BOROUGH OF TAMWORTH

CABINET

19 February 2019

A meeting of the CABINET will be held on Monday, 25th February, 2019, 6.00 pm in Committee Room 1 - Marmion House

A G E N D A

NON CONFIDENTIAL

7 **Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2019/20** (Pages 3 - 168)
(Report of the Leader of the Council)

Yours faithfully

Chief Executive

Access arrangements

If you have any particular access requirements when attending the meeting, please contact Democratic Services on 01827 709267 or e-mail democratic-services@tamworth.gov.uk. We can then endeavour to ensure that any particular requirements you may have are catered for.

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FAQs

For further information about the Council's Committee arrangements please see the FAQ page here

To Councillors: D Cook, R Pritchard, J Chesworth, S Doyle and M Cook.

CABINET

25th February 2019

COUNCIL

26th February 2019

Report of the Leader of the Council

Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2019/20

Purpose

This is a key decision as it affects two or more Wards and involves expenditure over £100k.

- To approve the **Vision Statement, Priority Themes, Corporate Priorities and Plans** and their inclusion in the **Corporate Plan (attached at Appendix A)**.

- To approve the recommended package of budget proposals **(attached at Appendix B)** to enable the Council to agree the:

    - General Fund (GF) Revenue Budget and Council Tax for 2019/20;
    - Housing Revenue Account (HRA) Budget for 2019/20;
    - 5 Year General Fund Capital Programme (2019/24);
    - 5 Year HRA Capital Programme (2019/24);
    - 3 Year General Fund Medium Term Financial Strategy (MTFS) (2019/22); and
    - 5 Year HRA Medium Term Financial Strategy (MTFS) (2019/24).

- To comply with the requirement of the Council's Treasury Management Policy in reporting to Council the proposed strategy for the forthcoming year and the Local Government Act 2003 with the reporting of the Prudential Indicators **(attached at Appendix N)**.

Recommendations

That Council approve:

1. **the Vision Statement, Priority Themes, Corporate Priorities and Outcomes for 2019/20 (Appendix A);**
2. **the proposed revisions to Service Revenue Budgets (Policy Changes) (Appendix C);**
3. **the sum of £62,517 be applied from Council Tax Collection Fund surpluses in reducing the Council Tax demand in 2019/20 (Appendix E);**
4. **the sum of £752,887 be applied from Business Rates Collection Fund surpluses in 2019/20 (Appendix E);**
5. **that on 29th November 2018, the Cabinet calculated the Council Tax Base 2019/20 for the whole Council area as 21,761 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")];**
6. **that the Council Tax requirement for the Council's own purposes for 2019/20 is £3,849,303 (Appendix E);**
7. **the following amounts as calculated for the year 2019/20 in accordance with Sections 31 to 36 of the Act:**
   a. **£49,832,645 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act (Outgoings excluding internal GF Recharges);**
   b. **£45,983,342 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act (Income excluding internal GF Recharges);**
   c. **£3,849,303 being the amount by which the aggregate at 7(a) above exceeds the aggregate at 7(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year (Item R in the formula in Section 31A(4) of the Act);**
   d. **£176.89 being the amount at 7(c) above (Item R), all divided by Item T (at 5 above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year;**
8. **the Council Tax level for the Borough Council for 2019/20 of £176.89 (an increase of £5.14 (2.99%) on the 2018/19 level of £171.75) at Band D;**
9. **an aggregate Council Tax (comprising the respective demands of the Borough Council, Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire and Stoke-on-Trent and Staffordshire Fire and Rescue Authority) of £1,715.41 at Band D for 2019/20 be noted (£1,648.36 in 2018/19) (Appendix H);**
10. **the Council Tax levels at each band for 2019/20 (Appendix H);**
11. **the sum of £1,408,174 be transferred from General Fund Revenue Balances in 2019/20 (Appendix E);**

12. **the Summary General Fund Revenue Budget for 2019/20 (Appendix E);**

13. **the Provisional Budgets for 2020/21 to 2021/22, summarised at Appendix G, as the basis for future planning;**

14. **minimum level for balances of £500k to be held for each of the General Fund, Housing Revenue Account, General Capital Fund and Housing Capital Fund;**

15. **Cabinet be authorised to release funding from the General Contingency budget and that the release of funding for Specific Contingency items be delegated to the Corporate Management Team in consultation with the Leader of the Council;**

16. **proposed HRA Expenditure level of £13,164,850 for 2019/20 (Appendix D);**

17. **rents for Council House Tenants in General Accommodation for 2019/20 be set at an average of £85.52 (2018/19 £86.50), over a 49 week rent year (including the required 1% reduction);**

18. **rents for Council House Tenants due for 53 weeks in 2019/20 be collected over 49 weeks;**

19. **the HRA deficit of £115,050 be financed through a transfer from Housing Revenue Account Balances in 2019/20 (Appendix D);**

20. **the proposed 5 year General Fund Capital Programme of £5.297m, as detailed in Appendix I to the report;**

21. **the proposed 5 year Housing Capital Programme of £44.496m, as detailed in Appendix J to the report;**

22. **to delegate authority to Cabinet to approve/add new capital schemes to the capital programme where grant funding is received or there is no net additional cost to the Council;**

23. **the Treasury Management Strategy Statement, the Treasury Management Policy Statement, Minimum Revenue Provision Strategy and Annual Investment Statement 2019/20 (as detailed at Appendix N);**

24. **the Prudential and Treasury Indicators and Limits for 2019/20 to 2021/22 contained within Appendix N;**

25. **adoption of the Treasury Management Practices contained within ANNEX 8;**

26. **the detailed criteria of the Investment Strategy 2019/20 contained in the Treasury Management Strategy within ANNEX 4; and**

27. **the Corporate Capital Strategy and associated Action Plan (as detailed at Appendix O).**

Executive Summary

The headline figures for 2019/20 are:

- A General Fund Net Cost of Services of £9,403,410 a reduction of 8.4% compared to 2018/19;

- A transfer of £1,408,174 from General Fund balances;

- The Band D Council Tax would be set at £176.89, an increase of £5.14 (2.99% - c.£0.10 per week) on the level from 2018/19 of £171.75;

- A General Fund Capital Programme of £5.297m for 5 years;

- a Housing Revenue Account (HRA) Expenditure level of £13,164,850 for 2019/20 (excluding interest & similar charges);

- A transfer of £115,050 from HRA balances;

- Rents will be set in line with the approved Rent Setting Policy including a 1% reduction in average rent, in line with the Government's requirement to reduce rents by 1% p.a. for the 4 years from 2016/17 (based on a 49 week rent year) which represents a reduction of £0.98 (on the current average rent of £86.50) and equates to £79.09 on an annualised 52 week basis;

- A Housing Capital Programme of £44.496m for 5 years.

Closing balances over 3 years for the General Fund (GF) are estimated at £0.5m, at the minimum approved level of £0.5m. The draft Budget and Medium Term Financial Strategy is based on a council tax increase of £5.14 (2.99%) for 2019/20 (the maximum permitted under the Government set limits to trigger a referendum is the greater of £5 or 3.0%) followed by increases of 2.99% p.a. thereafter & in line with statutory requirements.

The Summary HRA Revenue Budget for 2019/20 appears at **Appendix D** (including a summary of the resulting budgets over the 5 year period). Closing balances over 5 years for the HRA are estimated at £2.3m (compared to the minimum approved level of £0.5m).

The 5-year General Fund Capital Programme has been formulated assuming that the anticipated capital receipts will be received, this leaves a balance of c.£0.5m available, excluding c.£4.5m unallocated receipts remaining from the sale of the former Golf Course (the minimum approved level is £0.5m).

The Council's uncommitted Housing Capital Resources will effectively be reduced to c.£0.5m over 5 years (the approved minimum level is £0.5m).

Key Risks

- Impact of uncertain economic conditions, following the decision to leave the EU – there is a higher level of uncertainty than in previous budget setting processes. It is suggested that, given the uncertainty, there should be no knee jerk reactions – with a clear plan to focus on balancing the next 3 years' budget position for the General Fund (5 years for the HRA);

- Achievement of the anticipated growth in business rates income – in line with the assumed baseline and tariff levels set;

- Uncertainty remains over the work progressing with regard to business rates retention (and the associated impact on the Council's business rates income and associated baseline and tariff levels) – it has been announced that Councils will be able to retain 75% of business rates collected from 2020/21 rather than 100% as previously planned. In addition, the Government are also consulting on a review of the distribution methodology, the 'Fair Funding Review' as well as the planned Business Rates Reset (when a proportion of the growth in business rates achieved since 2013/14 will be redistributed) - both of which will also take effect from 2020/21. **There is a high risk that this will have a significant effect on the Council's funding level from 2020/21.** It was announced as part of the Provisional Local Government Finance Settlement that the Councils in Staffordshire have been successful in their bid to host a Staffordshire wide 75% Business Rates Pilot arrangement for 2019/20;

- Delivery of the planned Commercial Investment Strategy actions and associated improved investment returns of 4% p.a. arising from the investment of £24m from the capital receipt received over the period 2016 – 2018 from the sale of the former golf course (to support the MTFS in the long term);

  The MHCLG have issued revised Investment and Minimum Revenue Provision (MRP) guidance, in response to recent concerns with regard to Councils who are borrowing large sums to invest in commercial property activities. Key issues include amendments to the definition of an investment, so that it now covers all financial assets and other non-financial assets that an authority holds primarily to generate financial returns, such as investment portfolios; and the proviso that authorities should not borrow in advance of need purely to profit from the investment of extra sums borrowed. Additional disclosures are also required in terms of risk management around investments.

- Achievement of anticipated growth in new homes within the Borough and the associated dependency on the New Homes Bonus income to address / reduce the funding shortfall for the General Fund; and

- Challenge to continue to achieve high collection rates for council tax, business rates and housing rents – in light of further austerity, economic conditions and uncertainty.

Background

The Vision for Tamworth is underpinned by high level, evidence based priorities that focus upon both Tamworth (the place), the communities served (the people) as well as the Council (the organisation).

However, it has become evident that the plans, processes and strategies that have guided the organisation to date required a review and refresh if elected members are to respond to the demands from local people.

More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation. So, not only will the Council seek investment from businesses and developers, but the Council itself will explore viable and sustainable investment opportunities using all returns to support public services.

Efficiency Statement - Sustainability Strategy

The budget setting process has faced significant constraints in Government funding in recent years - over 50% in real terms since 2010. The 4 year Local Government Finance Settlement confirmed that austerity measures are to continue with Revenue Support Grant (RSG) all but eradicated for most Councils by 2020 – and suggests that the key challenges that the Council is currently addressing are likely to become greater.

The Council remains committed to promoting and stimulating economic growth and regeneration; meeting our housing needs; creating a vibrant town centre economy and protecting those most vulnerable in our communities. To this end, we pledge to explore and invest in viable and sustainable methods of generating income and moving towards financial independence – as well as taking any opportunities to provide services in a more effective and efficient manner.

This approach has enabled this Council to navigate its way through the extended period of austerity and the uncertainties and complexities brought about by ‘devolution’, elected Mayors, Combined Authorities etc.

With many of the challenges of previous years still facing the Council and the uncertainties surrounding issues such as BREXIT, NNDR retention, the future of the NHS and Care Services, our local clarity of Vision and purpose has never been so important.

In addition, the adoption of ‘Demand Management’ as the primary operating model and the targeting of resources via locality based commissioning and delivery has enabled greater effectiveness in service delivery as evidenced by customer satisfaction, award winning services and of course, the management of the Council’s finances. Through its implementation, the Council will have far greater control upon the alignment of services or ‘supply’ to the increased needs and expectations of the public or ‘demand’.

Key to this will be the application of existing and new technology to capture, collate and analyse customer insight, intelligence and data so as to understand not just the 'need' but the cause, behaviours or decisions creating the need. Then by the application of locality based commissioning for example, it can commission services that either intervene or prevent future need thereby reducing demand. This approach will change the organisation and how it works; will require Members to take difficult decisions and adhere to them; will involve managed risks and will sustain essential services critical in supporting the most vulnerable in our communities at a time when demand is increasing and resources reducing.

Accurate forecasting, strong leadership and an innovative, risk aware approach have resulted in the organisation being able, in the main, to sustain a full suite of essential services albeit not without implications for the public, local politicians and the entire workforce.

By adopting this approach, supporting its implementation and measuring its progress, it will enable the Council to achieve its Vision and Priorities and fulfil its obligations.

- We will target resources upon those in most need and those most vulnerable.

- We will commission services that will both intervene/prevent future demand and reduce levels of vulnerability.

- We will, as a consequence, meet the Council's stated intention to ensure that the vulnerable are a priority (Motion to Council on 26th November, 2014 refers).

As part of the budget process Policy Changes are required in order to amend base budget provision. As grant and other income levels are reducing, where increased costs are unavoidable then managers should identify compensatory savings. Where savings are identified they must be accompanied by a robust implementation plan.
Robust business case templates will have to be submitted to Cabinet and CMT for all Policy Change submissions (Revenue and Capital).

The attached forecast is based on a 5 year period, but does contain a number of uncertainties. It is suggested that, given the uncertainty, there should be no knee jerk reactions – with a clear plan to focus on balancing the next 3 years' budget position, in compliance with the Prudential Code (by which time the economic impact, if any, should be clearer).

Work is continuing on a number of actions to address the financial position in future years:

- Delivering Quality Services project – the demand management approach to shift demand to more efficient methods of service delivery – online and automation (Interactive Voice Response). A savings target of £100k p.a. has already been included within the MTFS together with reduced CRM costs of £62k p.a. from 2019/20;

- Recruitment re-justification process – where possible, temporary 12 month appointments are now only being made; there is a robust challenge / re-justification process in place for all vacant posts with a requirement to investigate alternative options including restructuring to fill vacancies / looking at what we can stop doing.

  We took the opportunity to increase the vacancy allowance from 5% to 7.5% by 2021/22 c.£45k p.a. year on year for the General Fund, c.£14k p.a. for the HRA (It should be noted that staffing in some services e.g. planning, are key to the delivery of the Council's economic growth agenda and have significant demand from the public and local businesses but can also experience severe recruitment difficulties – which may lead to the use of market supplements to attract staff).

- Spend freeze – Managers have previously been required to restrict / limit spending to essential spend only (there was a £1.8m underspend in 2017/18 – although much of this arose from windfall income, c. £1m was lower level underspends).

  A review of the underspend position has been undertaken with a view to drive out as many savings as possible.

- Alternative investment options arising from the Commercial Investment Strategy (as well as the Treasury Management Investment Strategy, including any prudential borrowing opportunities) to generate improved returns of c. 4 to 5% p.a. (plus asset growth) including:

  - Set up of trading company to develop new income streams;
  - Local investment options – Lower Gungate / Solway Close development including the potential to drawdown funding from the Local Growth Fund / Local Enterprise Partnerships (GBS and Staffordshire);
  - Investments in Diversified Property Funds – a savings target to return c.4% p.a. from £12m invested has already been included from 2019/20.

  Note: these would represent long term investments of between 5 – 10 years (minimum) in order to make the necessary returns (after set up costs).

- Review of reserves (including ensuring adequate provision for the funding uncertainties) / creation of a fund for transformation (if needed).

- Targeted Savings – to identify potential areas for review in future years.

- Review and rationalisation of IT systems.

The savings already contained within the Base Budget forecast include:

Planned Saving area	Risk	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Investment income from Property Funds	H	240	480	480	480	480
Delivering Quality Services project	M	100	100	100	100	100
Reduced CRM costs	M	62	62	62	62	62
Recruitment freeze – increase the vacancy allowance from 5% to 7.5% over 5 years from 2017/18 – c. £45k p.a. year on year for the General Fund (£14k p.a. – HRA);	L	91	140	192	192	192

Vision, Strategic Priorities & Plans

The Vision for Tamworth is underpinned by high level, evidence based priorities that focus upon both Tamworth (the place), the communities served (the people) as well as the Council (the organisation).

However, it has become evident that the plans, processes and strategies that have guided the organisation to date required a review and refresh if elected members are to respond to the demands from local people.

More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation. So, not only will the Council seek investment from businesses and developers, but the Council itself will explore viable and sustainable investment opportunities using all returns to support public services.

The adoption of 'Demand Management' as the primary operating model and the targeting of resources via locality based commissioning and delivery has enabled greater effectiveness in service delivery. As part of a 'Tamworth Community Offer' we will:

- Improve our use of 'insight' in shaping services and directing investment;
- Better align service delivery to ensure we act with purpose and are accountable;
- Support the Demand Management model with prevention approaches which seek to tackle causes and reduce costs;
- Develop approaches which genuinely 'empower' individuals and communities;
- Support a transformed dialogue with residents - recognising that our financial capacity will be less than in previous years which means educating and supporting communities to focus resources on 'needs' and being clear on what we are able to do and equally what we can't.

It is through the Corporate Plan that these aspirations and expectations will be achieved. The scale, scope and timescale relating to these outcomes presents the Council with a challenging yet achievable task over the forthcoming years.

It is important to note that whilst the plan focuses upon delivering against the 3 Thematic Priorities, the Council must also ensure that the wide range of day-to-day operational and support services continue to be delivered to a consistent and efficient standard. In doing so, it demonstrates how "Delivering Quality Services" both connects and underpins the Thematic Priorities.

Review – Key Drivers

- One: Create Insight and use our Knowledge - systematic collation and analysis;

- Two: Be Clear About Our Service Offer - consistent approach to customer services;

- Three: Prevention and Earliest Help approaches - get 'upstream' of the demand.

Review – Methodology

The approach, driven by Members, was based upon the collection, collation and analysis of a range of information; an understanding of local issues and an awareness of key influences.

In summary:

- Data, Customer/User insight and intelligence;
- Public consultation and wider engagement outcomes;
- A detailed understanding of our partners' plans;
- Political intentions and ambitions across the parties and the tiers;
- Our strategic plans – e.g., Local Plan; Housing & Health Strategies, Growth & Regeneration;
- Detailed knowledge of local and regional growth through devolution plans/intentions;
- Financial constraints and opportunities.

The **Vision, Strategic Priorities & Plans** at **Appendix A** set out how, under each Strategic priority, we plan to deliver gains or stated ambitions in order to progress against each priority.

There are a number of key challenges affecting the medium term financial planning process (as detailed within the report), which add a high level of uncertainty to budget projections.

The medium term financial planning process is being challenged by Government austerity measures as well as continued uncertainty. The accomplishment of a balanced 3 Year Medium Term Financial Strategy for the General Fund is a major achievement as the Council, like others, has planned to deliver its budget process in light of unprecedented adverse economic conditions with a great deal of uncertainty over future investment and income levels such as car parking, land charges and corporate property rents.

