to the council's attention that the transfer of shares by the council to a holding company would incur Stamp Duty Reserve Tax at 0.5%.
- 2.20 Given this above advice, officers believe there is not a compelling case for creating a holding company at this stage but that this should be kept under review.

### **3.0 Financial Business Plan**

- 3.1 A detailed 30 year business plan has been developed by the Heads of Housing and Health and Finance and Property. All the assumptions behind the model have been thoroughly reviewed at the request of the Corporate Business Scrutiny Committee following its meeting on 29 November 2016.
- 3.2 This review has amended a number of inputs. The detailed basis for all the assumptions in the model is given in **Essential Reference Paper "B"**. Of note, since the earlier model presented to the Corporate Business Scrutiny Committee:
- based on a review of local data, the figure representing the local average property price has increased slightly, while the assumed monthly rent achievable has decreased slightly
  - the cost of day-to-day repairs has been increased following a review of figures provided by a number of authorities, although the assumed cost of required works prior to the first let has reduced slightly, again based on discussion with other authorities.
- 3.3 Assumptions regarding tax have been included based on advice from PwC. The model is based on the acquisition of 25 properties over the first five years of the company's operation, with each of these homes let out in the private rental market.
- 3.4 The full business plan is included at **Essential Reference Paper "B"** – this appendix is exempt from consideration in public because it contains commercially sensitive information regarding

the assumed value of council assets and assumptions regarding costs that would be incurred in the open market.

- 3.5 The information presented in **Essential Reference Paper “B”** includes (a) income statement for the company showing income and expenditure, and profit and loss, and (b) the cash flows to and from the council.

***Resources to be made available to the company***

- 3.6 The business plan in **Essential Reference Paper “B”** details the funding assumptions which have been considered as part of the external legal and tax advice received. Of note, the council would provide:

- equity to the company representing 35% of resources required to acquire 25 properties;
- a loan to the company for the remaining 65% of resources needed. The model assumes the loan is repayable at 4.25% above base rate on an interest only basis, that is, an interest rate of 4.5%, with the principal repayable at year 30.

***How does the company create an income stream for the council?***

- 3.7 In outline terms, East Herts Council would receive a revenue income stream from:
- **interest on loans to the company.** The council has the power to make loans; commercial rates would have to be applied to be compliant with State Aid regulations. Commercial interest rates would be at a higher level of interest than the councils’ own cost of borrowing and/or interest accruing on cash held on deposit by the council, thus a revenue stream flowing to the council is created
  - **purchase of services from the council.** The company may wish to purchase services such as project management, legal, HR or IT support from the council. Regulation on ‘transfer pricing’ dictate that this should be a cost plus no more than 5%. At this stage the assumption has been made that the council would be able to support these services from within existing staff resources
  - **distributions of profit made by the company through dividends.** The company will derive an income from (a) rental income, net of management and maintenance costs

ground rents, and (b), in time, disposal of homes at an uplifted value. These profits, net of tax, would be distributed to the council as the sole shareholder. Note: subject to future member approval, the company could develop homes and thus make a profit on properties specifically developed for sale.

### ***Summary of outputs from the 30 year business plan***

3.8 In summary, the business plan demonstrates that (refer to Table 1 in Essential Reference Paper B for the assumptions used in the business plan):

- from year one, the council receives an income stream from interest on loans, recharges and receipt of dividends:
- the annual income to the council rises from £52,672 in year one, to £254,121 a year by year 5, £270,062 a year by year 15 and £353,870 by year 30 – see *Table 3(i) to (iii) ‘Cash Flows to East Herts Council’ in Essential Reference Paper “B”*
- the income to the council offsets the opportunity cost lost to the council in terms of interest foregone on the equity and loan rising from £11,042 in year one to £55,752 a year from year five of the business plan onwards once the full equity and loan have been drawn down.
- revenue income to the council (assuming all profits after tax are paid as dividends to the council) over the 30 year lifetime of the business plan totals £8.47m.
- the value of the property portfolio of 25 homes rises over time such that:
  - the property portfolio is modelled to be worth £40.5m, at year 30 given historic average property value appreciation rates
  - after repayment of the initial loan at year 30, the value of council’s *equity stake* would have risen to £29.8m to at year 30.
  - the total income to the council, that is, the annual revenue income over 30 years combined with the value of the equity stake at year 30 would be £41.5m. This equates to an average return on the capital resources

used (equity and loan) of 5.86% a year over the 30 years of the business plan

- the company is able to make a profit from rental income net of running costs and taxes:
  - of note, assuming the company's finances minimise exposure to corporation tax, the company is able to create a profit with access to an overdraft facility of up to £13k in the first three years, with an average after tax profit of £23k a year in years 4 to 15 and £72k a year thereafter.

### ***Sensitivity testing***

3.9 Prudent assumptions have been made in the base case modelling discussed above. Sensitivity testing has been conducted, however, to assess the impact of:

- lower than modelled property price inflation over the 30 year business plan period
- purchase of lower value homes
- the combination of adverse inflation and repairs costs movements
- interest rate increases stemming from increases in the base rate
- acquisition of properties later in the first year of operation, rather than at year start.

3.10 The impacts on key outputs from the business plan model are displayed in exempt Essential Reference Papers C and D.

### ***Impact of lower house price inflation***

3.11 Broadly every 15 years, there is a period of house price deflation in the UK. There was a 'crash' in the early 1990s and another downturn following the 2008 credit crunch. Prices have, however, always rallied strongly giving robust capital growth over a longer time frame.