The Council continues to be faced with significant financial demands from Central Government following new legislation in areas such as Homelessness, Data Protection (& the General Data Protection Regulations - GDPR), planning and transparency – as well as substantial reductions in Government grant support.

The Council is responding to these challenges by considering the opportunities to grow our income. We are ambitious with our commercial view and will continue to work hard to identify income streams that enable us to continue to meet the needs of our residents.

We continue to focus on supporting vulnerable people and in particular in ensuing that those facing difficulties in relation to financial hardship and housing difficulties are prioritised. We will work collaboratively with others to maximise our collective effectiveness and will seek to develop the role played by the third sector.

A fundamental review of senior management provided us with the opportunity to significantly reduce management costs to create a management structure that is flexible and focussed to meet future needs. In addition, we will be developing our operating model to further strengthen our service delivery and strategic approaches. In particular we will further reinforce our use of knowledge and evidence in decision making, ensure that we are clear in our service offer and accountable to residents.

We continue to invest in our teams, transform our processes and ensure our technology infrastructure is fit for purpose. We have identified a number of opportunities to improve customer access to information and services as well as our engagement with our citizens and the way in which we manage our data and information.

Additional demands for services (i.e. benefits and housing) arising from these austere times have been included where possible but this is dependent on the length and depth of the austerity measures.

There is also a high degree of uncertainty from the work progressing with regard to business rates retention (and the associated impact on the Council's business rates income and associated baseline and tariff levels) – it has been announced that Councils will be able to retain 75% of business rates collected from 2020/21 rather than 100% as previously planned. In addition, the Government are also consulting on a review of the distribution methodology, the 'Fair Funding Review' as well as the planned Business Rates Reset (when a proportion of the growth in business rates achieved since 2013/14 will be redistributed) - both of which will also take effect from 2020/21. There is a high risk that this will have a significant effect on the Council's funding level from 2020/21. It was announced as part of the Provisional Local Government Finance Settlement that the Councils in Staffordshire have been successful in their bid to host a Staffordshire wide 75% Business Rates Pilot arrangement for 2019/20

In light of these uncertainties and issues arising from the sensitivity analysis (attached at **Appendix L**), it is felt prudent to include within the budget a number of specific contingency budgets (aligned to the specific uncertainties, where appropriate) to ensure some stability in the financial planning process (as detailed at **Appendix M**).

The assumptions made in the production of the MTFS are based on the best information available at the time and are subject to change. These will be monitored and reviewed on a Quarterly basis by CMT and Cabinet.

The Treasury Management Strategy Statement and report attached at **Appendix N** outlines the Council's Prudential Indicators for 2019/20 to 2021/22 and sets out the expected Treasury operations for this period.

Under the requirements of the CIPFA Code of Practice and associated Guidance Notes 2017, the following four clauses have been adopted:

a) This Council will create and maintain, as the cornerstones for effective treasury management:

A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
Suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

b) This Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

c) This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Executive Director Finance, who will act in accordance with the organisation's policy statement and TMPs.

This Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Options Considered

As part of the budget setting process a number of options for the council tax increase levels for 2019/20 and future years have been modelled / considered.

Council Tax	**Option Modelled / Considered**
Model 1	**2.99% increase in Council tax in 2019/20 (followed by increases of c.2.99% p.a.)**
Model 2	£5.00 increase in Council tax in 2019/20 (followed by increases of £5.00 p.a.)
Model 3	0% increase in Council tax in 2019/20 (followed by increases of c.2.99% p.a.)
Model 4	2.5% increase in Council tax in 2019/20 (followed by increases of 2.5% thereafter)
Model 5	0% increase in Council tax in 2019/20 (followed by increases of 0% thereafter)
Model 6	1% increase in Council tax in 2019/20 (followed by increases of 1% thereafter)

Rent	**Option Modelled / Considered**
Statutory Requirement	**Reduction of 1% (in line with the statutory requirement)**

These are detailed within the Base Budget report to Cabinet on 29th November 2018 and the Draft Medium Term Financial Strategy report to Cabinet on 24th January 2019 and Joint Scrutiny Committee (Budget) on 30th January 2019.

Resource Implications

A summary table of all the budget proposals is shown at the end of the report. The General Fund Summary Revenue Budget for 2019/20 appears at **Appendix E**. A summary of the resulting budgets over the 3 year period appears at **Appendix G**.

Closing balances over 3 years for the General Fund (GF) are estimated at £0.5m, at the minimum approved level of £0.5m. The draft Budget and Medium Term Financial Strategy is based on a council tax increase of £5.14 (2.99%) for 2019/20 (the maximum permitted under the Government set limits to trigger a referendum is the greater of £5 or 3.0%) followed by increases of 2.99% p.a. thereafter & in line with statutory requirements.

The Summary HRA Revenue Budget for 2019/20 appears at **Appendix D** (including a summary of the resulting budgets over the 5 year period). Closing balances over 5 years for the HRA are estimated at £2.3m (compared to the minimum approved level of £0.5m).

The 5-year General Fund Capital Programme has been formulated assuming that the anticipated capital receipts will be received, this leaves a balance of c.£0.5m available, excluding c.£4.5m unallocated receipts remaining from the sale of the former Golf Course (the minimum approved level is £0.5m).

The Council's uncommitted Housing Capital Resources will effectively be reduced to c.£0.5m over 5 years (the approved minimum level is £0.5m).

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. In the view of the Executive Director Finance, the budget proposals enclosed within this report include estimates which take into account circumstances and events which are reasonably foreseeable at the time of preparing the budget. In his view, the level of reserves remains adequate for the Council based on this budget and the circumstances in place at the time of preparing it.

Legal / Risk Implications

The Council's constitution requires Cabinet publish initial proposals for the budget, having first canvassed the views of local stakeholders as appropriate - budget proposals were considered at the Joint Scrutiny Committee (Budget) meeting on 30th January 2019. In line with the constitution a Leaders Budget Workshop was held on 6th December 2018 to outline the issues affecting the MTFS arising from the base budget forecast.

The budget has been set following extensive consultation with the people of Tamworth. This includes feedback and responses from the 'Tamworth Listens' budget consultation exercise.

Proposed amendments to the 2018/19 base budget, approved by Council on 27th February 2018, are detailed within the report.

Approval of Prudential Indicators and an Annual Investment Strategy is a legal requirement of the Local Government Act 2003. Members are required under the CIPFA Code of Practice to have ownership and understanding when making decisions on Treasury Management matters.

Key Risks to Revenue and Capital Forecasts:

Risk	**Control Measure**
Major variances to the level of grant / subsidy from the Government (including specific grants e.g. Benefits administration, Business Rates Section 31 funding); (**High)**	Sensitivity modelling undertaken to assess the potential impact in the estimation of future grant levels; **(Medium / High)**
New Homes Bonus grant levels lower than estimated; Continuation of the scheme with revisions has been confirmed – further changes are possible in future years. Achievement of forecast growth in housing numbers / reduced void levels; **(High/Medium)**	Future levels included on a risk based approach in order to offset further grant reductions / uncertainty over additional property numbers; **(Medium)**
Potential 'capping' of council tax increases by the Government or local Council Tax veto / referendum; **(Medium)**	Current indications are that increases above 3% **and** £5 and above risk 'capping' (confirmed as 3% **and** £5 for District Councils for 2019/20); **(Low)**
The achievement / delivery of substantial savings / efficiencies will be needed to ensure sufficient resources will be available to deliver the Council's objectives through years 4 to 5. Ongoing; **(High)**	A robust & critical review of savings proposals will be required / undertaken before inclusion within the forecast; **(High/Medium)**
Pay awards greater than forecast; **(Medium)**	Public sector pay cap was in place - 1% increase p.a. for 4 years from 2016/17. However, this cap was lifted from 2018/19 with pay awards of 2% p.a. for 2 years; **(Medium / Low)**
Pension costs higher than planned / adverse performance of pension fund; **(Medium)**	Regular update meetings with Actuary; Increases of c.£200k p.a. with a new 'lump sum' element have been included following triennial review (during 2016 for 2017/18) for 3 years; **(Medium)**
Assessment of business rates collection levels to inform the forecast / budget (NNDR1) and estimates of appeals, mandatory & discretionary reliefs, cost of collection, bad debts and collection levels;	Robust estimates included to arrive at collection target. Ongoing proactive management & monitoring will continue;

Risk	Control Measure
New burdens (Section 31) grant funding for Central Government policy changes – including impact on levy calculation; Potential changes to the Business Rates Retention system following the announcement for Councils to keep 75% (previously up to 100%) of the business rates collected by 2020/21; **(High)**	Business Rates Collection Reserve - provision of reserve funding to mitigate impact of any changes in business rate income levels; Monitoring of the situation / regular reporting; **(High / Medium)**
Local Council Tax Reduction scheme implementation – potential yield changes and maintenance of collection levels; **(High)**	Robust estimates included. Ongoing proactive management & monitoring (including a quarterly healthcheck on the implications on the organisation – capacity / finance) will continue; **(High / Medium)**
Achievement of income streams in line with targets e.g. treasury management interest, car parking, planning, commercial & industrial rents etc.; **(High / Medium)**	Robust estimates using a zero based budgeting approach have been included; **(Medium)**
Delivery of the capital programme (GF / HRA – including Regeneration schemes) dependent on funding through capital receipts and grants (including DFG funding through the Better Care Fund); **(High / Medium)**	Robust monitoring and evaluation – should funds not be available then schemes would not progress; **(Medium)**
Dependency on partner organisation arrangements and contributions e.g. Waste Management (SCC/LDC). **(High / Medium)**	Memorandum of Understanding in place with LDC. Contractual issues over recycling changes now resolved. Changes to SCC recycling credits now agreed. **(Medium)**
Delivery of the planned Commercial Investment Strategy actions - recent review of the Treasury Management Investment Guidance / Minimum Revenue Provision Guidance carried out by MHCLG - with a potential restriction of investments by Councils given increased risk exposure. **(High/Medium)**	The main issue seems to be the increased risks associated with those Councils who are borrowing large sums to invest in commercial property activities. **(Medium)**
Maintenance and repairs backlog for corporate assets – and planned development of long term strategic plan to address such. **(High / Medium)**	Planned development of long term strategic corporate capital strategy and asset management plan to consider the requirements and associated potential funding streams. **(Medium)**

Risk	Control Measure
Significant financial penalties arising from the implementation of the General Data Protection Regulations (GDPR). **(High / Medium)**	Implementation plan in place with corporate commitment and good progress. **(Medium)**
Property funds are not risk free - as such a risk based approach will need to be adopted – to balance risk against potential yield or return. Based on past performance there is the potential for returns of c.4 to 5% p.a. but this is not guaranteed. The value of the funds are also subject to fluctuation – which could mean a capital loss in one year (as well as expected gains). The initial cost associated with the purchase of the investment in the funds is expected to be in the region of 5% - which would have to be recovered over the life of the investment (either from annual returns or capital appreciation). There is a real risk of a revenue loss therefore in the first year. **(High/Medium)**	Any investment in funds which are deemed as capital expenditure will require the necessary capital programme budgets to be approved by full Council. Risk is inherent in Treasury Management and as such a risk based approach will need to be adopted – to balance risk against potential yield or return. It is suggested that risk be mitigated (although not eliminated) through investment in a diversified portfolio using a range of property funds. Provision has been made within the proposed policy changes to fund the initial cost of purchase of c.5%. The Council will also endeavour to use of the secondary market for purchases to potentially gain access to a fund at a lower level of cost than via the primary route **(Medium)**

Risk is inherent in Treasury Management and as such a risk based approach has been adopted throughout the report with regard to Treasury Management processes.

Report Author:

If Members would like further information or clarification prior to the meeting please contact Stefan Garner, Executive Director Finance – tel. 709242.

Background Papers:-	**Draft Budget and Medium Term Financial Strategy 2019/20 to 2023/24, Cabinet 24th January 2019 / Joint Scrutiny Committee (Budget) 30th January 2019**
	Business Rates Income Forecast (NNDR1 return), Cabinet 24th January 2019
	Treasury Management Strategy Statement & Annual Investment Strategy Mid-year Review Report 2018/19, Council 11th December 2018
	Leaders Budget Workshop, 6th December 2018
	Draft Base Budget Forecasts 2019/20 to 2023/24, Cabinet 29th November 2018
	Budget Consultation Report, Cabinet 8th November 2018
	Budget and Medium Term Financial Planning Process, Cabinet 2nd August 2018
	Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2018/19, Council 27th February 2018
	Treasury Management Practices 2019/20 (Operational Detail)

Summary of Appendices

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TAMWORTH BOROUGH COUNCIL: VISION

To put Tamworth, its people and the local economy at the heart of everything we do

OUR PURPOSE IS TO

- help tackle causes and effects of poverty and financial hardship
- increase all residents' resilience and access to information
- engage with our residents to promote community involvement and civic pride
- support the development of Tamworth now, and in the future
- help the local economy to grow in a way which benefits our residents and businesses
- utilise Council resources effectively
- help tackle the causes of inequality and increase opportunities for all residents and businesses
- help protect, nurture and celebrate our local heritage
- help prevent homelessness and help people access suitable housing
- help build resilient communities
- help develop and safeguard our environment and open spaces

OUR STRATEGIC PRIORITIES FOR 2019-2022

People and Place	Organisation
1. To meet housing needs through a variety of approaches and interventions 2. To facilitate sustainable growth and economic prosperity 3. To work collaboratively and flexibly to meet the needs of our communities 4. To create a new and developing vision for the continued evolution of Tamworth, including a Town Centre fit for the 21st century	1. To be financially stable 2. To ensure our employees have the right skills and culture to help our residents, visitors and businesses 3. To ensure our service delivery is consistent, clear, and focused 4. To ensure our decisions are driven by evidence and knowledge

People and Place Priorities	Why is this a priority?
1. To meet housing needs through a variety of approaches and interventions	Access to safe and suitable accommodation is a key issue for Tamworth residents and continues to be the highest area of demand for Council services overall. The Council places a high priority on its role in supporting people to access the housing they need, seeking to improve standards across all tenures and working to ensure that neighbourhoods can thrive.
2. To facilitate sustainable growth and economic prosperity	Tamworth is well placed to benefit from the economic prosperity of the West Midlands as a whole and the Council recognises the importance of its role in ensuring that this increased prosperity benefits all residents and enhances our town. We welcome continued infrastructure growth including increased housing. However, we believe that the Council has a pivotal role to play in ensuring that this growth is managed in a way which enhances the lives of our residents, protects our environment and supports a balanced economy.
3. To work collaboratively and flexible to meet the needs of our communities	The Council has invested strongly in the development of innovative and proactive collaboration across agencies and sectors and has a well-earned reputation for placing partnership at the heart of our approach. We consider that our ability to deliver positive outcomes for residents is enhanced by working with others and as a result we will continue to invest in the development of purposeful and meaningful partnerships. In particular we will focus on enhancing the work that we do with others to protect vulnerable people and enhance neighbourhoods.
4. To create a new and developing vision for the continued evolution of Tamworth, including a Town Centre fit for the 21st century	As is the case across the UK the nature and use of our town centre is changing, with a reduction in the viability of the retail offer in its traditional form. However, the town centre remains an important resource for the town as a whole, with the potential to greatly enhance Tamworth's already enviable leisure offer. We believe that the Council is well placed to lead the development of a clear and inclusive vision for the town centre which provides the framework for future sustainability. This will link to our own plans for regeneration including the re-development of the Gungate Area.

Organisational Priorities	Why is this a priority?
1. To be financially stable	Along with much of the public sector Tamworth is facing an uncertain financial future. The Council has a proven track record as a trusted custodian of public finances and we will continue to emphasise the importance of sound financial management linked to effective risk management and governance. We further believe that by adopting commercial approaches and critically evaluating commercial opportunities we can significantly increase our financial sustainability and increase our ability to offer VFM for residents.
2. To ensure our employees have the right skills and culture to help our residents, visitors and businesses	We consider that our teams and our elected members constitute our greatest asset and that by ensuring that every individual has the necessary skills, competencies and knowledge to fulfil their roles we can work most effectively for the benefit of residents. Ensuring that front line staff and elected members have access to useful and up to date information regarding service delivery and community issues also greatly increases effectiveness and we will prioritise the development of resources which maximise the accessibility of information.
3. To ensure our service delivery is consistent, clear, and focused	Ensuring that residents are able to easily access clear information about the standards of service they can expect from us will greatly help to reduce waste demand and promote confidence in the Council. Of equal importance is ensuring that the right tools are in place to deliver consistently to the expected standard. We will prioritise the development of clear standards of service across the organisation and will further develop our approaches to measure and respond quickly to customer intelligence and levels of satisfaction.
4. To ensure our decisions are driven by evidence and knowledge	The Council receives a considerable amount of useful information though customer feedback along with statistical information from a variety of sources. We believe that by ensuring we are making the maximum of use of all available information and knowledge we can create insight to inform decision making at every level. We will work to further develop the means by which we collect, collate and analyse all available information for the purpose of enhancing our ability to support evidence based decision making.

Key Actions / Deliverables
People and Place
1. To meet housing needs through a variety of approaches and interventions o Completion of new council housing at Tinkers Green and Kerria to deadline and budget o Implementation of the Homelessness Reduction Act 2017 and associated actions o Reviewing our Local Plan to ensure it is fit for purpose and reflective of housing needs. o Working with Landlords to ensure relevant standards for Private Rented Accommodation are achieved by offering advice, guidance and where necessary by taking enforcement to ensure compliance **2. To facilitate sustainable growth and economic prosperity** o Development of a Place Investment Strategy o Production of a viable and deliverable master plan to encompass the Gungate Site that is both reflective of the towns needs and fiscal requirements o Delivery of sound business advice through locally engaged growth hub advisors **3. To work collaboratively and flexibly to meet the needs of our communities** o Review of Tamworth Strategic Partnership o Promotion of the Council's role in community leadership and member involvement o Engage with residents to shape our services, test customer satisfaction and empower communities o Ensuring early help and prevention is at the heart of service delivery **4. To create a new and developing vision for the continued evolution of Tamworth, including a Town Centre fit for the 21st century** o Develop a Master plan for the Town Centre o Delivery of a co-ordinated Town Centre Programme o Relocation of Tamworth Information Centre o Delivery of the HLF funded "Tribute" project at the Castle o Timely opening of the refurbished Assembly Rooms o Develop a masterplan for new community green space and the delivery of a local centre at Amington

Organisation

1. **To be financially stable**
    - Delivery of a 3 year Medium Term Financial Strategy
    - Review of Corporate Capital Strategy
    - Asset Management Strategy for Housing Revenue Account and General Fund assets
    - Complete a commercialisation review and implement measures identified
    - Invest in commercial activities including:
        - Development of Council's Trading Company and associated income stream
        - Maximise returns of Cash flow through Property Fund investments
        - Prepare a viable deliverable plan that delivers the regeneration of Gungate
    - Continue with channel shift to digital across all departments
        - Implement Corporate Customer Portals
    - Complete phase 2 of Senior Management Review

2. **To ensure our employees have the right skills and culture to help our residents, visitors and businesses**
    - Develop an organisational and People Strategy that ensures the organisation is focused on the future
    - Undertake a Peer Review
    - Develop a Training and Development Programme that focuses on generic skills as well as the technical skills required for the 21st Century public servant
    - Develop a Member Training Portal to equip elected members with the necessary skills and knowledge to allow them to act as public advocates

3. **To ensure our service delivery is consistent, clear, and focused**
    - Development of a Communication Strategy that reinforces public expectation of transparency and accountability from the Council
    - Delivery and approval of the Tamworth Community Offer
    - Work collaboratively with our partners to maximise our effectiveness and support vulnerable people and communities

4. **To ensure our decisions are driven by evidence and knowledge**
    - Review our data sets and collate into one data repository
    - Creation of a data/insight resource
    - Make full use of available customer insight and resident feedback to inform our decisions

Supporting Strategies and Plans

PEOPLE AND PLACE

Supporting Strategies

- Housing Strategy
- Homelessness Strategy
- HRA Business Plan
- Tamworth Local Plan
- Indoor & Outdoor Sports Strategy
- Asset Management Strategy
- Countywide Waste Strategy (collective ownership)
- Tourism Strategy
- Tenancy Management Strategy
- Partnership Strategies
- Town Centre Strategy
- Town Centre Masterplan

Plans / Projects

- HRA business plan
- Tamworth Local Plan
- Tinkers Green & Kerria Redevelopment
- Garage Site Redevelopment
- Partnership Strategies

ORGANISATION

Supporting Strategies

- MTFS
- Treasury Management Strategy
- Organisation / People Strategy
- Communications / Engagement / Consultation Strategy
- ICT and Digital Strategy
- Data Management Strategy
- Customer Service and Access Strategy
- Commercial Investment Strategy
- Risk Management Strategy
- Procurement Strategy
- Health & Safety Policy
- Marketing Strategy

Plans and Key Projects

- Corporate Plan
- Business Plans
- Priority Reviews
- Focus on the Future
- Tamworth Community Offer
- Investment Plan
- Civil Contingency Plan

Appendix B

Detailed Considerations

Introduction

The Council's approach to medium term planning aims to integrate the Council's Corporate and financial planning processes. In accordance with that approach this report contains firm proposals for 2019/20 and provisional proposals for the following years.

It is intended that all aspects of the budget should be agreed by Members and so this report details each amendment which is proposed to the 2018/19 budget to arrive at the starting point for 2019/20. The report deals in turn with each of the key elements and towards the end of each section is a summary table. Each of these tables is brought together in the summary and conclusions section at the end of the report.

The Council's MTFS used as the basis for the 2019/20 budget, aimed both to deal with a challenging financial position and to find resources to address the Council's corporate priorities. The approved package was based upon:

- The need to compensate for reduced income levels arising from the Government's austerity agenda & economic situation;
- Injecting additional resources into Corporate Priorities;
- Increasing income from council tax and fees and charges;
- Making other savings and efficiencies.

Financial Background

The medium term financial planning process is being challenged by the uncertain economic conditions. The forecast grant reductions and uncertainty following the EU referendum result have put significant pressure on the ability of the Council to publish a balanced MTFS.

It has been suggested that, given the uncertainty, there should be no knee jerk reactions – with a clear plan to focus on balancing the next 3 years' budget position, in compliance with the Prudential Code (minimum balances of £0.5m) by which time the economic impact, if any, should be clearer.

There are a number of other challenges affecting the Medium Term Financial Planning process for the period from 2019/20 which add a high level of uncertainty to budget projections.

In light of these uncertainties and issues arising from the sensitivity analysis (attached at **Appendix L**), it is felt prudent to include within the budget a number of specific contingency budgets (aligned to the specific uncertainties, where appropriate) to ensure some stability in the financial planning process (as detailed at **Appendix M**).

Following review of the sensitivity of the factors within the forecasts, pay award & inflation, interest rate movements together with changes in Government Grant support could all significantly affect the forecast as follows:

Effect of x% movement:	% + / -	Impact over 1 year +/-	Impact over 3 years +/-	Risk
		£'000	£'000	
Pay Award / National Insurance (GF)	0.5%	43	260	M/H
Pension Costs	0.5%	0	175	L/M
Council Tax	0.5%	19	119	L/M
Inflation / CPI	0.5%	52	316	M/H
Government Grant	1.0%	40	190	M
Investment Interest	0.5%	333	1843	H
Key Income Streams	0.5%	9	54	L
New Homes Bonus	10%	26	176	M
Business Rates	0.5%	70	425	H

GENERAL FUND

Future Revenue Support Grant & Business Rate income

On 13 December 2018, the Secretary of State for the Ministry for Housing, Communities and Local Government, Rt. Hon. James Brokenshire MP, made a statement to Parliament on the provisional local government finance settlement (LGFS) 2019/20. He confirmed the figures as unchanged as part of the Final LGFS announcement on 29th January 2019.

The updated National Core Spending Power figures are detailed below and include the Settlement Funding Assessment (SFA); Council Tax; the Improved Better Care Fund; New Homes Bonus (NHB); Transitional Grant; Rural Services Delivery Grant; and the Adult Social Care Support Grant. The table shows the national changes to Core Spending Power between 2016/17 and 2019/20. It shows an increase of 2.8% for 2019/20 and an overall increase for the period 2016/17 to 2019/20 of 3.8%.

Core Spending Power National Position	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Settlement Funding Assessment	21,250	18,602	16,633	15,574	14,560
Under-indexing business rates multiplier	165	165	175	275	400
Council Tax	22,036	23,247	24,666	26,332	27,927
Improved Better Care Fund	-	-	1,115	1,499	1,837
New Homes Bonus	1,200	1,485	1,252	947	918
Rural Services Delivery Grant	16	81	65	81	81
Transition Grant	-	150	150	-	-
Adult Social Care Support Grant	-	-	241	150	-
Winter pressures Grant	-	-	-	240	240
Social Care Support Grant	-	-	-	-	410
Core Spending Power	**44,666**	**43,730**	**44,296**	**45,098**	**46,373**
Change %		**(2.1)%**	**1.3%**	**1.8%**	**2.8%**
Cumulative change %		**(2.1)%**	**(0.8)%**	**1.0%**	**3.8%**

For future years, it had been assumed that there will be a reduction in Revenue Support Grant (RSG) to 2019/20 in line with that notified within the Final LGFS for 2016/17. However, due to the announcement as part of the Provisional Local Government Finance Settlement that the Councils in Staffordshire have been successful in their bid to host a Staffordshire wide 75% Business Rates Pilot arrangement for 2019/20, the RSG (of £184,529) has now been 'rolled in' and therefore deducted from the tariff payment. RSG of £770,996 was received in 2017/18.

BASE BUDGET	**2018/19 £**	**2019/20 £**	**2020/21 £**	**2021/22 £**
Revenue Support Grant	493,964	-	-	-
% Reduction	(36)%	(100)%	-	-

Business Rates

Given the current economic climate and further anticipated reductions in Central Government Grant support together with the uncertainty around the impact of the changes to the Business Rate Retention scheme, the Business Rate reset and the Fair Funding Review, detailed modelling has been carried out in order to prepare estimated Business Rates income levels.

The 2019/20 finance settlement represents the seventh year in which the Business Rates Retention (BRR) scheme is the principal form of local government funding. As in the previous years, the provisional settlement provides authorities with a combination of provisional grant allocations and their baseline figures within the BRR scheme.

Additional monthly monitoring has been implemented since the implementation of business rate retention from 2013/14 – following approval of the NNDR1 form (Business Rates estimates) by Cabinet in January each year.

The Council received additional business rates during 2013/14 (above forecast / baseline) and had to pay a levy of £356k to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP). No levy was payable for 2014/15 due to the significant increase in appeals during March 2015 – which meant an increase in the provision from £1m to almost £4m. The Council received additional business rates during 2015/16, 2016/17 and 2017/18 (above forecast / baseline) and had to pay a levy of £534k, £612k and £1.17m respectively.

The latest estimates for 2018/19 indicate additional business rates receivable above the baseline – of which the Council will receive 40% less the Government set tariff payment of c.£10m (and a 20% levy on any surplus over the baseline to the GBSLEP - after deduction of the 50% Central Share, 9% County & 1% Fire & Rescue Authority shares).

However, the future position is less certain. A robust check & challenge approach has been taken of any increases on the base figure, including a risk assessed collection level.

New Burdens (Section 31) Grant is receivable for additional reliefs given by the Government relating to business rates from 1st April 2013 e.g. Small Business Rate Relief – of which 50% of any in excess of the baseline will be payable in levy to the GBSLEP. A prudent approach has been taken in respect of any new burdens funding – and, due to uncertainties & risk, the creation of an associated Business Rates Collection reserve to mitigate fluctuation in income. The forecast Section 31 Grants and levy payments included within the base budget forecasts are detailed below.

Levy / Section 31 Grant	**2018/19 £**	**2019/20 £**	**2020/21 £**	**2021/22 £**
NNDR Levy payment to GBSLEP (20%)	906,093	965,810	-	-
Section 31 Grant income	(762,968)	(1,086,640)	-	-

For future years, the Government assessed Business Rates Baseline is detailed below:

BASELINE	**2019/20 £**	**2020/21 £**	**2021/22 £**
Base Budget Forecast (November 2018):			
Retained Business Rates	12,530,991	14,279,743	14,560,973
Less: Tariff payable	(10,231,634)	(11,936,698)	(12,173,977)
Total	2,299,357	2,343,045	2,386,996
% Increase	2.2%	1.9%	1.9%
Final Settlement Funding (January 2019):			
Retained Business Rates	12,540,029	14,279,743	14,563,883
Less: Tariff payable	(10,054,485)	(11,936,698)	(12,173,977)
Total	2,485,544	2,343,045	2,389,906
% Increase / (Decrease)	**10.5%**	**(5.7)%**	**2.0%**
Increase / (Decrease)	**186,187**	**-**	**2,910**

As identified above, the Business Rates Baseline for 2019/20 is higher than expected at £2.49m – due to the inclusion of RSG following the successful Staffordshire wide Business Rates Pilot.

However, due to the variable nature of the BRR element of local authority funding, the provisional settlement no longer provides the absolute funding level for authorities.

The Government's assessed Business Rates Baseline for the authority is only based on an adjusted average income figure, and therefore is not representative of the actual Business Rates Baseline within the MTFS forecast:

BASE BUDGET	**2019/20 £**	**2020/21 £**	**2021/22 £**
Base Budget Forecast (November 2018):			
Revenue Support Grant	184,529	-	-
Retained Business Rates	14,014,371	14,279,743	14,563,883
Less: Tariff payable	(10,231,634)	(11,936,698)	(12,173,977)
Total	3,967,266	2,343,045	2,389,906
% Increase / (Decrease)	(4.5)%	(40.9)%	2.0%
Provisional Settlement Funding (December 2018):			
Revenue Support Grant	-	-	-
Retained Business Rates	£14,014,371	£14,279,743	£14,563,883
Less: Tariff payable	(10,054,485)	(11,936,698)	(12,173,977)
Total	3,959,886	2,343,045	2,389,906
% Increase / (Decrease)	**(4.7)%**	**(40.8)%**	**2.0%**
Increase / (Decrease)	**(7,380)**	**-**	**-**

The business rates forecast income (NNDR1) has now been finalised – the updated budget estimates are detailed below:

BASE BUDGET	**2019/20 £**	**2020/21 £**	**2021/22 £**
Draft MTFS (January 2019):			
Revenue Support Grant	-	-	-
Retained Business Rates	14,014,371	14,279,743	14,563,883
Less: Tariff payable	(10,054,485)	(11,936,698)	(12,173,977)
Total	3,959,886	2,343,045	2,389,906
% Increase / (Decrease)	(4.7)%	(40.8)%	2.0%
Final NNDR1 (January 2019):			
Revenue Support Grant	-	-	-
Retained Business Rates	£13,385,014	£14,279,743	£14,563,883
Less: Tariff payable	(10,054,485)	(11,936,698)	(12,173,977)
Total	3,330,529	2,343,045	2,389,906
% Increase / (Decrease)	**(19.8)%**	**(29.6)%**	**2.0%**
Increase / (Decrease)	**(629,357)**	**-**	**-**

The table shows that overall funding will be c.£629k less than expected in 2019/20 – however, this is offset by a reported surplus in business rates collection in 2018/19 of £0.75m as considered later in this report.

The reduced income in 2019/20 is mainly due to increased uncertainty and therefore contingency provision for the planned works at Ventura Park and an increased provision for appeals and mandatory relief, following the 2017 revaluation.

No provision for a levy redistribution from the GBSLEP or from the Staffordshire business rates pilot has been included.

The retained Business Rates forecast is based on the statutory NNDR1 return – approved by Cabinet on 24th January 2019 – prior to final sign off by the statutory deadline of 31st January 2019.

There are still significant uncertainties - specifically the treatment of:

- The level of inflation affecting the future increases to the multiplier;

- Forecast levels of growth in business rates;

- The estimated level of mandatory and discretionary reliefs;

- The estimated level of refunds of Business Rates following the Appeal process;

- the treatment of Section 31 grant funding (including Small Business Rate Relief Grant) – which could affect the calculation of any levy payment and thereby reduce retained Business Rate income; and

- The impact of the Business Rates Retention scheme review, Baseline reset (the Council's baseline need level), the Fair Funding Review and the Spending Review planned for 2019 on the likely tariff levels for future years.

In addition, the next planned national Business Rates Revaluation will take effect from 2021/22 – with latest indications that the Government will also aim to introduce a centralised system for business rate appeals at the same time to cover future changes arising from the 2021 valuation list.

While we are aware of these forthcoming changes, little to no information is available on the potential impact for individual Councils' finances.

A summary of the indicative Government timetable for the reviews is shown below:

Date	Issues
May 2018	Risk and gearing; appeals and loss payments; updates on Pool prospectus; update on FFR consultation.
July 2018	Resets and measuring growth; Revaluation; BRR transitional arrangements; Pooling; FFR – structure of needs assessment, treatment of relative resources, principles for transitional arrangements.
Oct 2018	Overall short term package and future reform; update on SR 2019; Potential consultation on BRR Baseline reset.
Early 2019	Technical BRR consultation and links to FFR; SR 2019 emerging issues; Potential consultation on BRR Baseline reset.
Mid 2019	Results of consultations (hopefully); SR 2019 emerging issues.
Later 2019	Indicative impact of systemic changes potentially this late
Late 2019 / Early 2020	Provisional Local Government Finance Settlement detailing impact for Councils

New Homes Bonus (NHB)

When the base budget was prepared, it had been assumed that the New Homes Bonus scheme will continue with such funding included using a risk based approach.

The New Homes Bonus scheme was subject to a consultation paper in December 2015. This paper outlined a number of potential changes to the scheme, including a change in the scheme's funding. This change moved from having an open-ended funding amount (based on the number of new homes) to a finite amount that could not be exceeded. The funding for the scheme over the period 2017/18 to 2019/20 was also announced, these amounts being:

2017/18	£1,493m
2018/19	£938m
2019/20	£900m

The government made the following changes to the scheme during 2016:

- Funding was reduced by £241m in 2017/18 (funding remains at pre-announced levels for 2018/19 and 2019/20);
- Funding was reduced from 6 years to 5 years in 2017/18;
- Funding was reduced to 4 years for 2018/19 onwards;
- From 2018/19, the government will consider withholding payments from local authorities that are not *"planning effectively, by making positive decisions on planning applications and delivering housing growth"; and*

- A consultation was planned regarding withholding payments for homes that are built following an appeal.

- The allocations for 2018/19 and 2019/20 are indicative and will be reliant on any further changes to the scheme and growth locally.

- It had been assumed that a 'deadweight' factor of 0.25% would be implemented, in line with the consultation but, from 2017/18, the national baseline for housing growth below which New Homes Bonus will not be paid was set at 0.4% (reflecting a percentage of housing that would have been built anyway). The Government retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth – a factor of 0.6% had been assumed for 2019/20 onwards.

There remains significant uncertainty over the future operation of the scheme with recent announcements that it will be considered as part of the review of Fair Funding review and the Business Rates retention scheme.

New Homes Bonus income forecasts were subsequently updated (including changes in forecast new home increases) and included within the base budget as detailed in the table below.

The provisional allocations for 2019/20 have been announced and reflected in the revised forecasts in the table below.

BASE BUDGET NHB	**2018/19 £**	**2019/20 £**	**2020/21 £**	**2021/22 £**	**2022/23 £**
Risk Weighting applied – MTFS 2018	100%	75%	75%	50%	50%
MTFS 2018 Budget	230,750	414,140	561,990	695,660	695,660
Base Budget Forecast	*257,200*	*293,800*	*401,750*	*457,920*	*399,250*
Increased / (Reduced) income	26,450	(120,340)	(160,240)	(237,740)	(296,410)
Revised Risk Weighting applied	100%	37.5%	37.5%	25%	25%
Revised forecast – Draft MTFS	*336,300*	*293,800*	*401,750*	*457,920*	*399,250*
(Gain) / Loss	**79,100**	**-**	**-**	**-**	**-**

The national baseline for housing growth below which New Homes Bonus will not be paid was unchanged at 0.4% (reflecting a percentage of housing that would have been built anyway). The Government will retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth.

The impact on the MTFS is a £79k gain. No further changes to the scheme have been considered and therefore the forecast remains unchanged for future years.

Technical Adjustments

Revisions have been made to the 2018/19 base budget in order to produce an adjusted base for 2019/20 and forecast base for 2020/21 onwards. These changes, known as technical adjustments have been calculated to take account of:

- virements approved since the base budget was set;
- the removal of non-recurring budgets from the base;
- the effect of inflation;
- changes in payroll costs and annual payroll increments;
- changes in expenditure and income following decisions made by the Council;
- other changes outside the control of the Council such as changes in insurance costs and reduction in grant income;
- a 'Zero base budgeting' review of income levels.

They are summarised in **Appendix F1** and the main assumptions made during this exercise are shown in **Appendix K**.