3.12 Analysis of house prices over the last 30 years shows:

- the average annual rate of property price inflation in the South East of England (East Herts only data are not available) from 1990 to 2010, that is from the pre-1990s



crash to just after the 2008 credit crunch is 4.11% per year

- taking running five year averages for each year between 2000 and 2016, including 2008 and 2009 in which local house prices fell, the average annual increase during the lowest quartile five year period in East Herts is 2.39%.

3.13 Even if property price inflation were to run at just 2.39% a year for the entirety of the next 30 years, the business plan is still viable, giving an implied annual rate of return of 3.42% a year on the council's resources over the lifetime of the plan. Refer to Essential Reference Paper C for more details.

### ***Impact of lower initial purchase prices***

3.14 Some other authorities have chosen to purchase properties outside of their boundaries where house prices are lower. To assess the impact of this here, sensitivity modelling has been conducted based on the acquisition of 15 properties in East Herts and ten in lower value areas. (So as to gather actual property price and rental income, this sensitivity testing is based on five properties in Stevenage and five in Harlow. These areas have been chosen for modelling purposes only; there is no implication that properties should be acquired in these areas.)

3.15 The key impact of acquiring homes in different areas is that although the lower initial acquisition costs would, of course, reduce the need for council resources (equity and loan), the lower rents mean that the income available is correspondingly lower. See Essential Reference Paper C for more details.

3.16 Over the 30 years of the business plan, the money generated is lower as a reflection of the £1m less of capital deployed, but the rate of return on the council's capital is virtually unchanged. For example, assuming the base position of property inflation averaging 6.45% a year, purchase of all 25 properties in East Herts as modelled would yield an implied annual return on this 5.86% a year for 30 years, with an implied annual return of 5.88% if properties were purchased across a wider area

3.17 In summary, the sensitivity analysis indicates that the business plan is robust enough to cope with significantly lower levels of capital appreciation with the rate of return little changed by the level of the council's capital deployed.

### ***Impact of combined adverse inflation and maintenance costs movements***

- 3.18 Further sensitivity testing has been conducted to specifically assess the impact on income flowing to the council of a combination of:
- lower levels of annual rental inflation
  - higher levels of maintenance costs coupled with higher levels of inflation on maintenance and improvements costs
  - lower levels of property price appreciation
  - lower levels of inflation on recharges
  - higher levels of bad debt.
- 3.19 The assumptions used in the sensitivity testing along with the impacts on key outputs from the business plan model are displayed in exempt **Essential Reference Paper “D”**.
- 3.20 In summary, the sensitivity testing shows that even in the ‘very pessimistic’ scenario, the business plan is still viable with the council receiving an income of £49.9k in year one, rising to over £200,000 a year from year five onwards.
- 3.21 In summary, the sensitivity analysis indicates that the business plan is robust enough to cope with very pessimistic changes in the economic environment in that cashflows to the council and capital growth are still achievable, albeit at lower levels than under the base case scenario. It is worth noting that if the annual review of the business plan to be signed off by the shareholder (East Herts Council) indicates unacceptable levels of revenue income or capital growth, the liquidity of the investment vehicle is such that if financially expedient, the company could recommend and shareholder could agree that the company should not acquire the full 25 properties envisaged in the model and/or should divest itself of some or all of the properties earlier than anticipated in the business plan.

***Impact of interest rate increases***

- 3.22 The business plan is predicated on the council lending sums to the company and charging interest on the loan(s). The modelling is based on an interest rate at 4.25% above the base rate. Unless the council extends loans with a fixed rate of interest, any increase in the base rate will be passed on to the company resulting in higher interest payments.
- 3.23 Modelling confirms that this will have two impacts which,

essentially, will cancel each other out:

- interest payments to the council will increase
- profits accruing in the company will decrease leading to reduced dividend payments to the council and/or a need for the company to use an 'overdraft facility' funded by the council from the increased interest payment.

3.24 Thus, increases in the interest rate will have negligible, if any, impact on the level of cash flowing to the council.

### ***Impact of timing of property purchase within the financial year***

3.25 The business plan modelling assumes that all properties are acquired and equity and loans are drawn down in full at the beginning of the year of acquisition, that is, years one to five inclusive.

3.26 Arguably, this is achievable once the company is operational as it can take the necessary steps *in the preceding year* to purchase or draw down loans ready to act as soon after the start of the coming financial year as possible.

3.27 This will not be possible in year one. In the first year, however, the company is receiving the council's five existing properties, rather than seeking to purchase them in the open market, thus the timing of the transfer (at full market value) is easier to predict. Modelling indicates that should the transfers happen towards the beginning of quarter 2 in the first year, the cash flow to the council in year one would be £38.9k (rather than £52.7k in the base case scenario). This later onset of trading has already been assumed in the Medium Term Financial Plan, MTFP, which estimates an income from the company of £33k in year one – see section 5 below for more details of the MTFP. Inclusion of resources from the company in the MTFP is, of course, subject to member approval to proceed with the housing company.

## **4.0 Consideration of alternative uses for the council's capital**

4.1 A number of alternative uses for the resources the report proposes deploying to fund the housing company have been considered, principally:

- holding the cash on deposit in the bank
- investing further in property funds

- investing directly in commercial property.

4.2 It is standard practice to consider alternative uses of resources in terms of liquidity, security and yield offered.

#### ***Holding cash on deposit***

4.3 While this option sees resources held in their most liquid and least risky form, the yields achievable for the foreseeable future are low. Currently, the council is receiving just 0.7% of monies held in short term investments.