They have been separated from the policy changes, as they have already been approved or are largely beyond the control of the Council, and are summarised below:

Technical Adjustments	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**
Base Budget B/Fwd	10,270	8,898	8,579
Council/Cabinet Decisions	(1,624)	(44)	52
Inflation	38	38	39
Other	(45)	(590)	(245)
Pay Adjustments (Including pay award / reduction for vacancy allowance)	135	277	275
Revised charges for non-general fund activities	124	-	-
Total / Revised Base Budget	**8,898**	**8,579**	**8,700**

* ( ) denotes saving in base budget

Policy Changes

The policy changes provisionally agreed by Council in February 2018 have been included within the technical adjustments for 2019/20 onwards. **A list of the proposed new policy changes for 2019/20 is summarised below:**

Policy Changes Identified	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
To make the Training Officer post permanent	26.0	-	-	-	-
To extend the temporary contract for Customer Service Assistants for 12 months	56.5	(56.5)	-	-	-
Further delays in Assembly Rooms Project resulting in delay to opening	30.0	(30.0)	-	-	-
Proposed 75% reduction in the funding from SCC re highway verge mowing	-	126.0	-	-	-
Reduction in staffing and equipment to reflect reduced SCC funding	-	(95.0)	-	-	-
To add the post of Benefits Apprentice to the establishment, on a temporary two year basis	14.34	-	(14.34)	-	-
Funding for apprentice - saving in vacant Benefits Advisor hours / Government grant	(14.34)	-	14.34	-	-
To add the post of Revenues Apprentice to the establishment	14.34	-	-	-	-
Funding for apprentice - Contribution from bailiff / Increased court cost income budget	(14.34)	-	-	-	-
Review of Underspent Budgets and Contingencies	(357.6)	-	-	-	-
Revised New Homes Bonus grant	(79.1)	79.1	-	-	-
Capital Programme – lost investment income	7.0	8.0	13.0	4.0	19.0
Capital Programme – repayment of debt (MRP)	12.0	13.0	21.0	7.0	30.0
Revised estimated levy based on NNDR1 forecasts	(89.0)	89.0	-	-	-
Revised Business Rates Section 31 Grant Income	(333.9)	333.9	-	-	-
Contribution to Contingency Reserve	1,200.0	(1,200.0)	-	-	-

Policy Changes Identified	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Contingency for Pay award impact 2019/20	19.0	(8.0)	(10.0)	(1.0)	-
Projected savings from Organisational Review - Focus on the Future	(18.9)	(0.7)	-	-	-
Civil Contingencies Unit (CCU) support - additional CCU Officer time	7.0	(7.0)	-	-	-
Budget for preparations for Brexit	17.5	(17.5)	-	-	-
Government funding to support local authorities as they make preparations for Brexit	(17.5)	17.5	-	-	-
Removal of planned income from letting accommodation in Marmion House	75.0	46.0	-	-	-
Review of the Tamworth Local Plan 2006-2031 - required to be reviewed at least every five years	40.0	65.0	(105.0)	-	-
Planning fees increased by 20% on 17th January 2018 on the understanding that the increase was reinvested in Planning Services	34.0	-	-	-	-
£10k per annum for 3 financial years to match fund against a European funded project, to enable businesses and individuals to start up	10.0	-	-	(10.0)	-
Revised Waste Management costs	(15.0)	20.7	20.5	17.1	18.4
Increase in Elections budget as there are no planned Parliamentary or County elections during 2019	20.0	(20.0)	-	-	-
Total New Items / Amendments	**643.0**	**(636.5)**	**(60.5)**	**17.1**	**67.4**
Cumulative	**643.0**	**6.5**	**(54.0)**	**(36.9)**	**30.5**

Capping / Local Referendum

In the past, the Government had the power under the Local Government Act 1999 to require councils to set a lower budget requirement if it considered the budget requirement and council tax had gone up by too much. The Localism Act 2011 abolished the capping regime but introduced new requirements on a Council to hold a local referendum if it increases its council tax by an amount exceeding principles determined by the Secretary of State and agreed by the House of Commons.

The principles for 2019/20 are that authorities will be required to seek the approval of their local electorate in a referendum if, compared with 2018/19, they set council tax increases that are equal to or exceed the greater of 3.0% or £5.

Consideration of the likely level of Council Tax increases over the 5-year period is needed to avoid the potential costs of holding a referendum and to ensure that balances are maintained at the minimum approved level of £0.5m.

The indications are that a potential threshold will be the greater of 3.0% or £5 in future years - the impact of a 2.99% p.a. increase is outlined below.

Council Tax

Last year's medium term financial plan identified ongoing increases of £5 (c.3%) per annum from 2019/20. Each £1 increase in the band D Council Tax would raise approximately £22k per annum. For each 1% increase in Council Tax, the Council will receive c. £37k additional income per annum.

The Council's provision for collection losses for 2019/20 has been approved at 2.1% (the same level as 2018/19). In order to meet the on-going expenditure requirements the Council will have to increase the underlying income base.

The Band D Council Tax would increase to £176.89 for 2019/20 (£171.75 - 2018/19). Future levels of Council Tax and the projected impact on the General Fund revenue account forecast would be as follows:

Year:	2019/20	2020/21	2021/22
Forecast:	£'000	£'000	£'000
Surplus (-) /Deficit	1,409	2,025	1,844
Balances Remaining (-) / Overdrawn	**(4,387)**	**(2,362)**	**(518)**
£ Increase	5.14	5.29	5.45
% Increase	2.99%	2.99%	2.99%
Note: Resulting Band D Council Tax	176.89	182.18	187.63

which indicates potential balances of £0.5m (compared to the minimum approved level of £0.5m) is forecast as remaining over the 3 year period. As current capping guidance indicates a 'capping' threshold of 3.0% or £5, this is considered a low risk option.

Also available to the Council to support expenditure otherwise funded from Council Tax are surpluses arising from the Council's share of surpluses (or deficits) within the Council Tax and Business Rates elements of the Collection Fund.

It is proposed that surpluses / deficits be used (and that the relevant sums be made available to the other precepting authorities – the County Council, Fire & Rescue and Office of the Police & Crime Commissioner (OPCC). It is estimated that there will be a surplus of £0.6m for Council Tax and a surplus of £1.9m for Business Rates.

Year:	2019/20	2020/21	2021/22
Council Tax	£'000	£'000	£'000
Council Tax Income	(3,849)	(4,044)	(4,238)
Collection Fund Surplus (Council Tax – 10%)	(63)	(33)	(33)
Collection Fund Deficit (Business Rates – 40%)	(753)	-	-

The County Council, Staffordshire OPCC and Staffordshire Commissioner Fire & Rescue Authority are due to finalise their budgets for 2019/20 during February 2019. The impact of the Borough Council tax proposals is shown for each Council Tax Band in **Appendix H**.

Balances

At the Council meeting on 29th February 2000 Members approved a minimum working level of balances of £0.5m. At 31st March 2019 General Fund Revenue Balances are estimated to be £5.8m, compared with £3.553m anticipated a year ago.

The minimum level of balances for planning purposes will remain at £0.5m.

Summary and Conclusions

These budget proposals reflect the need to compensate for reduced income levels arising from the economic uncertainty and significant reductions in Government funding, a desire to continue to address the Council's priorities / issues identified by Members and at the same time to seek continuous improvement in service delivery.

In addition, there remains a degree of uncertainty in a number of areas including the impact of the changes arising from welfare reforms on council tax and rent income, future local authority pay settlements, the potential for interest rate changes, future local government finance settlements and the level of future business rates income.

A summary of all the budget proposals is shown in the table below. The summary Revenue Budget for 2019/20 appears at **Appendix E**. A summary of the resulting budgets over the 3 year period appears at **Appendix G.**

Summary	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**
Estimated Net Cost of Services	**8,898**	**8,579**	**8,700**
Proposed Policy Changes / Additional Costs Identified **(Detailed at Appendix C) (Rounded)**	643	7	(54)
Final Recharge Adjustments	(137)	(137)	(137)
Final Inflationary Adjustments (after Policy Changes inclusion)	-	(3)	(4)
Net Expenditure	**9,404**	**8,446**	**8,505**
Financing: RSG	-	-	-
Collection Fund Surplus (Council Tax)	(63)	(33)	(33)
Collection Fund Surplus (Business Rates)	(753)	-	-
Tariff Payable	10,054	11,937	12,174
Non Domestic Ratepayers	(13,385)	(14,280)	(14,564)
Council Tax Income	(3,849)	(4,044)	(4,238)
Gross Financing	**(7,996)**	**(6,420)**	**(6,661)**
Surplus(-) / Deficit	**1,408**	**2,026**	**1,844**
Balances Remaining (-) / Overdrawn	**(4,388)**	**(2,362)**	**(518)**

Per Council, 26th February 2018	(1,846)	(551)	-

HOUSING REVENUE ACCOUNT

Technical Adjustments

The 2018/19 approved budget has been used as a base to which amendments have been made reflecting the impact of technical adjustments. The impact of the policy led changes, will be added to this figure to produce the HRA budget for 2019/20.

The following table illustrates the current position before the effect of policy led changes:

Technical Adjustments	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**
Base Budget B/Fwd	3,806	52	240	42	(110)
Council/Cabinet Decisions	(3,146)	29	(37)	(7)	-
Inflation	144	147	152	155	159
Other	(761)	(77)	(399)	(381)	(399)
Pay Adjustments (Including pay award / reduction for vacancy allowance)	81	89	86	81	78
Revised charges for non-general fund activities	(72)	-	-	-	-
Total / Revised Base Budget	**52**	**240**	**42**	**(110)**	**(272)**

Revisions have been made to the 2018/19 base budget in order to produce an adjusted base for 2019/20 and forecast base for 2020/21 onwards. These changes, known as technical adjustments, are largely beyond the control of the Council and have been calculated to take account of:

- virements approved since the base budget was set;
- the removal of non-recurring budgets from the base;
- the effect of inflation;
- changes in payroll costs and annual payroll increments;
- changes in expenditure and income following decisions made by the Council;
- other changes outside the control of the Council such as changes in insurance costs, reduction in grant income and the impact of the HRA determinations which are set annually by Central Government; and
- The 'Zero base budgeting' review of income levels.

and are summarised in **Appendix F2**.

Proposals

The proposed policy changes for inclusion in the base budget for the next 5 years are detailed at **Appendix C** and are highlighted below:

Policy Changes Identified	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Revised spend on Housing Repairs in line with the updated HRA Business Plan approved by Cabinet on 27th September 2018	3435.82	-	-	1,226.30	(1,226.30)
Remove current repairs budgets	(4,266.88)	-	-	-	-
Additional Revenue Contribution to Capital Programme	1,000.00		-	-	-
Review of Underspent Budgets and Contingencies	(96.49)	-	-	-	-
Projected savings from Organisational Review - Focus on the Future	(118.52)	(2.39)	-	-	-
Total New Items / Amendments	**(46.07)**	**(2.39)**	**-**	**1,226.30**	**(1,226.30)**
Cumulative	**(46.07)**	**(48.46)**	**(48.46)**	**1,177.84**	**(48.46)**

The proposals will mean that balances will remain above the approved minimum level of £0.5m over the 5 year period.

HRA Summary	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Estimated Net (Surplus) / Deficit	52	240	42	(110)	(272)
Proposed Policy Changes / Additional Costs Identified	(46)	(48)	(48)	1,178	(48)
Final Recharge Adjustments	109	110	110	110	110
Inflationary impact of policy changes	-	(22)	(45)	(67)	(59)
Surplus (-) / Deficit	115	280	59	1,111	(269)
Balances Remaining (-) / Overdrawn	(3,507)	(3,227)	(3,168)	(2,057)	(2,326)

Per Council, 27^{th} February 2018	(2,223)	(1,566)	(1,049)	(698)	-

Indicating a Housing Revenue Account (HRA) balances of £2.3m over the next 5 years (Minimum recommended balances are currently £0.5m).

Rent Setting Policy

The introduction of rent restructuring in April 2003 required the Council to calculate rents in accordance with a formula on a property by property basis and account separately for rental payments and payments which are for services (for example grounds maintenance, upkeep of communal areas, caretaking) within the total amounts charged.

This framework removed the flexibility to independently set rent levels from Social Landlords and replaced it with a fixed formula (RPI plus 0.5% plus £2.00) based on the value of the property and local incomes.

The aim of the framework was to ensure that by a pre-set date all social landlord rents have reached a 'target rent' for each property that will reflect the quality of accommodation and levels of local earnings. In achieving this target rent councils were also annually set a "limit rent" which restricted the level of rent increase in any one year.

From 2015/16, Councils could decide locally at what level to increase rents. Government Guidance suggested an increase of CPI plus 1%, however, the Council agreed to vary this level, and applied the formula CPI plus 1% plus £2 (capped at formula rent) ***for 2015/16 only***, to generate additional funding to support increased maintenance costs and the regeneration of key housing areas within the Borough.

However, under Benefit regulations and circulars issued by the DWP, the Rent Rebate Subsidy Limitation scheme penalises the Council should the average rent be above the notified limit rent. The guidance on rent increases stated a CPI + 1% increase which, when applied to the 2014/15 limit rent, gave a limit rent for 2015/16 of £82.56 which when compared to the actual rent for 2015/16 of £81.51 meant no loss of Housing Benefit subsidy grant.

The effect of the reduction in Social Housing Rents announced in the Summer Budget 2015 means that rents are to be reduced by 1% a year for four years from 2016/17 and will mean a reduction in HRA rent income of c.£600k p.a. each year for 4 years (cumulative) due to the 1% reduction and as the planned inflationary increases of c.3% p.a. will also not be made. The limit rent for 2018/19 was set at £80.28 compared to an actual rent of £79.52 (on an annualised 52 week basis).

For 2019/20, rents will be set in line with the approved Rent Setting Policy including a 1% reduction in average rent, in line with the Government's requirement to reduce rents by 1% p.a. for the 4 years from 2016/17 (based on a 49 week rent year) which represents a reduction of £0.98 (on the current average rent of £86.50) and equates to £79.09 on an annualised 52 week basis – this is below the provisional limit rent for 2019/20 which has recently been notified as £79.33.

On 30th November 2017, Cabinet considered and approved amendments to the Council's Rent Setting Policy to include arrangements to charge affordable rents on new and affordable housing. The policy provides a framework within which Tamworth Borough Council will set rents and service charges and draws on the Department for Communities and Local Government Guidance on Rent Setting for Social Housing.

For 2019/20, rents will be set in line with the approved policy.

In setting the rent setting policy the Council had full regard to legislation, regulations and associated rent setting guidance including the Welfare Reform and Work Act 2016 which gave effect to the Government's 1% rent reduction for four years up to 2020/2021.

However, there are 53 Mondays in financial year 2019/20, the normal day for rent debits to be raised. This is not unusual in itself, but councils are required to manage the 53 Mondays alongside measures introduced in the Welfare Reform Act for annual 1% rent decreases and changes introduced by Universal Credit. There are specific issues to deal with in the next financial year and potentially longer term implications for rent levels.

Welfare Reform Act

The 4 year 1% rent a year decrease introduced by the Welfare Reform Act 2016 means that the 53 Mondays of rent in 2019/20 can be interpreted as taking Councils over the required 1% decrease on rents in the 52 week year in 2018/19.

A number of Councils and their representative groups have raised this with MHCLG, whose initial response was that the rent reduction had to be applied on an annual basis and that landlords would either have to offer up a rent free week or collect 52 weeks' worth of rent over 53 payments. Either way local authorities would lose a week's rent.

Furthermore this would have a long lasting impact of reducing rental income since Government is consulting on proposals to limit rent increases to CPI+1% per year from 2020/21 so the reduced rental income in 2019/20 would be "baked in".

However a number of LAs and partners have investigated this issue and have reached a consensus that the definition within the legislation could be interpreted so that rent payable 'in respect of that relevant year' should be calculated – as it is for accounting purposes at the year end - on a daily basis, though still charged on a weekly basis. This would allow 53 weeks' worth of rent to be charged as normal, and still be in compliance with the Welfare Reform and Work Act requirements to reduce rents by 1%.

As the limit rent for 2018/19 was set at £80.28 compared to an actual rent of £79.52 (on an annualised 52 week basis), it is also unlikely that the limit rent will be breached – which would have lost housing benefit subsidy grant implications for the General Fund through the rent rebate subsidy limitation scheme.

It is also easier to explain as weekly rents will just need to be reduced by 1% as normal. There will need to be communication with any tenants making monthly payments (for instance by direct debit) where payments will increase by about 1% next year but that the following year's increase in payments will be lower in percentage terms than the increase at that time.

This consensus has been communicated to MHCLG. Officials have emphasised that it is for individual Councils to satisfy themselves that they are complying with the legal position.

Universal Credit

A further complicating issue is that Universal Credit legislation does not allow for 53 Monday years and therefore UC claimants would find themselves a week in arrears if charged 53 weeks' rent.

Councils have suggested that this could be amended through a statutory instrument, which references 53 weeks where applicable. However, DWP are not supportive of this approach, perhaps because it might have implications for their IT systems, or for introducing further complexity.

Another proposal is to ask that the Government temporarily resolve this through topping up rents for 2019/20 somehow, while working to find a sustainable long-term solution. There is not yet a detailed view on what the long-term solution might be.

In the absence of Government support, the Council will be able to offer assistance to tenants through the Discretionary Housing Payments (DHP) scheme or Hardship funding, as appropriate.

Next steps

The LGA will continue to make representations to both the Department for Work and Pensions (DWP) and the Ministry for Housing, Communities and Local Government (MHCLG) for a sustainable long-term solution to this issue, to inform rent setting for 2019/20.

It is recommended that the Council continue to set rents for a 53 week rent year as it has in the past – and to charge 53 weeks rent, collected over 49 weeks for 2019/20, pending any further update from the LGA.

Balances

The forecast level of balances at 31st March 2019 is £3.62m. The impact on balances of the adjustments outlined in this report would be as follows:

Balances	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**
Proposed Withdrawal from / Addition to (-) Balances	115	280	59	1,111	(269)
Balances Remaining (-) / Overdrawn	(3,507)	(3,227)	(3,168)	(2,057)	(2,326)

This would mean that closing balances, over the 5 year period, would be over the approved minimum level of £0.5m.

The analysis at **Appendix D** details the overall Housing Revenue Account budget resulting from the recommendations contained within this report.

CORPORATE CAPITAL STRATEGY 2019/20 to 2023/24

The Council has an ongoing capital programme of over £55m for 2018/19 and an asset base valued at £219m (as at 31st March 2018).

The strategy attached at **Appendix O** sets out the Council's approach to capital investment and the approach that will be followed in making decisions in respect of the Council's Capital assets.

Capital investment is an important ingredient in ensuring the Council's vision is achieved and given that capital resources are limited it is critical that the Council makes best use of these resources.

The Strategy sets the policy framework for the development, management and monitoring of this investment and forms a key component of the Council's planning alongside the Medium Term Financial Strategy.