#### ***Investing further in property funds***

4.4 The council has invested £10m in each of two property funds, that is, £20m in total. This represents the limit set by the council for this form of investment in its Treasury Management Strategy, devised to be compliant with CIPFA's Prudential Code. While it is not impossible to raise this limit, the Code would suggest the need to balance investments as broadly as possible.

4.5 Over the last year, the two funds in which the council invests have each yielded around a 7% return from rental income and capital growth combined. There is, however, no guarantee that a rate of return at this level will persist over the longer term. For example, in their recently published *Key themes in UK real estate 2016/17* report, Savills, a leading real estate services provider, anticipates the annual average rental yield on UK office space being 4.3% over the coming three years, with capital value growth actually dipping in 2017 and 2018 before recovering in 2019.

4.6 In terms of liquidity, property funds rely on buyers for the units held. Furthermore, there is a fee of 2% of the total capital value attached to disposal. (By way of comparison, the figures quoted relating to the housing company business plan *include* the costs of disposal, that is, tax on the value of the appreciation and the costs of sale.)

#### ***Investing directly in commercial property***

4.7 The council currently holds commercial property with a total value of £15m. Commercial holdings are not risk free and rely on the ability to readily rent out the properties while minimising upkeep costs. Liquidity of such investments is typically poorer than residential holdings which can more easily be sold on a property-by-property basis.

## 5.0 The housing company's potential contribution to the Medium Term Financial Plan, MTFP

- 5.1 Subject to a member decision of whether to proceed with establishing a housing company, officers have provisionally identified the contribution that the company could make to meeting the need for efficiencies/increased income in the MTFP.
- 5.2 The current version of the MTFP, which is itself subject to member approval, includes the following income estimates presented alongside the modelled income accruing to the council in the housing company business plan:

Year	MTFP estimate of housing company income to the council	Income to the council indicated in the 30 year business plan
2017/18	£33k	£52.7k
2018/19	£86k	£110.5k
2019/20	£127k	£157.4k
Note: The lower estimates in the MTFP make allowance for gradual acquisition/transfer of properties by the company in its first year of operation		

- 5.3 The MTFP includes a savings target of £1.1m from 2018/19 which must be met in order to set a balanced budget. This may be met through increasing income, efficiency savings or organisational redevelopment.
- 5.4 The proposed housing company arguably represents an important means of addressing unmet funding requirements in the MTFP going forward.

## 6.0 Proposed timetable for establishing a housing company

- 6.1 The timetable below was presented to Corporate Business Scrutiny at its meeting of 29 November 2016. The timetable maximises the time members have to consider the business case and business plan modelling.

Key action		Date
Consideration of full business case (including proposed	Corporate Business Scrutiny	29 Nov 2016
	Joint Meeting of Scrutiny	17 Jan 2017

Key action		Date
governance arrangements) and 30 year business plan by:	Committees	
	Exec	7 Feb 2017
	Council	1 March 2017
Articles of Association and Shareholder Agreement completed		March 2017
Housing Company incorporated		March 2017
Housing Company starts trading		April 2017
Assess viability of housing development by the company		Mid 2017
Consideration of the case for housing development, <i>assuming a financial viable can be determined</i> , by Corporate Business Scrutiny Committee, Executive and Council		Late 2017 / early 2018
<i>Subject to a viable business plan and member approval</i> , inclusion of work on housing development in the housing company's Annual Business Plan 2018/19 put to Council		Feb / March 2018
<i>Subject to above</i> , commencement of housing development		Late 2018 / early 2019

6.2 As noted in the table above, should members wish, once the housing company is established, the focus of attention could turn to assessing the viability of housing development.

6.3 Housing development through a company would:

- see new homes built for market rent and sale
- include new affordable homes built and retained by the company (or a 'sister company' established for this purpose) as a requirement of East Herts Council's planning policies designed to meet local need and tackle demand on the housing register
- provide additional revenue streams for the council created in much the same way as discussed in this report.

6.4 The external advice provided to date by Trowers and Hamlins and Jonathan Geall, Head of Housing and Health, Extn: 1594. [jonathan.geall @eastherts.gov.uk](mailto:jonathan.geall@eastherts.gov.uk) housing development, hence officers envisage the investigation of the viability of housing development would be able to proceed swiftly should members wish to explore this further.

## **7.0 Implications/Consultations**

7.1 Information on corporate issues and consultation associated with this report can be found within Essential Reference Paper A.

### Background Papers

None.

Contact Member: Councillor Tony Jackson – Ambassador and Exec Member for Shared Services.  
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## ESSENTIAL REFERENCE PAPER 'A'

### IMPLICATIONS/CONSULTATIONS

<p>Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate):</i></p>	<p>Priority 1 – Improve the health and wellbeing of our communities</p> <p>Priority 2 – Enhance the quality of people's lives</p> <p>Priority 3 – Enable a flourishing local economy</p> <p>The proposal is to deliver quality homes, in the first instance, in the private rental market and then consider the feasibility of building homes, including affordable homes in line with the council's planning policies.</p> <p>The provision of quality housing in all tenures plays a crucial role in meeting all three priorities, particularly, enhancing people's lives.</p>
<p>Consultation:</p>	<p>The proposals have been developed internally.</p>
<p>Legal:</p>	<p>Trowers and Hamlins solicitors have provided detailed advice on the legal aspects of establishing a housing company. Of note, Section 1 of the Localism Act 2011 provides local authorities with the power to do anything an individual may do, subject to a number of limitations. This is referred to as the 'general power of competence'. Section 4 of the Localism Act 2011 requires that where a local authority exercises the general power of competence for a commercial purpose it <b>must</b> do this through a company.</p> <p>Section 95 of the Local Government Act 2003 is also of relevance. The associated regulations, Regulation 2 of the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009, require a business case to be prepared and approved by the Council before a company starts trading. This report includes the first draft of a business case for the housing company.</p>
<p>Financial:</p>	<p>A detailed 30 year business plan has been developed by the Heads of Housing and Health and Finance and Property. Assumptions regarding tax have been included based on advice from PwC. The model is based on the acquisition of 25 properties over the first five years of the company's operation.</p>