The Capital Strategy will:

- Reflect Members' priorities as set out in the Corporate Plan;
- Balance the need to maintain the Council's existing asset base against its future ambition and associated long term asset needs and consolidate assets where appropriate;
- Recognise that growth is the strategic driver for financial self-sufficiency;
- Be affordable in the context of the Council's MTFS;
- Seek to ensure value for money through achieving a return on investment or by supporting service efficiency and effectiveness;
- Be flexible to respond to evolving service delivery needs;
- Seek to maximise investment levels through the leveraging of external investment;
- Recognise the value of assets for delivering long-term growth as opposed to being sold to finance capital expenditure;
- Recognise the financial benefits and risks from growth generated through investment to support investment decisions; and
- Reflect the service delivery costs associated with growth when assessing the level of resources available for prudential borrowing.

The capital strategy feeds into the annual revenue budget and MTFS by informing the revenue implications of capital funding decisions. The implications for the MTFS are fully considered before any capital funding decisions are confirmed.

Equally, the availability of prudential borrowing means that capital and revenue solutions to service delivery can be considered, and ranked, alongside each other as part of an integrated revenue and capital financial strategy.

The Capital Strategy further sets out the Council's approach to the allocation of its capital resources and how this links to its priorities at a corporate and service level. It describes how the Council has responded to the opportunities provided by prudential borrowing and other new sources of finance.

All proposed schemes requiring capital investment should have as a minimum the following information:

- A description of the scheme;
- The estimated financial implications, both capital and revenue;
- The expected outputs, outcomes and contribution to corporate objectives;
- The nature and outcome of consultation with stakeholders and customers (as applicable);
- Any impacts on efficiency and value for money;
- Risk assessment implications and potential mitigations; and
- Any urgency considerations (e.g. statutory requirements or health and safety issues).

All capital bids should be prepared in light of the following list of criteria, and the proposed investment should address and be assessed with regard to:

- the contribution its delivery makes towards the achievement of the Council's Corporate Priorities;

- the achievement of Government priorities and grant or other funding availability;

- the benefits in terms of the contribution to the Council's Corporate Objectives and compliance with the Corporate Capital Strategy requirements of:

    1. Invest to save
    2. Maintenance of services and assets
    3. Protection of income streams
    4. Avoidance of cost.

The current de-minimis for capital expenditure is £10k per capital scheme.

It is important that capital investment decisions are not made in isolation and instead are considered in the round through the annual budget setting process.

Corporate Management Team and Service Managers identify the potential need for capital investment. This will take account of issues including the condition of council owned assets (including reference to the council's Asset Management Plan), health and safety requirements, statutory obligations of the council, operational considerations and emerging opportunities for investment including possible sources of external financing.

The Asset Strategy Steering Group (ASSG) review capital bids prior to consideration by Members. Once capital bids have been prioritised, Corporate Management Team will review the outcome of the deliberations of the ASSG and will make recommendations to Cabinet through an updated Medium Term Financial Strategy (MTFS) report on a proposed budget package which will include capital budget proposals.

The MTFS report (including capital budget proposals) will ultimately be considered by Budget Setting Council each year.

Following a review of the Capital Programme approved by Council on 27th February 2018, a revised programme has been formulated including additional schemes which have been put forward for inclusion.

A schedule of the capital scheme appraisals for the General Fund (GF) & Housing Revenue Account (HRA) received for consideration is attached at **Appendix I – General Fund (GF) and Appendix J – Housing (HRA),** together with the likely available sources of funding (capital receipts / grants / supported borrowing etc.).

With regard to the contingency schemes/allocation, **£35k** remains in current year GF contingency funds and **£100k** remains in current year HRA contingency funds (which will be re-profiled into 2019/20 to provide contingency funding).

To inform discussions, the proposals have been reviewed by the Asset Strategy Steering Group and Corporate Management Team with comments & suggestions for each of the schemes outlined within the Strategy.

Appendix C

Policy Changes Summary

SERVICE AREA	Sheet No.	Budget Changes 19/20 £'000	Budget Changes 20/21 £'000	Budget Changes 21/22 £'000
EXECUTIVE DIRECTOR ORGANISATION	1	(9.38)	-	-
PEOPLE	2	60.93	(56.50)	-
OPERATIONS AND LEISURE	3	(59.32)	1.00	-
EXECUTIVE DIRECTOR FINANCE	4	(1.22)	-	-
FINANCE	5	669.23	(685.72)	24.00
EXECUTIVE DIRECTOR COMMUNITIES				
NEIGHBOURHOODS	6	0.83	(7.00)	-
PARTNERSHIPS	7	(55.18)	-	-
ASSETS	8	72.36	46.00	-
CHIEF EXECUTIVE	9	(48.02)	0.69	20.54
GROWTH & REGENERATION	10	12.81	65.00	(105.00)
TOTAL		**643.04**	**(636.53)**	**(60.46)**
Cumulative Cost / (Saving)		**643.04**	**6.51**	**(53.95)**

HOUSING REVENUE ACCOUNT	Sheet No.	Budget Changes 19/20 £'000	Budget Changes 20/21 £'000	Budget Changes 21/22 £'000	Budget Changes 22/23 £'000	Budget Changes 23/24 £'000
HOUSING REVENUE ACCOUNT	11	(46.07)	(2.39)	-	1,226.30	(1,226.30)
TOTAL		**(46.07)**	**(2.39)**	**-**	**1,226.30**	**(1,226.30)**
Cumulative Cost / (Saving)		(46.07)	(48.46)	(48.46)	1,177.84	(48.46)

Policy Changes Summary Staffing Implications

SERVICE AREA	Sheet No.	Budget Changes 19/20 £'000	Budget Changes 20/21 £'000	Budget Changes 21/22 £'000
EXECUTIVE DIRECTOR ORGANISATION	1	-	-	-
PEOPLE	2	5.5	(4.7)	-
OPERATIONS AND LEISURE	3	-	-	-
EXECUTIVE DIRECTOR FINANCE	4	-	-	-
FINANCE	5	(5.3)	-	(0.7)
EXECUTIVE DIRECTOR COMMUNITIES				
NEIGHBOURHOODS	6	-	-	-
PARTNERSHIPS	7	-	-	-
ASSETS	8	-	-	-
CHIEF EXECUTIVE	9	-	-	-
GROWTH & REGENERATION	10	-	-	-
TOTAL		0.2	(4.7)	(0.7)

HOUSING REVENUE ACCOUNT	Sheet No.	Budget Changes 19/20 £'000	Budget Changes 20/21 £'000	Budget Changes 21/22 £'000	Budget Changes 22/23 £'000	Budget Changes 23/24 £'000
HOUSING REVENUE ACCOUNT	11	-	-	-	-	-
TOTAL		-	-	-	-	-

19/20 Budget Process - Policy Changes

Sheet 1

EXECUTIVE DIRECTOR ORGANISATION

Item No	Proposal/(Existing Budget)	Implications	Budget Change 19/20 £'000	Budget Change 20/21 £'000	Budget Change 21/22 £'000
OR1	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(9.38)	-	-
	Total New Items / Amendments		**(9.38)**	**-**	**-**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	19/20 FTE	20/21 FTE	21/22 FTE
	TOTAL		-	-	-

19/20 Budget Process - Policy Changes

Sheet 2

PEOPLE

Item No	Proposal/(Existing Budget)	Implications	Budget Change 19/20 £'000	Budget Change 20/21 £'000	Budget Change 21/22 £'000
PE1	To extend the current temporary contract of the Training Officer to make the post permanent.	Budgetary funding for the Training Officer ends March 2019. In light of the effectiveness of this post in delivering corporate training and writing system procedures and manuals, it is requested that this post is made permanent.	26.00	-	-
PE2	To extend the temporary contract for Customer Service Assistants for 12 months to 31st March 2020	Budgetary funding for these posts ends March 2019. It was expected by this point that the Customer Portal would be implemented and DQS would have concluded, however this is not the case and therefore it is requested that these posts remain for a further 12 months. The one-off cost of £91k will be reduced by retaining the salary savings arising this year from the vacant Head of Customer Services post in reserve at year end.	56.50	(56.50)	-
PE3	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(21.57)	-	-
	Total New Items / Amendments		**60.93**	**(56.50)**	**-**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	19/20 FTE	20/21 FTE	21/22 FTE
PE1	Permanent post - Training Officer		0.80		
PE2	Extension of temporary CSA's	173 Temp Gr 2 hours	4.68	(4.68)	
	TOTAL		**5.48**	**(4.68)**	**-**

19/20 Budget Process - Policy Changes

Sheet 3

OPERATIONS AND LEISURE

Item No	Proposal/(Existing Budget)	Implications	Budget Change 19/20 £'000	Budget Change 20/21 £'000	Budget Change 21/22 £'000
OPS1	Further delays in Assembly Rooms Project resulting in delay to opening	Income reduced until premises open, date uncertain	30.00	(30.00)	-
OPS2	Proposed 75% reduction in the funding from SCC re highway verge mowing		-	126.00	-
OPS 3	Reduction in staffing and equipment to reflect reduced SCC funding		-	(95.00)	-
OPS 4	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(89.32)		
	Total New Items / Amendments		**(59.32)**	**1.00**	**-**

STAFFING IMPLICATIONS

			19/20 FTE	20/21 FTE	21/22 FTE
OPS 3	Reduction in staffing and equipment to reflect reduced SCC funding		-	TBC	-
	TOTAL		-	-	-

19/20 Budget Process - Policy Changes

Sheet 4

EXECUTIVE DIRECTOR FINANCE

Item No	Proposal/(Existing Budget)	Implications	Budget Change 19/20 £'000	Budget Change 20/21 £'000	Budget Change 21/22 £'000
OR1	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(1.22)	-	-
	Total New Items / Amendments		**(1.22)**	**-**	**-**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	19/20 FTE	20/21 FTE	21/22 FTE
	TOTAL		**-**	**-**	**-**

19/20 Budget Process - Policy Changes

Sheet 5

FINANCE

Item No	Proposal/(Existing Budget)	Implications	Budget Change 19/20 £'000	Budget Change 20/21 £'000	Budget Change 21/22 £'000
FIN1	To add the post of Benefits Apprentice to the establishment, on a temporary two year basis, to be part-funded from vacant hours already on the establishment/government grant income from DWP re benefit changes.	There are currently 12 vacant Gr 5 Benefits Advisor hours on the establishment, plus Government grant income being received which can fund the salaries cost of an apprentice. Training costs will be met from the apprentice levy. The proposal is for an apprentice aged 18 - 20; aged under 18 an apprentice under national minimum wage would cost £10.2k (incl on-costs).	14.34	-	(14.34)
		Saving in vacant Gr 5 Benefits Advisor hours	(9.50)	-	9.50
		DWP Government grant income	(4.84)	-	4.84
FIN2	To add the post of Revenues Apprentice to the establishment, to be part-funded via bailiffs contribution	The current bailiffs contractor has offered to part fund a Revenues apprentice. The remaining salaries costs will be funded from court costs income, with training costs met from the apprentice levy. The proposal is for an apprentice aged 18 - 20; aged under 18 an apprentice under national minimum wage would cost £10.2k (incl on-costs).	14.34	-	-
		Contribution from bailiff	(6.50)	-	-
		Increased court cost income budget	(7.84)	-	-
FIN3	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(47.93)	-	-
FIN4	Revised New Homes Bonus	Updated NHB grant notification following confirmation of 0.4% 'deadweight'	(79.10)	79.10	-

Item No	Proposal/(Existing Budget)	Implications	Budget Change 19/20 £'000	Budget Change 20/21 £'000	Budget Change 21/22 £'000
FIN5	Revenue Implications of Capital Programme	Cost of unsupported borrowing / lost investment income (2.5%) - should all proposed schemes progress	7.00	8.00	13.00
FIN6	Revenue Implications of Capital Programme	Repayment of debt (4%) - should all proposed schemes progress	12.00	13.00	21.00
FIN7	Revised Business Rates Levy payment	Estimated levy based on NNDR1 forecasts	(89.00)	89.00	-
FIN8	Revised Business Rates Section 31 Grant Income	New Burdens funding for Government scheme to reduce business rates charges	(333.88)	333.88	-
FIN9	Contribution to Contingency Reserve	In light of the current economic uncertainty, it is considered prudent to set aside monies to support the MTFS in the event of a downturn in income - arising from fees and charges, investment interest, Commercial and industrial rents, pension costs and council tax.	1,200.00	(1,200.00)	-
FIN10	Contingency for Pay award impact 2019/20	Provision for likely impact of implementation of nationally agreed pay award	19.00	(8.00)	(10.00)
FIN11	Projected savings from Organisational Review - Focus on the Future	Subject to outcome of consultation process	(18.86)	(0.70)	-
	Total New Items / Amendments		**669.23**	**(685.72)**	**24.00**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	19/20 FTE	20/21 FTE	21/22 FTE
FIN1	Benefits Apprentice		0.68	-	(0.68)
FIN2	Revenues Apprentice		1.00	-	-
FIN11	Projected savings from Organisational Review - Focus on the Future	Change in FTE before the effect of recharges	(6.97)	-	-
	TOTAL		**(5.29)**	**-**	**(0.68)**

19/20 Budget Process - Policy Changes

Sheet 6

NEIGHBOURHOODS

Item No	Proposal/(Existing Budget)	Implications	Budget Change 19/20 £'000	Budget Change 20/21 £'000	Budget Change 21/22 £'000
NEI1	Civil Contingencies Unit (CCU) support	Tamworth Borough Council is a Tier 1 Responder under the Civil Contingencies Act and as such, must provide a level of preparedness and ability to respond in the event of an incident - in order to faciliate this additional CCU Officer time will be required during 2019/20.	7.00	(7.00)	-
NE2	Budget for preparations for Brexit		17.50	(17.50)	-
NE3	Government funding to support local authorities as they make preparations for Brexit		(17.50)	17.50	-
NE4	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(6.17)		
	Total New Items / Amendments		**0.83**	**(7.00)**	**-**

STAFFING IMPLICATIONS

			19/20 FTE	20/21 FTE	21/22 FTE
	TOTAL		-	-	-

19/20 Budget Process - Policy Changes

Sheet 7

PARTNERSHIPS

Item No	Proposal/(Existing Budget)	Implications	Budget Change 19/20 £'000	Budget Change 20/21 £'000	Budget Change 21/22 £'000
PAR1	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(55.18)		
	Total New Items / Amendments		**(55.18)**	**-**	**-**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	19/20 FTE	20/21 FTE	21/22 FTE
	TOTAL		-	-	-

19/20 Budget Process - Policy Changes

Sheet 8

ASSETS

Item No	Proposal/(Existing Budget)	Implications	Budget Change 19/20 £'000	Budget Change 20/21 £'000	Budget Change 21/22 £'000
AST1	Marmion House Rents and Service Charges	Removal of planned income from letting accommodation	75.00	46.00	-
AST2	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(2.64)		
	Total New Items / Amendments		**72.36**	**46.00**	**-**

STAFFING IMPLICATIONS

			19/20 FTE	20/21 FTE	21/22 FTE
	TOTAL		-	-	-

19/20 Budget Process - Policy Changes

Sheet 9

CHIEF EXECUTIVE

Item No	Proposal/(Existing Budget)	Implications	Budget Change 19/20 £'000	Budget Change 20/21 £'000	Budget Change 21/22 £'000
A&G1	Revised Waste Management Costs		(15.00)	20.69	20.54
A&G2	Elections Costs	Increase in budget as there are no planned Parliamentary or County elections during 2019 to mitigate the full cost of election process	20.00	(20.00)	-
A&G3	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(53.02)	-	-
	Total New Items / Amendments		**(48.02)**	**0.69**	**20.54**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	19/20 FTE	20/21 FTE	21/22 FTE
	TOTAL		-	-	-

19/20 Budget Process - Policy Changes

Sheet 10

GROWTH & REGENERATION

Item No	Proposal/(Existing Budget)	Implications	Budget Change 19/20 £'000	Budget Change 20/21 £'000	Budget Change 21/22 £'000
G&R1	Review of the Tamworth Local Plan 2006-2031 - Funding request £40,000 2019/20 and £105,000 2020/2021 (in addition to the £40,000 allocated in each of 2018/19 and 2019/20). The Town and Country Planning (Local Planning) Regulations 2012 now require local plans to be reviewed at least every five years. In TBC's case, a full review should be undertaken as it is anticipated that the housing need will change requiring amendments to strategic policies within the local plan. TBC has worked with all of the 14 authorities within the Greater Birmingham and Black Country Housing Market Area to take forward the recommendations of a Strategic Growth Study that will look to deal with a wider unmet housing need from the HMA which includes Tamworth's need.	The timeframe for dealing with the unmet need extends to 2036 and therefore TBC's local plan will be extended to 2036. An infrastructure and delivery study will be commissioned to assess the development opportunities and constraints at these locations and agree a way forward. The existing evidence base comprises updates to documents that were produced as far back as 2010 and were updated as necessary for the adopted plan. These documents are now dated and should be replaced. The costs for production of the new evidence base will be supplemented through existing budgets where possible and producing some of the evidence in-house. The new requirement to review the local plan every 5 years will require a base budget to be set to support this activity going forward.	40.00	65.00	(105.00)
G&R2	The Government increased nationally set planning fees by 20% on 17th January 2018 on the understanding that the increase was reinvested in Planning Services. The proposal is to create an expenditure budget to enable transparency on spend of the additional income.	The forecast income for 19/20 is £200,000 which includes the 20% increase. This is lower than in previous years due to the likehood that less large scale applications will be received given that the majority have been made this year	34.00	-	-

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			19/20	20/21	21/22
			£'000	£'000	£'000
G&R3	An additional £10k per annum for the period of April 2019 to end of March 2022 (3 financial years), to match fund against a European funded project, to enable businesses and individuals to start up. This project supports individuals in Tamworth to start or grow fledgling businesses creating economic benefits for the Borough, through workshops, individual advice and business planning activities. This support encourages and gives confidence to individuals who may not otherwise start a business.	The £10k is a payment that leverages in additional investment. The project pays for; a dedicated mentor / advisor for Tamworth giving start up advice; monthly 2 days workshops on starting a business, including room hire income at the TEC; marketing and relationship building with individuals and interested organisations, such as the job centre; additional workshops at the TEC	10.00	-	-
G&R4	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(71.19)		
	Total New Items / Amendments		**12.81**	**65.00**	**(105.00)**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	19/20 FTE	20/21 FTE	21/22 FTE
	TOTAL		**-**	**-**	**-**