	<p>All inputs to model have been reviewed at the request of the Corporate Business Scrutiny meeting of 29 November 2016 and, where applicable, revised to include the most up-to-date data available.</p> <p>The revised 30 year business plan demonstrates that:</p> <ul style="list-style-type: none"> <li>• the company is able to make a profit from rental income net of running costs and taxes and</li> <li>• from year one, the council receives an income stream from interest on loans, recharges and receipt of dividends.</li> </ul> <p>Sensitivity analysis indicates that the business plan is robust enough to cope with significant adverse changes in property value appreciation.</p>
Human Resource:	<p>There are no TUPE implications.</p> <p>It is envisaged that the company would not employ its own staff during its early stages of operation, and indeed perhaps not unless approval is given in future to embark on housing development.</p>
Risk Management:	<p>The overall project group has considered the risks of the project and risk log is regularly reviewed.</p>
Health and wellbeing – issues and impacts:	<p>The proposal is to deliver quality homes, in the first instance, in the private rental market and then consider the feasibility of building homes, including affordable homes in line with the council’s planning policies.</p> <p>The provision of quality housing in all tenures plays a crucial role in meeting all three priorities, particularly, enhancing people’s lives.</p>

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

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## EAST HERTS COUNCIL

### JOINT MEETING OF SCRUTINY COMMITTEES – 19 JANUARY 2017

#### REPORT BY EXECUTIVE MEMBER FOR FINANCE AND SUPPORT SERVICES

#### TREASURY MANAGEMENT STRATEGY 2017-18

#### WARDS AFFECTED: NON SPECIFIC

#### Purpose/Summary of Report

- The report sets out the proposed Treasury Management Strategy and Annual Investment Strategy for 2017-18.
- Where changes have been made to the revised Treasury Management Strategy and Annual Investment Strategy for 2016-17 or to the credit criteria for selection of investment counterparties approved for 2016-17, these have been referred to and discussed below.
- This report also presents the 2017-18 Prudential Indicators for approval.

#### **RECOMMENDATIONS FOR THE JOINT MEETING OF SCRUTINY COMMITTEES:**

<b>(A)</b>	<b>The Treasury Management Strategy and Annual Investment Strategy discussed in paragraphs 2.1 – 2.2 be agreed for submission to Elected Members (Audit and Governance Committee, Executive and Council).</b>
<b>(B)</b>	<b>The Prudential Indicators discussed paragraph 2.3 be agreed for submission to Elected Members and for the approval of Council.</b>
<b>(C)</b>	<b>The counterparty listing discussed in paragraph 2.4 be agreed for submission to Elected Members and for the approval of Council.</b>

#### 1 Background

- 1.1 Treasury management is defined as: 'The management of the Council's investments and cash flows, its banking arrangements, money market and capital transactions; the effective control of the

risks associated with these activities; and the pursuit of optimum returns consistent with the Council's risk management policy for treasury management.'

- 1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management (the Code) recommends that Members be updated on treasury management activities regularly through the Treasury Management Strategy Statement (TMSS), Annual Investment Strategy (AIS) and mid and year end reports. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.
- 1.2 The Council is required by the CIPFA Treasury Management Code of Practice to approve a Treasury Management Strategy and Annual Investment Strategy each year. The purpose of the Strategy is to ensure that there is adequate cash flow to fund the Council's revenue and capital aspirations in both short and longer term.
- 1.3 The Strategy sets out a risk management policy for the investment of surplus cash. The Strategy is designed to obtain the highest possible yield, contingent upon investments being secure, and there being sufficient liquidity to meet the Council's daily cash needs.
- 1.4 The Council is required by the CIPFA Prudential Code to approve each year a set of Prudential Indicators. The Indicators must be approved by Full Council before the beginning of each financial year. Their purpose is to help the Council ensure that its capital investment plans are affordable, prudent and sustainable.

## 2 Report

- 2.1 Please refer to the recommended Treasury Management Strategy and Annual Investment Strategy in **Essential Reference Paper 'B': Treasury Management Strategy and Annual Investment Strategy 2017-18**.
- 2.2 There have been no additional regulatory changes since those that were included in the revised Treasury Management Strategy submitted to the Audit Committee on 20 January 2016. No additional changes to the 2017-18 Strategy have been proposed.
- 2.3 Prudential Indicators are included in **Essential Reference Paper 'B': Treasury Management Strategy and Annual Investment Strategy 2017-18** paragraphs 2.1, 2.2, 2.3, 3.1, 3.2, 4.4, 5.1.2 and 5.1.4.
- 2.4 Please refer to the recommended counterparty listing in **Essential Reference Paper 'B': Appendix 5.4. Treasury Management**

## **Practice (TMP1) – Credit and Counterparty Risk Management Credit Rating Tables 2017-18.**

- 2.5 The Treasury Management Strategy also includes the Council's Minimum Revenue Provision (MRP) policy. The Strategy recommends that the Council continue to have a nil MRP.
- 3.0 Implications/Consultations
- 3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