19/20 Budget Process - Policy Changes

Sheet 11

HOUSING REVENUE ACCOUNT

Item No	Proposal/(Existing Budget)	Implications	Budget Change 19/20 £'000	Budget Change 20/21 £'000	Budget Change 21/22 £'000	Budget Change 22/23 £'000	Budget Change 23/24 £'000
HRA1	Brickwork (spalling)	Revised spend in line with the updated HRA Business Plan approved by Cabinet on 27th September 2018	-	-	-	284.80	(284.80)
HRA2	Wall Finish & Lintels		-	-	-	941.50	(941.50)
HRA3	Painting Programme - external		170.80	-	-	-	-
HRA4	Painting Programme - internal, sheltered and communal area		7.10	-	-	-	-
HRA5	Gas Servicing - domestic		129.50	-	-	-	-
HRA6	Gas Servicing - non domestic		0.30	-	-	-	-
HRA7	Solid Fuel Appliance servicing		0.10	-	-	-	-
HRA8	Asbestos non domestic reinspections (High Rise blocks)		4.60	-	-	-	-
HRA9	Asbestos non domestic reinspections (Low Rise blocks)		0.20	-	-	-	-
HRA10	Asbestos non domestic reinspections (Communal Areas)		9.30	-	-	-	-
HRA11	Asbestos non domestic reinspections (Sheltered)		1.90	-	-	-	-
HRA12	Asbestos non domestic reinspections (Non Housing)		0.95	-	-	-	-
HRA13	Legionella risk assessments and monitoring (High Rise blocks)		2.31	-	-	-	-
HRA14	Legionella risk assessments and monitoring (Low Rise blocks)		0.19	-	-	-	-
HRA15	Legionella risk assessments and monitoring (Communal Areas)		1.30	-	-	-	-
HRA16	Legionella risk assessments and monitoring (Sheltered)		1.50	-	-	-	-
HRA17	Legionella risk assessments and monitoring (Non Housing)		0.95	-	-	-	-
HRA18	Fire Risk Assessments (High Rise blocks)		2.30	-	-	-	-
HRA19	Fire Risk Assessments (Low Rise blocks)		0.19	-	-	-	-
HRA20	Fire Risk Assessments (Communal Areas)		9.30	-	-	-	-
HRA21	Fire Risk Assessments (Sheltered)		1.50	-	-	-	-

Item No	Proposal/(Existing Budget)	Implications	Budget Change 19/20 £'000	Budget Change 20/21 £'000	Budget Change 21/22 £'000	Budget Change 22/23 £'000	Budget Change 23/24 £'000
HRA22	Fire Risk Assessments (Non Housing)	Revised spend in line with the updated HRA Business Plan approved by Cabinet on 27th September 2018	0.95	-	-	-	-
HRA23	Automatic fire detection and control (sprinkler) inspection and maintenance - bin stores		0.93	-	-	-	-
HRA24	Automatic fire detection and control (sprinkler) inspection and maintenance - new (Flats)		7.00	-	-	-	-
HRA25	Fire Alarm Testing and Servicing (contract includes Warden Call systems)		21.30	-	-	-	-
HRA26	Emergency Lighting testing and servicing		3.50	-	-	-	-
HRA27	Fire extinguisher servicing and inspection		0.60	-	-	-	-
HRA28	Lightening conductor inspection (High Rise and Sheltered blocks)		3.40	-	-	-	-
HRA29	Pressure Vessel / Water Pumps Inspections (other than non domestic boilers)		0.34	-	-	-	-
HRA30	Periodic Electrical Inspection - domestic		306.30	-	-	-	-
HRA31	Periodic Electrical Inspection - non domestic / communal		1.93	-	-	-	-
HRA32	Passenger Lift Servicing		52.00	-	-	-	-
HRA33	Domestic Stairlift Inspection / Servicing		18.00	-	-	-	-
HRA34	Dry Risers		0.36	-	-	-	-
HRA35	High Rise Fans		1.40	-	-	-	-
HRA36	Security Gates		0.52	-	-	-	-
HRA37	Domestic Properties - Response		1,332.00	-	-	-	-
HRA38	for Revenue Fees (R&M) Fees		568.00	-	-	-	-
HRA39	Void Repairs		773.00	-	-	-	-
HRA40	Additional Revenue Contribution to Capital spend	Cabinet, on 27th September 2018, authorised that £298m detailed in the HRA Business Plan Investment plan be considered as part of the budget setting process	1,000.00	-	-	-	-
HRA41	Remove current repairs budgets		(4,266.88)	-	-	-	-
HRA42	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(96.49)				
HRA43	Projected savings from Organisational Review - Focus on the Future	Subject to outcome of consultation process	(118.52)	(2.39)	-	-	-
	Total New Items / Amendments		**(46.07)**	**(2.39)**	**-**	**1,226.30**	**(1,226.30)**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	19/20 FTE	20/21 FTE	21/22 FTE	22/23 FTE	23/24 FTE
HRA43	Projected savings from Organisational Review - Focus on the Future	Change in FTE before the effect of recharges	-	-	-	-	-
	TOTAL		-	-	-	-	-

Appendix D

HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2018/19

	Base Budget 2018/19 £	Technical Adjustments £	Policy Changes £	Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £	Budget 2022/23 £	Budget 2023/24 £
Income								
Dwelling Rents	(17,399,840)	(44,450)	-	(17,444,290)	(17,520,850)	(17,927,330)	(18,354,810)	(18,791,580)
Non-Dwelling Rents	(371,680)	(26,790)	-	(398,470)	(407,940)	(417,650)	(427,600)	(437,800)
Charges for Services and Facilities	(769,150)	(24,840)	-	(793,990)	(802,160)	(810,580)	(819,200)	(828,050)
Contributions Towards Expenditure	(1,573,950)	149,400	-	(1,424,550)	(1,425,370)	(1,426,220)	(1,427,080)	(1,427,980)
Subtotal	**(20,114,620)**	**53,320**	**-**	**(20,061,300)**	**(20,156,320)**	**(20,581,780)**	**(21,028,690)**	**(21,485,410)**
Expenditure								
Repairs and Maintenance	4,731,500	120,670	(848,600)	4,003,570	4,111,430	4,220,140	5,559,440	4,480,310
Supervision and Management	6,407,610	(117,270)	(197,470)	6,092,870	6,217,140	6,304,690	6,416,260	6,533,410
Rents, Rates, Taxes and Other Charges	40,220	(2,420)	-	37,800	38,380	38,960	39,560	40,170
Increase in Provision for Bad Debts	196,200	3,800	-	200,000	225,800	255,000	288,000	325,300
Depreciation and impairment of non-current assets	4,511,120	(1,706,390)	-	2,804,730	2,804,730	2,804,730	2,804,730	2,804,730
Debt Management Costs	26,060	(180)	-	25,880	26,150	26,580	26,980	26,980
Subtotal	**15,912,710**	**(1,701,790)**	**(1,046,070)**	**13,164,850**	**13,423,630**	**13,650,100**	**15,134,970**	**14,210,900**
Net cost of HRA Services per Authority I&E	**(4,201,910)**	**(1,648,470)**	**(1,046,070)**	**(6,896,450)**	**(6,732,690)**	**(6,931,680)**	**(5,893,720)**	**(7,274,510)**
Corporate and Democratic Core	11,400	1,710	-	13,110	13,440	13,780	14,120	14,470
Net Cost of HRA Services	**(4,190,510)**	**(1,646,760)**	**(1,046,070)**	**(6,883,340)**	**(6,719,250)**	**(6,917,900)**	**(5,879,600)**	**(7,260,040)**
Interest Payable and Similar Charges	2,688,800	-	-	2,688,800	2,745,430	2,745,430	2,745,430	2,745,430
Interest Receivable and Similar Income	(46,800)	(104,330)	-	(151,130)	(207,410)	(229,220)	(215,920)	(215,920)
Surplus/ Deficit for the year	**(1,548,510)**	**(1,751,090)**	**(1,046,070)**	**(4,345,670)**	**(4,181,230)**	**(4,401,690)**	**(3,350,090)**	**(4,730,530)**

Statement of Movement on the HRA Balance

	Base Budget 2018/19 £	Technical Adjustments £	Policy Changes £	Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £	Budget 2022/23 £	Budget 2023/24 £
Surplus or Deficit for the year	**(1,548,510)**	(1,751,090)	(1,046,070)	**(4,345,670)**	**(4,181,230)**	**(4,401,690)**	**(3,350,090)**	**(4,730,530)**
Additional Items required to be taken into account:								
Capital Expenditure funded by the HRA	5,354,330	(1,893,610)	1,000,000	4,460,720	4,460,720	4,460,720	4,460,720	4,460,720
(Increase)/ Decrease in HRA Balances	**3,805,820**	**(3,644,700)**	**(46,070)**	**115,050**	**279,490**	**59,030**	**1,110,630**	**(269,810)**

Appendix E

General Fund Summary Revenue Budget for 2018/19

Figures exclude internal recharges which have no bottom line impact.	Base Budget 2018/19 £	Technical Adjustments £	Policy Changes £	Budget 2019/20 £
Chief Executive	1,475,460	61,400	(48,020)	1,488,840
AD Growth & Regeneration	1,235,470	(175,850)	12,810	1,072,430
ED Organisation	493,140	(83,450)	(9,380)	400,310
AD People	1,852,270	(180,520)	60,930	1,732,680
AD Operations & Leisure	2,333,080	(61,920)	(59,320)	2,211,840
ED Finance	89,080	(3,810)	(1,220)	84,050
AD Finance	1,114,670	(952,900)	669,230	831,000
ED Communities				
AD Assets	(562,340)	(230,960)	72,360	(720,940)
AD Neighbourhoods	1,089,740	131,860	830	1,222,430
AD Partnerships	1,149,640	(13,690)	(55,180)	1,080,770
Total Cost of Services	**10,270,210**	**(1,509,840)**	**643,040**	**9,403,410**
Transfer to / (from) Balances	(3,077,541)	1,669,367	-	(1,408,174)
Revenue Support Grant	(493,964)	493,964	-	-
Retained Business Rates	(13,094,597)	(290,417)	-	(13,385,014)
Less: Tariff payable	9,935,598	118,887	-	10,054,485
Collection Fund Surplus (Council Tax)	(80,065)	17,548	-	(62,517)
Collection Fund Surplus (Business Rates)	222,336	(975,223)	-	(752,887)
Council Tax Requirement	(3,681,977)	475,714	(643,040)	(3,849,303)

Appendix F1

General Fund – Technical Adjustments 2019/20 (before policy changes)

		Technical Adjustments							
Figures exclude internal recharges which have no bottom line impact	**Budget 2018/19**	**Virements £**	**Committee Decisions £**	**Inflation £**	**Other £**	**Pay Adjustments £**	**Changes in Recharges £**	**Total Adjustments £**	**Total Adjusted Base 2019/20**
Chief Executive	1,475,460	108,200	(91,850)	(4,980)	10,650	21,730	17,470	61,220	**1,536,680**
AD Growth & Regeneration	1,235,470	-	(137,290)	(6,510)	(57,500)	25,450	-	(175,850)	**1,059,620**
ED Organisation	493,140	3,820	(60,010)	8,240	(4,850)	(2,940)	(26,510)	(82,250)	**410,890**
AD People	1,852,270	-	(206,550)	15,970	(33,710)	8,370	170,770	(45,150)	**1,807,120**
AD Operations & Leisure	2,333,080	-	(174,500)	7,370	34,970	86,290	(16,560)	(62,430)	**2,270,650**
ED Finance	89,080	-	(730)	130	420	1,440	(4,840)	(3,580)	**85,500**
AD Finance	1,114,670	-	(861,350)	5,280	(4,550)	(54,060)	(47,320)	(962,000)	**152,670**
AD Assets	(562,340)	(112,020)	(167,340)	13,160	22,860	13,250	11,000	(219,090)	**(781,430)**
AD Neighbourhoods	1,089,740	37,380	121,660	(440)	1,310	9,540	(38,550)	130,900	**1,220,640**
AD Partnerships	1,149,640	(37,380)	(46,420)	(350)	(14,180)	25,620	58,520	(14,190)	**1,135,450**
Grand Total	**10,270,210**	**-**	**(1,624,380)**	**37,870**	**(44,580)**	**134,690**	**123,980**	**(1,372,420)**	**8,897,790**

*** Base budget figures before recharge & inflationary adjustments after inclusion of Policy Changes.**

Appendix F2

HRA Technical Adjustments – 2019/20 (before policy changes)

Figures exclude internal recharges which have no bottom line impact	Budget 2018/19	Technical Adjustments Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	Changes in Recharges £	Total Adjustments £	Total Adjusted Base 2019/20
HRA Summary	(356,030)	-	(2,995,690)	109,880	(721,230)	-	-	(3,607,040)	**(3,963,070)**
ED Communities	-	106,550	-	50	-	-	(84,720)	21,880	**21,880**
AD Operations & Leisure	508,220	-	(2,510)	2,230	(13,300)	26,790	3,170	16,380	**524,600**
AD Assets	(85,340)	-	(44,660)	640	70	17,360	24,620	(1,970)	**(87,310)**
AD Neighbourhoods	3,738,970	(106,550)	(102,790)	30,750	(26,990)	36,540	(14,600)	(183,640)	**3,555,330**
Grand Total	**3,805,820**	**-**	**(3,145,650)**	**143,550**	**(761,450)**	**80,690**	**(71,530)**	**(3,754,390)**	**51,430**

*** Base budget figures before recharge & inflationary adjustments after inclusion of Policy Changes.**

Appendix G

General Fund 3 Year Revenue Budget Summary

Figures exclude internal recharges which have no bottom line impact.	**Base Budget 2018/19 £**	**Budget 2019/20 £**	**Budget 2020/21 £**	**Budget 2021/22 £**
Chief Executive	1,475,460	1,488,840	1,495,960	1,521,130
AD Growth & Regeneration	1,235,470	1,072,430	1,166,760	1,050,900
ED Organisation	493,140	400,310	416,250	432,740
AD People	1,852,270	1,732,680	1,727,220	1,765,640
AD Operations & Leisure	2,333,080	2,211,840	2,223,630	2,281,290
ED Finance	89,080	84,050	86,210	88,400
AD Finance	1,114,670	831,000	(246,200)	(155,090)
ED Communities				
AD Assets	(562,340)	(720,940)	(704,560)	(687,260)
AD Neighbourhoods	1,089,740	1,222,430	1,197,430	1,107,700
AD Partnerships	1,149,640	1,080,770	1,082,500	1,099,130
Total Cost of Services	**10,270,210**	**9,403,410**	**8,445,200**	**8,504,580**
Transfer to / (from) Balances	(3,077,541)	(1,408,174)	(2,025,306)	(1,843,675)
Revenue Support Grant	(493,964)	-	(0)	(0)
Retained Business Rates	(13,094,597)	(13,385,014)	(14,279,743)	(14,563,883)
Less: Tariff payable	9,935,598	10,054,485	11,936,698	12,173,977
Collection Fund Surplus (Council Tax)	(80,065)	(62,517)	(33,000)	(33,000)
Collection Fund Surplus (Business Rates)	222,336	(752,887)	-	-
Council Tax Requirement	(3,681,977)	(3,849,303)	(4,043,849)	(4,237,999)

Appendix H

Council Tax levels at each band for 2019/20

Authority:	Tamworth Council Tax 2018/19	Tamworth Borough Council	* Staffordshire County Council	* Office of the Police & Crime Commissioner (OPCC) Staffordshire	* Staffordshire Commissioner Fire and Rescue Authority	**Total 2019/20**	Total Council Tax 2018/19
	£	£	£	£	£	**£**	£
Demand/Precept on Collection Fund		3,849,303	27,119,211	4,712,562	1,647,929	**37,329,005**	
Council Tax Band							
A	114.50	*117.93*	*830.82*	*144.37*	*50.49*	**1,143.61**	1,098.90
B	133.58	*137.58*	*969.29*	*168.44*	*58.90*	**1,334.21**	1,282.06
C	152.67	*157.24*	*1,107.76*	*192.50*	*67.32*	**1,524.82**	1,465.21
D	**171.75**	*176.89*	*1,246.23*	*216.56*	*75.73*	**1,715.41**	1,648.36
E	209.92	*216.20*	*1,523.17*	*264.68*	*92.56*	**2,096.61**	2,014.66
F	248.08	*255.51*	*1,800.11*	*312.81*	*109.39*	**2,477.82**	2,380.96
G	286.25	*294.82*	*2,077.05*	*360.93*	*126.22*	**2,859.02**	2,747.26
H	343.50	*353.78*	*2,492.46*	*433.12*	*151.46*	**3,430.82**	3,296.72
% increase	3.00%	2.99%	2.95%	12.46%	2.99%	4.07%	5.53%

** to be confirmed:*

Staffordshire County Council Cabinet 30th January 2019, Strategic Plan and Medium Term Financial Strategy 2019-2024 (County Council, 15th February 2019)

Staffordshire Police, Fire, and Crime Panel – 28th January 2019, Policing Medium Term Financial Strategy

Staffordshire Commissioner Fire and Rescue Authority - Staffordshire Police, Fire, and Crime Panel, 15th February 2019, 2019/20 Revenue Budget and Council Tax Setting

Appendix I

General Fund Capital Programme 2019/20 – 2023/24

General Fund Capital Programme	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	Total £
Gateways	120,000	190,000	-	-	-	**310,000**
Technology Replacement	60,000	-	-	-	-	**60,000**
Street Lighting	28,200	115,300	-	-	583,890	**727,390**
Amington Community Woodland	50,000	50,000	50,000	50,000	-	**200,000**
Replacement Castle Grounds Play Area	-	-	375,000	-	-	**375,000**
Private Sector Grants - Disabled Facilities Grants	650,000	650,000	650,000	650,000	650,000	**3,250,000**
Energy Efficiency Upgrades to Commercial and Industrial Units	75,000	75,000	75,000	75,000	75,000	**375,000**
Total General Fund Capital	**983,200**	**1,080,300**	**1,150,000**	**775,000**	**1,308,890**	**5,297,390**
Proposed Financing:						
Grants - Disabled Facilities	400,000	400,000	400,000	400,000	400,000	**2,000,000**
Section 106 Receipts	100,000	140,000	50,000	50,000	-	**340,000**
Sale of Council House Receipts	188,200	190,300	175,000	155,000	150,000	**858,500**
Community Infrastructure Levy	-	30,000	-	-	-	**30,000**
Unsupported Borrowing	295,000	320,000	525,000	170,000	758,890	**2,068,890**
Total	**983,200**	**1,080,300**	**1,150,000**	**775,000**	**1,308,890**	**5,297,390**

Appendix J

Housing Capital Programme 2019/20 – 2023/24

Housing Revenue Account Capital Programme	**2019/20 £**	**2020/21 £**	**2021/22 £**	**2022/23 £**	**2023/24 £**	**TOTAL £**
Heating Distribution	179,200	179,200	179,200	179,200	179,200	**896,000**
Roof finishes	854,400	854,400	854,400	854,400	854,400	**4,272,000**
Windows	347,500	347,500	347,500	347,500	347,500	**1,737,500**
Fascias, Soffits & Bargeboards	57,000	57,000	57,000	57,000	57,000	**285,000**
External Doors	301,400	301,400	301,400	301,400	301,400	**1,507,000**
Communal Doors	-	-	-	-	83,000	**83,000**
Bathroom	567,800	567,800	567,800	567,800	567,800	**2,839,000**
Kitchens	1,037,500	1,037,500	1,037,500	1,037,500	1,037,500	**5,187,500**
Heating Systems	501,700	501,700	501,700	501,700	501,700	**2,508,500**
Electric Heating Systems	-	-	-	-	302,900	**302,900**
Rewire	362,200	362,200	362,200	362,200	362,200	**1,811,000**
Lift Renewals	-	-	180,000	-	-	**180,000**
Rainwater Goods	-	-	-	-	284,800	**284,800**
Warden Call Systems	-	-	-	-	40,000	**40,000**
CO/Smoke detectors	64,000	64,000	64,000	64,000	64,000	**320,000**
External Stores etc.	106,800	106,800	106,800	106,800	106,800	**534,000**
Insulation	17,900	17,900	17,900	17,900	17,900	**89,500**
Independent Fires	4,600	4,600	4,600	4,600	4,600	**23,000**
Soil Vent Pipes	-	-	945,000	-	-	**945,000**
Fire Alarm Systems	-	-	-	-	16,000	**16,000**
Disabled Adaptations	212,500	212,500	212,500	212,500	212,500	**1,062,500**
Fencing Renewals	142,400	142,400	142,400	142,400	142,400	**712,000**
Structural Works	300,000	300,000	300,000	300,000	300,000	**1,500,000**
Estate Works	216,600	216,600	216,600	216,600	216,600	**1,083,000**
Environmental Works	283,300	283,300	283,300	283,300	283,300	**1,416,500**
Improvement to Sheltered Schemes	100,000	100,000	100,000	100,000	100,000	**500,000**
Energy Efficiency Works	70,000	70,000	70,000	70,000	70,000	**350,000**
Capital Salaries	200,000	200,000	200,000	200,000	200,000	**1,000,000**
Retention of Garage Sites	500,000	-	-			**500,000**
Removal of Office at Eringden	-	10,000	-	-	-	**10,000**
Redevelopment of Garage sites	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	**10,000,000**
Other Acquisitions	500,000	500,000	500,000	500,000	500,000	**2,500,000**
Total HRA Capital	**8,926,800**	**8,436,800**	**9,551,800**	**8,426,800**	**9,153,500**	**44,495,700**
Proposed Financing:						
Major Repairs Reserve	2,804,730	2,804,730	2,804,730	2,804,730	2,804,730	**14,023,650**
HRA Capital Receipts	2,150,000	551,440	-	681,440	1,494,670	**4,877,550**
Regeneration Revenue Reserves	2,422,070	4,280,630	5,897,070	3,820,630	3,461,100	**19,881,500**
Capital Receipts from Additional Council House Sales (1-4-1)	650,000	450,000	500,000	320,000	300,000	**2,220,000**
Regeneration Reserve	900,000	350,000	350,000	800,000	1,093,000	**3,493,000**
Total	**8,926,800**	**8,436,800**	**9,551,800**	**8,426,800**	**9,153,500**	**44,495,700**

Appendix K

Main Assumptions

Inflationary Factors	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Inflation Rate - Pay Awards	2.00%	2.50%	2.50%	2.50%	2.50%
National Insurance	9.50%	9.50%	9.50%	9.50%	9.50%
Superannuation	16.50%	16.50%	16.50%	16.50%	16.50%
Inflation Rate (RPI)	2.50%	2.50%	2.50%	2.50%	2.50%
Inflation Rate (CPI)	2.10%	2.08%	2.03%	2.10%	2.10%
Investment Rates	1.00%	1.50%	1.75%	2.0%	2.00%
Base Interest Rates	1.00%	1.25%	1.50%	2.00%	2.00%

1. Pay award – it had previously been assumed that public sector pay will be capped at 1% for 4 years from 2016/17, however, the public sector pay cap was lifted from 2018/19 with a 2% increase agreed. For 2019/20 a 2% increase was agreed and included the introduction of a new pay spine on 1st April 2019 based on a bottom rate of £17,364 with additions, deletions and changes to other spinal column points. This could have had a significant impact in terms of current grading but following a review assessing the impact of the assimilation and implementation of the new pay spine from 1st April 2019, the estimated provision has been included in the budget.

2. Overall Fees and Charges will rise generally by 2.5% annually except where a proposal has otherwise been made (car parking charges, corporate & industrial property rental income, statutory set planning fees, leisure fees);

3. Revised estimates for rent allowance / rent rebate subsidy levels have been included;

4. Changes to the level of recharges between funds has been included;

5. A reduction in Revenue Support Grant levels to zero by 2020 following the 4 year Local Government Finance Settlement.

6. Continuation of the New Homes Bonus scheme (at the lower payment levels) including additional receipts from new developments (including Anker Valley and the Former Golf Course Site);

7. Higher investment income returns due to forecast interest rate increases;

8. An increase of 2.99% p.a. in Council Tax - current indications are that increases of 3% or £5 and above risk ‘capping’ (confirmed as 3% or £5 for District Councils for 2018/19);

9. The major changes to the previously approved policy changes are included within this forecast – Assistant Directors were issued with the provisional information in August to review, confirm & resubmit by the end of September;

10. Annual year-on-year pension cost increases of c. £200k p.a. via the pension lump sum element for past liabilities have been included for the 3 years commencing 2017/18 (following initial indications from the SCC triennial review in 2016);

11. Reduction in rent levels by 1% per the statutory requirement & current indications that sales of council houses will be approximately 50 per annum;

12. Forecasts have been informed by the Bank of England Inflation report (August 2018), HM Treasury – Forecasts for the UK Economy (August 2018), Office for Budget Responsibility Economic & Fiscal Outlook (March 2018). Any significant variances will be considered later in the budget setting process.

Appendix L

Sensitivity Analysis (3 years)

	Risk	Potential Budgetary Effect 2019/20 £'000	2020/21 £'000	2021/22 £'000
Pay Award / National Insurance (GF)				
Impact +/- 0.5% Variance £'000	L	43	86	131
Budget Impact over 1 year	L	43		
Budget Impact over 3 years	M	260		
Budget Impact over 5 years	H	663		
Pay Award / National Insurance (HRA)				
Impact +/- 0.5% Variance £'000	L	14	28	42
Budget Impact over 1 years	L	14		
Budget Impact over 3 years	L	84		
Budget Impact over 5 years	M	213		

Subject to negotiation for Local Government pay (including any protection for low paid employees)

	Risk	Potential Budgetary Effect 2019/20 £'000	2020/21 £'000	2021/22 £'000
Pension Costs				
Impact +/- 0.5% Variance £'000	L	0	58	117
Budget Impact over 1 year	L	0		
Budget Impact over 3 years	L	175		
Budget Impact over 5 years	M	594		

3 year agreement in place from 2017/18 - subject to stock market & membership changes

	Risk	Potential Budgetary Effect 2019/20 £'000	2020/21 £'000	2021/22 £'000
Council Tax				
Impact on Council Tax income £'000		19	39	61
Budget Impact over 1 year	L	19		
Budget Impact over 3 years	L	119		
Budget Impact over 5 years	M	314		
Inflation / CPI				
Impact +/- 0.5% Variance £'000	L	52	105	159
Budget Impact over 1 year	L	52		
Budget Impact over 3 years	M	316		
Budget Impact over 5 years	H	803		
Government Grant				
Impact +/- 1.0% Variance £'000	L	40	63	87
Budget Impact over 1 year	L	40		
Budget Impact over 3 years	M	190		
Budget Impact over 5 years	M	437		

	Risk	Potential Budgetary Effect 2019/20 £'000	2020/21 £'000	2021/22 £'000
Investment Interest				
Impact +/- 0.5% Variance £'000	M	333	625	885
Budget Impact over 1 year	M	333		
Budget Impact over 3 years	H	1843		
Budget Impact over 5 years	H	4318		
Key Income Streams (GF)				
Impact +/- 0.5% Variance £'000	L	9	18	27
Budget Impact over 1 year	L	9		
Budget Impact over 3 years	L	54		
Budget Impact over 5 years	L	138		
Key Income Streams (HRA)				
Impact +/- 0.5% Variance £'000	L	87	175	264
Budget Impact over 1 years	L	87		
Budget Impact over 3 years	M	526		
Budget Impact over 5 years	H	1332		
New Homes Bonus				
Impact +/- 10% Variance £'000	L	26	55	95
Budget Impact over 1 year	L	26		
Budget Impact over 3 years	L	176		
Budget Impact over 5 years	M	498		
Business Rates				
Impact +/- 10% Variance £'000	L	70	141	214
Budget Impact over 1 year	L	70		
Budget Impact over 3 years	M	425		
Budget Impact over 5 years	H	1078		

Appendix M

Contingencies 2019/20 - 2023/24

Revenue	2019/20	2020/21	2021/22	2022/23	2023/24
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
General Fund					
Specific Contingencies					
Restructure	**75**	**75**	**75**	**75**	**75**
Pay award	**19**	**11**	**1**	**-**	**-**
General Contingency	100	100	100	100	100
General Contingency re Income Targets	97	190	264	264	264
Total General Contingency	**197**	**290**	**364**	**364**	**364**
Total GF Revenue	**291**	**376**	**440**	**439**	**439**
Housing Revenue Account					
Restructure	**30**	**30**	**30**	**30**	**30**
HRA - General Contingency	100	100	100	100	100
Total HRA Revenue	**130**	**130**	**130**	**130**	**130**

Capital	2019/20	2020/21	2021/22	2022/23	2023/24
Specific Earmarked &	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General					
General Fund					
Specific Contingencies					
*General Capital Contingency**	35	-	-	-	-
Total GF Capital	**35**	**-**	**-**	**-**	**-**
Housing Revenue Account					
*HRA - General Capital Contingency**	100	-	-	-	-
Total HRA Capital	**100**	**-**	**-**	**-**	**-**

* Forecast to be re-profiled from 2018/19 Capital Programme

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APPENDIX N

TREASURY MANAGEMENT STRATEGY STATEMENT, TREASURY MANAGEMENT POLICY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2019/20

Purpose

To comply with the requirement of the Council's Treasury Management Policy in reporting to Council the proposed strategy for the forthcoming year and the Local Government Act 2003 with the reporting of the Prudential Indicators.

Executive Summary

The Local Government Act 2003 requires the Council to produce prudential indicators in line with the Prudential Code.

This report outlines the Council's prudential indicators for 2019/20 – 2021/22 and sets out the expected Treasury operations for this period. This report and associated tables fulfil the statutory requirement of the Local Government Act 2003 by:

- Reporting the prudential indicators as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities;

- Setting the Council's Minimum Revenue Provision (MRP) Policy, which defines how the Council will pay for capital assets through revenue contributions each year (as required by MHCLG MRP Guidance issued in February 2018);

- Setting the Treasury Management Strategy in accordance with the CIPFA Code of Practice on Treasury Management;

- Adopting the Council's Treasury Management Policy Statement as recommended within the CIPFA Code of Practice 2017;

- Setting the Investment Strategy (in accordance with the Ministry of Housing, Communities and Local Government (MHCLG) investment guidance); and

- Affirming the effective management and responsibility for the control of risk and clearly identifying our appetite for risk. The Council's risk appetite is low in order to give priority to **S**ecurity, **L**iquidity then **Y**ield (or return on investments).

Under the requirements of the CIPFA Code of Practice and associated Guidance Notes 2017, the following four clauses have been adopted:

a) This Council will create and maintain, as the cornerstones for effective treasury management:

A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and

Suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

b) This Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

c) This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Executive Director Finance, who will act in accordance with the organisation's policy statement and TMPs.

d) This Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Equalities Implications

There are no equalities implications arising from the report.

Legal Implications

Approval of Prudential Indicators and an Annual Investment Strategy is a legal requirement of the Local Government Act 2003. Members are required under the CIPFA Code of Practice to have ownership and understanding when making decisions on Treasury Management matters.

Resource and Value for Money Implications

All financial resource implications are detailed in the body of this report which links to the Council's Medium Term Financial Strategy and Capital Strategy.

Risk Implications

Risk is inherent in Treasury Management and as such a risk based approach has been adopted throughout the report with regard to Treasury Management processes.

A Glossary of terms utilised within the report can be found at **ANNEX 9**.

Report Author Please contact Jo Goodfellow, Management Accountant, ext 241 or Stefan Garner, Executive Director Finance, ext 242

Background Papers:-	***Budget & Medium Term Financial Strategy 2019/20***
	Mid-year Treasury Report 2018/19 Council, 11/12/18
	Annual Treasury Report 2017/18 Council, 11/09/18
	Treasury Management Strategy Statement, Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement & Annual Investment Statement 2018/19 Council 27/02/18
	Treasury Management Training slides 21st February 2018
	CIPFA Code of Practice on Treasury Management in Public Services 2017
	MHCLG Statutory Guidance on Local Government Investments (February 2018)
	Local Government Act 2003
	Treasury Management Practices 2019/20 (Operational Detail)

1. INTRODUCTION

1.1 Background

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

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

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

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

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

Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is reported at Appendix O.

1.2 Reporting Requirements

1.2.1 Capital Strategy

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

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services

- an overview of how the associated risk is managed

- the implications for future financial sustainability.

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

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;

- Any service objectives relating to the investments;

- The expected income, costs and resulting contribution;

- The debt related to the activity and the associated interest costs;

- The payback period (MRP policy);

- For non-loan type investments, the cost against the current market value;

- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

1.2.2 Treasury Management Reporting

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

Prudential and Treasury Indicators and Treasury Strategy (this report) –

The first, and most important, report is forward looking and 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 is primarily a progress report and will update Members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

An Annual Treasury Report

This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

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

1.3 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

Capital Issues

- the capital expenditure plans and the associated Prudential Indicators;
- the Minimum Revenue Provision (MRP) policy.

Treasury Management Issues

- the current treasury position;
- treasury indicators which will 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 CIFPA Prudential Code, the MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG 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. Detailed Treasury Management training was most recently provided in February 2018, and will be provided as and when required.

The training needs of Treasury Management Officers are regularly reviewed.

1.5 Treasury Management Consultants

The Council uses Link 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 the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors.

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 2019/20 – 2021/22

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 £m	2017/18 Actual	2018/19 Predicted Outturn*	2018/19 Re-profiling	2019/20 Estimate**	2020/21 Estimate	2021/22 Estimate
Non-HRA	1.545	3.651	4.189	0.983	1.080	1.150
HRA	7.655	10.363	21.294	8.927	8.437	9.552
Commercial Activities/Non-Financial Investments * **	-	7.369	12.631	-	-	-
Total	**9.200**	**21.383**	**38.114**	**9.910**	**9.517**	**10.702**

** Actual Projected at Period 9* *** excludes projected slippage from 2018/19*

**** commercial activities/non-financial investments relate to areas such as capital expenditure on investment properties & investments in property funds.*

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.

Capital Financing (GF/HRA)	**2017/18 Actual**	**2018/19 Predicted Outturn***	**2018/19 Re-profiling**	**2019/20 Estimate****	**2020/21 Estimate**	**2021/22 Estimate**
Capital Receipts	0.562	9.057	15.237	2.988	1.192	0.675
Capital Grants	1.258	2.584	0.752	0.400	0.400	0.400
Capital Reserves	3.677	3.630	10.844	3.322	4.631	6.247
Revenue Reserves	3.687	5.689	2.702	2.905	2.945	2.855
Revenue Contributions	0.015	0.205	0.345	-	0.030	-
Net financing need for the year	-	0.218	8.234	0.295	0.320	0.525
Total	**9.200**	**21.383**	**38.114**	**9.910**	**9.517**	**10.702**

** Actual Projected at Period 9* *** excludes projected slippage from 2018/19*

The net financing need for commercial activities/non-financial investments included in the above table against expenditure is shown below:

Commercial Activities/Non-Financial Investments	**2017/18 Actual**	**2018/19 Predicted Outturn***	**2018/19 Re-profiling**	**2019/20 Estimate****	**2020/21 Estimate**	**2021/22 Estimate**
Capital Expenditure	-	7.369	12.631	-	-	-
Financing Costs	-	(7.369)	(12.631)	-	-	-
Net financing need for the year	**-**	**-**	**-**	**-**	**-**	**-**
Percentage of total net financing need %	**-**	**-**	**-**	**-**	**-**	**-**

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 indebtedness and so its 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 indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

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 by the PFI lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£m	2017/18 Actual	2018/19 Revised Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Financing Requirement					
CFR – non housing	0.885	1.037	2.235	2.425	2.801
CFR - housing	68.041	68.041	75.255	75.255	75.255
CFR - commercial activities/non-financial investments	-	-	-	-	-
Total CFR	**68.926**	**69.078**	**77.490**	**77.680**	**78.056**
Movement in CFR	**(0.058)**	**0.152**	**8.412**	**0.190**	**0.375**

Movement in CFR represented by					
Net financing need for the year (above)	-	0.218	8.529	0.320	0.525
Less MRP/VRP and other financing movements	**(0.058)**	**(0.066)**	**(0.117)**	**(0.130)**	**(0.150)**
Movement in CFR	**(0.058)**	**0.152**	**8.412**	**0.190**	**0.375**

* CFR 2016/17 £68.984m

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the Council's overall financial position. The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Council's remaining activity.

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 £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Fund Balances/Reserves	35.202	30.684	15.958	13.482	9.792
Capital Receipts	22.253	22.335	5.356	5.219	5.599
Provisions*	3.871	3.871	3.871	3.871	3.871
Other	0.048	0.048	0.048	0.048	0.048
Total Core Funds	**61.374**	**56.938**	**25.233**	**22.620**	**19.310**
Working Capital**	5.297	0.467	15.566	17.203	18.545
(Under)/Over Borrowing	(5.866)	(6.018)	(14.430)	(14.620)	(14.996)
Expected Investments	**60.805**	**51.387**	**26.369**	**25.203**	**22.859**

* Includes full provision for NNDR appeals

** Working capital balances shown are estimated year end; these may be higher mid year. This figure also includes potential budget reprofiling and cashflow movements in year.

2.4 Minimum Revenue Provision (MRP) Policy Statement

The Council is required to pay off an element of the accumulated General Fund Capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision – MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

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

For Capital Expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former MHCLG regulations (option 1);

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be*:*

- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);

This option provides for a reduction in the borrowing need over approximately the asset's life.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

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

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 and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate 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 overall Treasury Management portfolio as at 31st March 2018 and for the position as at 31st December 2018 are shown below for both borrowing and investments.