### Background Papers

CIPFA Code of Practice on Treasury Management (2011)

CIPFA Prudential Code for Capital Finance in Local Authorities (2013)

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## ESSENTIAL REFERENCE PAPER 'A'

### IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate)</i> :	Priority 1 – Improve the health and wellbeing of our communities  Priority 2 – Enhance the quality of people's lives  Priority 3 – Enable a flourishing local economy
Consultation:	Not Applicable
Legal:	<p>The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (Treasury Management Strategy Statement, annual and midyear reports). This report therefore ensures this Council is implementing best practice in accordance with the Code.</p> <p>The report fulfils the following legislative requirements:</p> <ul style="list-style-type: none"><li>• Reporting of prudential Indicators in line with the requirements of the CIPFA Code of Practice.</li><li>• Reporting to those charged with governance a mid-year treasury management report.</li></ul>
Financial:	Within the body of the report.
Human Resource:	Not Applicable.
Risk Management:	Within the body of the report.
Health and wellbeing – issues and impacts:	Not Applicable.

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# **East Herts District Council**

## **Treasury Management Strategy Statement**

Minimum Revenue Provision Policy Statement  
and Annual Investment Strategy

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2017/18

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# 1 INTRODUCTION

## 1.1 Background

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

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

CIPFA defines treasury management as:

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

## 1.2 Reporting requirements

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

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

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

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

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

### Scrutiny

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

### **1.3 Treasury Management Strategy for 2017/18**

The strategy for 2017/18 covers two main areas:

#### **Capital issues**

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

#### **Treasury management issues**

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

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

### **1.4 Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. The following training has been undertaken by members of the Audit Committee on 25th November 2015 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed. Officers also attend regular workshops and seminars held by CIPFA and Capita Asset Services.

### **1.5 Treasury management consultants**

The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors.

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

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

## 2 THE CAPITAL PRUDENTIAL INDICATORS 2017/18 – 2019/20

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

### 2.1 Capital expenditure

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:

Capital expenditure	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
<b>Total</b>	<b>22.4</b>	<b>5.1</b>	<b>3.4</b>	<b>2.7</b>	<b>1.9</b>

Other long-term liabilities. The above financing need excludes other long-term liabilities, such as PFI and leasing arrangements, which already include borrowing instruments.

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.

Financing of capital expenditure	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Capital receipts	2.1	2.9	0.8	0.5	0.5
Capital grants	0.5	1.2	0.4	0.7	0.3
Capital reserves	0.0	0.0	0.0	0.0	0.0
Revenue	1.0	0.3	0.1	0.1	0.1
<b>Net financing need for the year</b>	<b>18.8</b>	<b>0.7</b>	<b>2.1</b>	<b>1.4</b>	<b>1.0</b>

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

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

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

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £296k of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
<b>Capital Financing Requirement</b>					
<b>Total CFR</b>	<b>(23.7)</b>	<b>(23.3)</b>	<b>(21.2)</b>	<b>(19.8)</b>	<b>(18.8)</b>
<b>Movement in CFR</b>	<b>18.2</b>	<b>0.4</b>	<b>2.1</b>	<b>1.4</b>	<b>1.0</b>

<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	18.8	0.7	2.1	1.4	1.0
Less MRP/VRP and other financing movements	(0.6)	(0.3)	(0.0)	(0.0)	(0.0)
<b>Movement in CFR</b>	<b>18.2</b>	<b>0.4</b>	<b>2.1</b>	<b>1.4</b>	<b>1.0</b>

### 2.3 Core funds and expected investment balances

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	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Fund balances / reserves	16.6	16.1	15.6	16.2	17.0
Capital receipts	0.0	0.0	0.0	0.0	0.0
Provisions	2.7	0.0	0.0	0.0	0.0
Other	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)
<b>Total core funds</b>	<b>16.6</b>	<b>13.4</b>	<b>12.9</b>	<b>13.5</b>	<b>14.3</b>
Working capital*	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Under/over borrowing**	32.4	32.0	29.9	28.5	27.5
<b>Expected investments</b>	<b>48.3</b>	<b>44.7</b>	<b>42.1</b>	<b>41.3</b>	<b>41.1</b>

\*Working capital balances shown are estimated year end; these may be higher mid-year

### 3 BORROWING

The capital expenditure plans set out in Section 2 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.

#### 3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2016, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	<b>2015/16 Actual £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>
<b>External Debt</b>					
Debt at 1 April	7.5	7.5	7.5	7.5	7.5
Expected change in Debt	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities (OLTL)	0.6	0.3	0.0	0.0	0.0
Expected change in OLTL	0.0	0.0	0.0	0.0	0.0
Actual gross debt at 31 March	<b>8.1</b>	<b>7.8</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>
The Capital Financing Requirement	<b>(23.7)</b>	<b>(23.3)</b>	<b>(21.2)</b>	<b>(19.8)</b>	<b>(18.8)</b>
Under / (over) borrowing	<b>(8.1)</b>	<b>(7.8)</b>	<b>(7.5)</b>	<b>(7.5)</b>	<b>(7.5)</b>

Within the prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Head of Strategic Finance and Property 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 in this budget report.

### 3.2 Treasury Indicators: limits to borrowing activity

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

Operational boundary	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Debt	7.5	7.5	7.5	7.5
Other long term liabilities	0.3	0.0	0.0	0.0
<b>Total</b>	<b>8.8</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>

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

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

Authorised limit	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Debt	11.5	11.5	11.5	11.5
Other long term liabilities	0.5	0.2	0.2	0.2
<b>Total</b>	<b>12.0</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>

### 3.3 Prospects for interest rates

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

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut

Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

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.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that, at some point, there would be a start to a switch back from bonds to equities after a historic long-term trend over about the last twenty-five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in other developed countries. However, the degree of that upward pressure is likely to be dampened by how strong or weak, the prospects for economic growth and rising inflation are in each country and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, **downside risks to current forecasts** for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Major national polls:
  - Italian constitutional referendum 4.12.16 resulted in a 'No' vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government.
  - Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
  - Dutch general election 15.3.17;
  - French presidential election April/May 2017;
  - French National Assembly election June 2017;
  - German Federal election August – October 2017.
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

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

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields, as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

### **Investment and borrowing rates**

- Investment returns are likely to remain low during 2017/18 and beyond;
- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after



the referendum and then even further after the MPC meeting of 4<sup>th</sup> August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. 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 later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;

- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

### **3.4 Borrowing strategy**

The Council is currently in a negative CFR position. This means that the capital borrowing need (the Capital Financing Requirement), has not been reached due to the level of the Council's reserves.

Against this background and the risks within the economic forecast, caution will be adopted with the 2017/18 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

Any decisions which will result in a significant change to the CFR and this Council's need to borrow, will be reported to full council at the next available opportunity.

### **3.5 Policy on borrowing in advance of need**

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.

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.

### **3.6 Debt rescheduling**

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. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the *Council*, at the earliest meeting following its action.

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

## 4 ANNUAL INVESTMENT STRATEGY

### 4.1 Investment policy

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

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.

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.

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.

Investment instruments identified for use in the financial year are listed in Appendix 5.4 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

### 4.2 Creditworthiness policy

This Council applies the creditworthiness service provided by Capita 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.

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

- Yellow: 5 years \*
- Dark pink: 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink: 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple: 2 years
- Blue: 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange: 1 year
- Red: 6 months
- Green: 100 days
- No colour: not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long term rating where applicable)	Money Limit at Time of Investment per Banking Group / Fund / Authority	Time Limit
<b>Banks *</b>	<b>yellow</b>	<b>£10m</b>	<b>5yrs</b>
<b>Banks</b>	<b>purple</b>	<b>£10m</b>	<b>2 yrs</b>
<b>Banks</b>	<b>orange</b>	<b>£10m</b>	<b>1 yr</b>
<b>Banks – part nationalised</b>	<b>blue</b>	<b>£20m</b>	<b>1 yr</b>
<b>Banks</b>	<b>red</b>	<b>£10m</b>	<b>6 mths</b>
<b>Banks</b>	<b>green</b>	<b>£10m</b>	<b>100 days</b>
<b>Banks</b>	<b>No colour</b>	<b>Not to be used</b>	
<b>Limit 3 category – Council’s banker (not meeting Banks 1)</b>	<b>XXX</b>	<b>£20m</b>	<b>1 day</b>
<b>Property Funds</b>	<b>-</b>	<b>£20m</b>	<b>5yrs</b>
<b>DMADF</b>	<b>AAA</b>	<b>unlimited</b>	<b>6 months</b>
<b>Local authorities</b>	<b>n/a</b>	<b>£10m</b>	<b>5yrs</b>
	Fund rating	Money Limit per Fund	Time Limit
<b>Money market funds</b>	<b>AAA</b>	<b>£10m / %</b>	<b>liquid</b>
<b>Enhanced money market funds with a credit score of 1.25</b>	<b>Dark pink / AAA</b>	<b>£10m / %</b>	<b>liquid</b>
<b>Enhanced money market funds with a credit score of 1.5</b>	<b>Light pink / AAA</b>	<b>£10m / %</b>	<b>liquid</b>

*\* Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt – see Appendix 5.4.*

The Capita Asset Services’ creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency’s ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of 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.

All credit ratings will be monitored. The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services’ 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 daily basis via its Passport website, provided exclusively to it by Capita Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process.

### 4.3 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch, or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

In addition:

- no more than 20% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

### 4.4 Investment strategy

**In-house funds.** 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).

**Investment returns expectations.** Bank Rate is forecast to stay flat at 0.25% until quarter 2 2019 and not to rise above 0.75% by quarter 1 2020. Bank Rate forecasts for financial year ends (March) are:

- 2016/17 - 0.25%
- 2017/18 - 0.25%
- 2018/19 - 0.25%
- 2019/20 - 0.50%

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

2016/17	0.25%
2017/18	0.25%
2018/19	0.25%
2019/20	0.50%
2020/21	0.75%
2021/22	1.00%
2022/23	1.50%
2023/24	1.75%
Later years	2.75%

The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations

disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace.

**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: -

<b>Maximum principal sums invested &gt; 364 days</b>			
<b>£m</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Principal sums invested > 364 days	£30m	£30m	£30m

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.

#### **4.5 Investment risk benchmarking**

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 un compounded

#### **4.6 End of year investment report**

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

## 5 APPENDICES

1. Prudential and treasury indicators and MRP statement
2. Interest rate forecasts
3. Economic background
4. Treasury management practice 1 – credit and counterparty risk management (option 1)
5. Treasury management practice 1 – credit and counterparty risk management (option 2)
6. Approved countries for investments
7. Treasury management scheme of delegation
8. The treasury management role of the section 151 officer

## 5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2017/18 – 2019/20 AND MRP STATEMENT

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

### 5.1.1 Minimum revenue provision (MRP) policy statement

In accordance with current legislation the minimum revenue provision (MRP) for the redemption of debt is required to be calculated on a prudent basis having regard to guidelines set out for application of the prudential code. Following the disposal of the Council's Housing stock the calculated MRP is now nil.

### 5.1.2 Affordability prudential indicators

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:

#### a. Ratio of financing costs to net revenue stream

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

%	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Ratio	4.70%	4.68%	4.42%	4.49%	4.35%

The estimates of financing costs include current commitments and the proposals in this budget report.

#### b. Incremental impact of capital investment decisions on Council tax

This indicator identifies the revenue costs associated with proposed changes to the three-year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three-year period.

#### c. Incremental impact of capital investment decisions on the band D Council tax

£	2015/16 Actual*	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Council tax - band D	£12.51	£12.36	£12.02	£11.67	£11.48

\* Please note calculation based on estimated council tax base Oct/15.

### 5.1.4 Treasury indicators for debt

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.

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

£m	2017/18	2018/19	2019/20
<b>Interest rate exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	100%	100%	100%
<b>Limits on variable interest rates based on net debt</b>	50%	50%	50%
<b>Maturity structure of fixed interest rate borrowing 2017/18</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months	0%	0%	
12 months to 2 years	0%	0%	
2 years to 5 years	80%	80%	
5 years to 10 years	0%	0%	
10 years to 20 years	0%	0%	
20 years to 30 years	0%	0%	
30 years to 40 years	20%	20%	
40 years to 50 years	0%	0%	
<b>Maturity structure of variable interest rate borrowing 2017/18</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months	0%	0%	
12 months to 2 years	0%	0%	
2 years to 5 years	0%	0%	
5 years to 10 years	0%	0%	
10 years to 20 years	0%	0%	
20 years to 30 years	0%	0%	
30 years to 40 years	0%	0%	
40 years to 50 years	0%	0%	

## 5.2 INTEREST RATE FORECASTS 2016 – 2020

This appendix is in a separate downloadable file.

PWLB forecasts are based on PWLB certainty rates.

## 5.3 ECONOMIC BACKGROUND

**UK. GDP growth rates** in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

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

The **Monetary Policy Committee, (MPC), meeting of 4<sup>th</sup> August** was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

The **MPC meeting of 3<sup>rd</sup> November** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank. The MPC meeting of 15 December also left Bank Rate and other measures unchanged.

The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, **consumers** have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015 and were again strong in November. In addition, the GfK consumer confidence index recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result. However, in November it fell to -8 indicating a return to pessimism about future prospects among consumers, probably based mainly around concerns about rising inflation eroding purchasing power.

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

**Capital Economics' GDP forecasts** are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

**The Chancellor** has said he will do 'whatever is needed' i.e. to **promote growth**; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November. This was duly confirmed in the Statement which also included some increases in infrastructure spending.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of just under 3% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall to end up 15% down against the dollar, and 8% down against the euro (as at the MPC meeting date – 15.12.16). This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure has been on an upward trend in 2016 and reached 1.2% in November. However, prices paid by factories for inputs rose to 13.2% though producer output prices were still lagging behind at 2.3% and core inflation was 1.4%, confirming the likely future upwards path.

**Gilt yields, and consequently PWLB rates**, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12<sup>th</sup> August, and hit a new peak on the way up again of 1.55% on 15 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

**Employment** had been growing steadily during 2016 but encountered a first fall in over a year, of 6,000, over the three months to October. The latest employment data in December, (for November), was distinctly weak with an increase in unemployment benefits claimants of 2,400 in November and of 13,300 in October. **House prices** have been rising during 2016 at a modest pace but the pace of increase has slowed since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

**USA.** The American economy had a patchy 2015 with sharp swings in the quarterly **growth rate** leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, quarter 3 at 3.2% signalled a rebound to strong growth. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene, and then the Brexit vote, have caused a delay in the timing of the second increase of 0.25% which came, as expected, in December 2016 to a range of 0.50% to 0.75%. Overall, despite some data setbacks, the US is still, probably the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis. The Fed. therefore also indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures.

The result of the **presidential election** in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.

Trump's election has had a profound effect on the **bond market and bond yields** rose sharply in the week after his election. Time will tell if this is a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP

towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

In the first week since the US election, there was a a major shift in **investor sentiment** away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which could be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.

**EZ.** In the Eurozone, **the ECB** commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Consequently, at its December meeting, it extended its asset purchases programme by continuing purchases at the current monthly pace of €80 billion until the end of March 2017, but then continuing at a pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. It also stated that if, in the meantime, the outlook were to become less favourable or if financial conditions became inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council intended to increase the programme in terms of size and/or duration.

**EZ GDP growth** in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant specific political and other risks within the EZ: -

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.
- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour, on 31<sup>st</sup> October, before it would have become compulsory to call a third General Election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly

given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.

- The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.
- **4<sup>th</sup> December Italian constitutional referendum** on reforming the Senate and reducing its powers; this was also a confidence vote on Prime Minister Renzi who has resigned on losing the referendum. However, there has been remarkably little fall out from this result which probably indicates that the financial markets had already fully priced it in. A rejection of these proposals is likely to inhibit significant progress in the near future to fundamental political and economic reform which is urgently needed to deal with Italy's core problems, especially low growth and a very high debt to GDP ratio of 135%. These reforms were also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is currently unclear what the political, and other, repercussions are from this result.
- **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.
- **French presidential election**; first round 13 April; second round 7 May 2017.
- **French National Assembly election June 2017.**
- **German Federal election August – 22<sup>nd</sup> October 2017.** This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.
- The core EU, (note, not just the Eurozone currency area), principle of **free movement of people** within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

**Asia.** Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

Economic growth in **Japan** is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

**Emerging countries.** There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets. While these concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that \$340bn of emerging market corporate debt will fall due for repayment in the final two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

### **Brexit timetable and process**

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- 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 may also exit without any such agreements.
- 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 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.
- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.



#### 5.4 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 75% will be held in aggregate in non-specified investment

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	Max. maturity period
<b>DMADF – UK Government</b>	N/A	<b>100%</b>	<b>6 months</b>
UK Government gilts	UK sovereign rating	80%	12 months
UK Government Treasury bills	UK sovereign rating	80%	12 months
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	40%	6 months
Money Market Funds	AAA	100%	Liquid
Enhanced Cash Funds with a credit score of 1.25	AAA	100%	Liquid
Enhanced Cash Funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	N/A	100%	12 months
Term deposits with banks and building societies	Blue Orange Red Green No Colour	80%	12 months 12 months 6 months 100 days Not for use

	Minimum credit criteria / colour band	Max % of total investments	Max. maturity period
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	80%	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	100%	12 Months

**SPECIFIED INVESTMENTS:**

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	* Minimum 'High' Credit Criteria / colour band	Use
Debt Management Agency Deposit Facility	Green	In-house
Term deposits – local authorities	Green	In-house
Term deposits – banks and building societies **	Green	In-house
Term deposits – banks and building societies **	* Short-term __, Long-term	Fund Managers

**Term deposits with nationalised banks and banks and building societies**

	* Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
UK part nationalised banks	Blue	In-house	100%	12 months
UK part nationalised banks	UK sovereign rating	Fund Managers	80%	12 months
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	Sovereign rating	In-house and Fund Managers	80%	12 months

Collateralised deposit	UK sovereign rating	In-house and Fund Managers
UK Government Gilts	UK sovereign rating	In-house buy and hold and Fund Managers
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	In-house buy and hold and Fund Managers

Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	In-house buy and hold and Fund Managers
Sovereign bond issues (other than the UK govt)	AAA (or state your criteria if different)	In-house buy and hold and Fund Managers
Treasury Bills	UK sovereign rating	In house and Fund Managers

<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -</b>		
1. Government Liquidity Funds	AAA	In-house and Fund Managers
2. Money Market Funds	AAA	In-house and Fund Managers
3. Enhanced Cash Funds with a credit score of 1.25	AAA	In-house and Fund Managers
4. Enhanced Cash Funds with a credit score of 1.5	AAA	In-house and Fund Managers
5. Bond Funds	AAA	In-house and Fund Managers
6. Gilt Funds	AAA	In-house and Fund Managers

**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.

**NON-SPECIFIED INVESTMENTS:** A maximum of 75%\*\* will be held in aggregate in non-specified investment

### 1. Maturities of ANY period

	* Minimum Credit Criteria	Use	** Max % of total investments	Max. maturity period
<b>Fixed term deposits with variable rate and variable maturities:</b> -Structured deposits	Blue Orange Red Green	In-house	80%	12 months 12 months 6 months 100 days
Certificates of deposit issued by banks and building societies	Blue Orange Red Green	In-house and Fund Managers	80%	12 months 12 months 6 months 100 days

	<b>* Minimum Credit Criteria</b>	<b>Use</b>	<b>** Max % of total investments</b>	<b>Max. maturity period</b>
Fixed Bonds – Corporate, Financial, Supranational or Covered.	AAA	In-house and Fund Managers	10%	5 years
Floating rate notes	AAA	In house and Fund Managers	10%	5 years
<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)</b>				
Corporate bond fund	AAA	In house and Fund Managers	10%	5 years
Property fund	Based on external credit assessment from the Council's Treasury Management Advisors. UK asset investment.	In house and Fund Managers	£20m at fund entry. Maximum of two Funds at any one time for viability.	Long Term

## 2. Maturities in excess of 1 year

	* Minimum Credit Criteria	Use	** Max % of total investments	Max. maturity period
Term deposits – local authorities	N/A	In-house and Fund Managers	60%	5 Years
Term deposits – banks and building societies	Blue Orange Red Green	In-house and Fund Managers	80%	12 months 12 months 6 months 100 days
Certificates of deposit issued by banks and building societies	Blue Orange Red Green	In-house and Fund Managers	80%	12 months 12 months 6 months 100 days
UK Government Gilts	UK sovereign rating	In-house and Fund Managers	80%	10 years
Fixed Bonds – Corporate, Financial, Supranational or Covered.	AAA	In-house and Fund Managers	10%	5 years
Sovereign bond issues (other than the UK govt)	AAA	Fund Managers	50%	10 years
<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)</b>				
Property fund	Based on external credit assessment from the Council's Treasury Management Advisors. UK asset investment.	In house and Fund Managers	£20m at fund entry. Maximum of two Funds at any one time for viability.	Long Term

## 5.5 APPROVED COUNTRIES FOR INVESTMENTS

*This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing – for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Capita Asset Services credit worthiness service.*

### AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.S.A.

**AA+**

- Finland
- Hong Kong

**AA**

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

**AA-**

- Belgium

## **5.6 TREASURY MANAGEMENT SCHEME OF DELEGATION**

### **(i) Full Council**

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

### **(ii) Executive / Full 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.

### **(iii) Joint Scrutiny / Audit and Governance Committee**

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

## **5.7 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.

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