	TREASURY PORTFOLIO			
	ACTUAL AT 31/3/18		CURRENT AT 31/12/18	
	£m	%	£m	%
Treasury Investments				
Banks	41.001	67.46	38	51.5
Building Societies	4.000	6.58	2	2.7
Local Authorities	-	0.00	9	12.2
DMADF (H M Treasury)	-	0.00	-	-
Money Market Funds	9.77	16.08	10.929	14.8
Certificates of Deposit	6.003	9.88	10.002	13.6
Total Managed in-House	**60.774**	**100**	**69.931**	**94.8**
Bond Funds	-	-	-	-
Property Funds	-	-	3.831	5.2
Total Managed Externally	-	-	3.831	5.2
Total Treasury Investments	**60.774**	**100**	**73.762**	**100**
Treasury External Borrowing				
Local Authorities	-	-	-	-
PWLB	63.06	100	63.06	100
Total External Borrowing	**63.06**	100	**63.06**	100
Net Treasury Investments/(Borrowing)	(2.286)		10.702	

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

Treasury Portfolio	**2017/18 Actual £000's**	**2018/19 Estimate £000's**	**2019/20 Estimate £000's**	**2020/21 Estimate £000's**	**2021/22 Estimate £000's**
External Debt					
Debt at 1st April	63.060	63.060	63.060	63.060	63.060
Expected change in Debt	-	-	-	-	-
Actual gross debt at 31st March	**63.060**	**63.060**	**63.060**	**63.060**	**63.060**
The Capital Financing Requirement	**68.926**	**69.078**	**77.490**	**77.680**	**78.056**
Under / (over) borrowing	**5.866**	**6.018**	**14.430**	**14.620**	**14.996**

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 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Executive Director Finance (the Section 151 Officer) 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 and the ability to fund under-borrowing by other cash resources.

Operational Boundary	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**	**2021/22 Estimate £m**
Borrowing	63.060	63.060	63.060	63.060
Other long term liabilities	-	-	-	-
Commercial Activities/non-financial Investments	-	-	-	-
Total	**63.060**	**63.060**	**63.060**	**63.060**

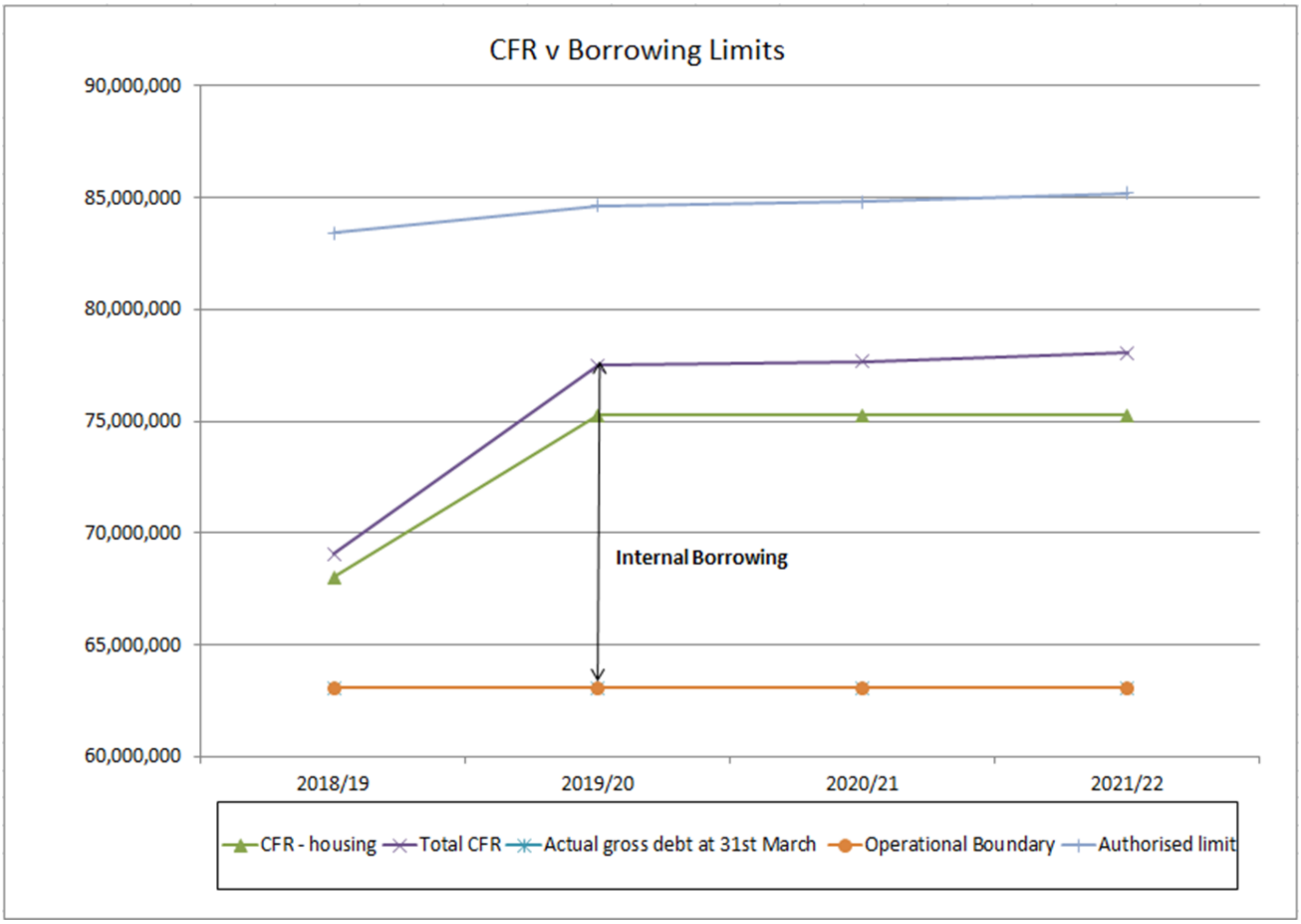
The Authorised Limit for external debt – This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external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

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

The Council is asked to approve the following Authorised Limit:

Authorised limit	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Borrowing	83.444	84.642	84.832	85.208
Total	**83.444**	**84.642**	**84.832**	**85.208**

Separately, the Council was also limited to a maximum HRA CFR through the HRA self-financing regime – this was set at £79.407m but has now been repealed. This information is summarised graphically below:



3.3. Prospects for Interest Rates

A more detailed interest rate view and economic commentary are at **ANNEXES 2 & 3**.

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

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

The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth became increasingly strong during 2018 until slowing significantly during the last quarter. At their November quarterly Inflation Report meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor’s fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. On a major assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019, then the next increase in Bank Rate is forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.25 – 2.50% in December 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We therefore saw US 10 year bond Treasury yields rise above 3.2% during October 2018 and also investors causing a sharp fall in equity prices as they sold out of holding riskier assets. However, by early January 2019, US 10 year bond yields had fallen back considerably on fears that the Fed was being too aggressive in raising interest rates and was going to cause a recession. Equity prices have been very volatile on alternating good and bad news during this period.

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

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

Investment and borrowing rates

Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

Borrowing interest rates have been volatile so far in 2018-19 and while they were on a rising trend during the first half of the year, they have backtracked since then until early January. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

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

3.4 Borrowing Strategy

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

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

* *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

* *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to 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; and
* enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identifying 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.

3.7 Municipal Bond Agency

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

4. ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

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

- MHCLG's Guidance on Local Government Investments ("the Guidance")

- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")

- CIPFA Treasury Management Guidance Notes 2018

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

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

1) Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

2) **Other Information**: 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 achieve this consideration 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.

3) **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.

4) This Council has defined the list of **types of investment instruments** that the Treasury Management team, are authorised to use. There are two lists in Annex 4 under the categories of 'specified' and 'non-specified' investments.

   a) Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.

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

5) **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 25% of the total investment portfolio (see paragraph 4.3)

6) **Lending limits** (amounts and maturity) for each counterparty will be set though applying the matrix table in paragraph 4.2

7) **Transaction limits** are set for each type of investment in 4.2

8) This Council will set a limit for the amount of its investments which are invested for **longer than 365 days** (see paragraph 4.4)

9) Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 4.3)

10) This Council has engaged **external consultants** (see paragraph 1.5) to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash blances and need for liquidity throughout the year.

11) All investments will be denominated in **sterling**.

12) As a result of the change in accounting standards for 2018/19 under IFRS 9, this Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. in November 2018, MHCLG conculded constulation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing 1st April 2018.

This Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year. The above criteria are unchanged from last year.

4.2 Creditworthiness Policy

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

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

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

The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

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

The Link Asset Services' creditworthiness service uses a wider array of information other 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 uses 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 on a daily basis/as and when notified. The Council is alerted to changes to ratings of all three agencies through its use of the Link 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 Link 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, market information and information on any external support for banks, to help support its decision making process.

Counterparty	**Colour (and long term rating where applicable)**	**Money and/or % Limit**	**Time Limit**
Banks/Building Societies *	**Yellow**	**£10m**	**5yrs**
Banks/Building Societies	**Purple**	**£10m**	**2 yrs**
Banks/Building Societies	**Orange**	**£10m**	**1 yr**
Banks – part nationalised	**Blue**	**£10m**	**1 yr**
Banks/Building Societies	**Red**	**£10m**	**6 mths**
Banks/Building Societies	**green**	**£10m**	**100 days**
Banks/Building Societies	**No colour**	**Not to be used**	
Council's banker (where "No Colour")	**No colour**	**£2m**	**1 day**
DMADF	**UK sovereign rating**	**£10m**	**6 months**
Local authorities	**n/a**	**£10m**	**5yrs**
Money Market Funds CNAV	**AAA**	**£10m**	**liquid**
Money Market Funds LVNAV	**AAA**	**£10m**	**liquid**
Money Market Funds VNAV	**AAA**	**£10m**	**liquid**

** 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 Annex 4.*

UK banks – ring fencing

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

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

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

4.3 Country Limits

Due care will be taken to consider the exposure of the Council’s total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 25% of the total investment portfolio.

b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of ‘AA-‘ from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex 5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) **Other limits. In addition:-**

- no more than 25% will be placed with any non-UK country at any time;
- a limit of £14m per group 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). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manager the ups and downs of cash flows, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if is is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment Returns Expectations.

On the assumption that the UK and EU agree a Brexit deal in Spring 2019, then Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

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

Year	Now
2018/19	0.75%
2019/20	1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.50%

The overall balance of risks to economic growth in the UK is probably neutral.

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

Investment Treasury Indicator and Limit - total principal funds invested for greater than 365 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: -

Upper limit for principal sums invested for longer than 365 days			
	2018/19 £m	**2019/20 £m**	**2020/21 £m**
Principal sums invested > 365 days	20.000	6.592	6.301
Current investments as at 31.12.18 in excess of 1 year maturing in each year	-	-	-

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 3 month LIBID.

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. ANNEXES

1. Prudential and Treasury Indicators
2. Interest Rate Forecasts
3. Economic Background
4. TMP 1 Credit & Counterparty Risk Management
5. Approved Countries for investments
6. Treasury Management Scheme of Delegation
7. The Treasury Management Role of the Section 151 Officer
8. Treasury Management Practices
9. Treasury Management Glossary of Terms
10. Prudential Indicators – Definitions/Interpretation

ANNEX 1

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2018/19 – 2020/21

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

1 Capital expenditure

A breakdown of capital expenditure by Directorate is detailed within the Performance Healthcheck reported quarterly to Cabinet.

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 (net cost of services).

Ratio of financing costs to net revenue stream.	2017/18 Actual %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %
Non-HRA	(2.84)%	(1.77)%	(3.01)%	(2.56)%	(2.58)%
HRA	28.93%	39.13%	29.39%	29.25%	28.47%
Commercial Activities/non-Financial Investments	0.00%	(2.06)%	(3.84)%	(6.94)%	(6.89)%

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

Commercial Activities/non-Financial Investments includes investments in property funds and the return on the Gungate Site purchase.

b) Housing Revenue Account Debt Ratios

HRA Debt to Revenues Ratio	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
HRA Debt £m *	68.041	68.041	75.255	75.255	75.255
HRA Revenues £m	18.011	17.752	17.823	17.909	18.325
Ratio of Debt to Revenues %	378	383	422	420	411

* The HRA's notional debt borrowing requirement

HRA Debt per Dwelling	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
HRA Debt £m	68.041	68.041	75.255	75.255	75.255
Number of HRA Dwellings	4,316	4,206	4,279	4,229	4,179
Debt per Dwelling £'000	15.767	16.177	17.587	17.795	18.008

3 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:

Maturity structure of Fixed Interest Rate borrowing 2019/20		
Timeline	**Lower**	**Upper**
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	25%
5 years to 10 years	0%	75%
10 years and above	0%	100%

Maturity structure of Variable Interest Rate borrowing 2019/20		
Timeline	**Lower**	**Upper**
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	25%
5 years to 10 years	0%	75%
10 years and above	0%	100%

4 Control of Interest Rate Exposure

Please see paragraphs 3.3, 3.4 and 4.4

ANNEX 2 Interest Rate Forecasts 2019 – 2022

PWLB forecasts are based on PWLB certainty rates.

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate													
Link Asset Services	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
Capital Economics	0.75%	1.00%	1.25%	1.50%	1.70%	1.75%	2.00%	2.00%	-	-	-	-	-
5yr PWLB Rate													
Link Asset Services	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
Capital Economics	2.03%	2.15%	2.40%	2.65%	2.70%	2.75%	2.80%	2.85%	-	-	-	-	-
10yr PWLB Rate													
Link Asset Services	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
Capital Economics	2.43%	2.55%	2.80%	3.05%	3.05%	3.05%	3.05%	3.05%	-	-	-	-	-
25yr PWLB Rate													
Link Asset Services	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.96%	3.08%	3.33%	3.58%	3.53%	3.48%	3.43%	3.38%	-	-	-	-	-
50yr PWLB Rate													
Link Asset Services	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	2.78%	2.90%	3.15%	3.40%	3.40%	3.40%	3.40%	3.40%	-	-	-	-	-

ANNEX 3 ECONOMIC BACKGROUND

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

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.

KEY RISKS - central bank monetary policy measures

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

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we did indeed see a sharp fall in equity values in the last quarter of 2018. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.** At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and is likely to cause a recession in the US economy.

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt, (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

UK. The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

At their November quarterly Inflation Report meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.1% in December 2018. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead (at about 2.1%), given a scenario of minimal increases in Bank Rate.

As for the **labour market** figures in October**,** unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.2%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, the Brexit deal put forward by the Conservative minority government was defeated on 15th January. It is unclear at the time of writing how this situation will move forward. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit, though the risks are increasing that it may not be possible to get full agreement by the UK and EU before 29th March 2019, in which case this withdrawal date is likely to be pushed back to a new date. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption, which has generated an upturn in the rate of strong growth, which rose from 2.2% (annualised rate) in quarter 1 to 4.2% in quarter 2 and 3.5% (3.0% y/y) in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in November. However, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is overdoing the speed and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world falling under the weight of fears around the Fed's actions, the trade war between the US and China, and an expectation that world growth will slow.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation if an agreement is not reached soon between the US and China.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may find it difficult to warrant a start on raising rates by the end of 2019 if the growth rate of the EU economy is on a weakening trend.

China. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

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

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.2 **are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in 2020 which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast and how far those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.

- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

However there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has now substantially diminished.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.

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

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

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.

- **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth and increases in inflation to be weaker than we currently anticipate.
- A resurgence of the **eurozone sovereign debt crisis**, possibly in **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. The EU rejected the initial proposed Italian budget and demanded cuts in government spending which the Italian government initially refused. However, a fudge was subsequently agreed, but only by *delaying* the planned increases in expenditure to a later year. This can has therefore only been kicked down the road to a later time. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the words and actions of the Italian government and consequently Italian bond yields have risen – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018 (a new party leader has now been elected). However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- **Other minority eurozone governments.** Spain, Portugal, Ireland, the Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with. The Belgian coalition collapsed in December 2018 but a minority caretaker government has been appointed until the May EU wide general elections.
- **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while **Italy,** in 2018, also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much improved yield. Throughout the last quarter of 2018, we saw sharp falls in equity markets interspersed with occasional partial rallies. Emerging countries which have borrowed heavily in dollar denominated debt could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and

acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.

- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

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

- **Brexit** – if both sides were to agree by 29th March a compromise that quickly removed all threats of economic and political disruption and so led to an early boost to UK economic growth.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and therefore allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

<u>Brexit timetable and process</u>

- March 2017: UK government notified the European Council of its intention to leave under the Treaty on European Union Article 50 on 29 March 2019.
- 25.11.18 EU27 leaders endorsed the withdrawal agreement
- Dec 2018 vote in the UK Parliament on the agreement was postponed
- 21.12.18 – 8.1.19 UK parliamentary recess
- 15.1.19 Brexit deal defeated in the Commons vote by a large margin
- By 29.3.19 second vote (?) in UK parliament
- By 29.3.19 if the UK Parliament approves a deal, then ratification by the EU Parliament requires a simple majority
- By 29.3.19 if the UK and EU parliaments agree the deal, the EU Council needs to approve the deal; 20 countries representing 65% of the EU population must agree
- 29.3.19 Either the UK leaves the EU, or asks the EU for agreement to an extension of the Article 50 period if the UK Parliament has been unable to agree on a Brexit deal.
- 29.3.19 if an agreement is reached with the EU on the terms of Brexit, then this will be followed by a proposed **transitional period ending around December 2020.**

- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy may leave the single market and tariff free trade at different times during the transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.

ANNEX 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 25% will be held in aggregate in non-specified investments.

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

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

Counterparty	**Minimum credit criteria / colour band**	**£ limit per institution**	**Max. maturity period**
DMADF – UK Government	N/A	£10m	6 months
UK Government gilts	UK sovereign rating	£10m	12 months
UK Government Treasury bills	UK sovereign rating	£10m	12 months
Bonds issued by multilateral development banks	AAA	£10m	6 months
Money Market Funds CNAV	AAA	£10m	Liquid
Money Market Funds LNVAV	AAA	£10m	Liquid
Money Market Funds VNAV	AAA	£10m	Liquid
Local authorities	N/A	£10m	12 months
Term deposits with banks and building societies	Blue Orange Red Green No Colour	£10m	12 months 12 months 6 months 100 days Not for use

Counterparty	Minimum credit criteria / colour band	£ limit per institution	Max. maturity period
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£10m	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	£10m	
UK Part Nationalised Banks	Blue	£10m	
Non-Specified Investments			
Property Funds - the use of these instruments can be deemed as capital expenditure and as such will be an application (spending) of capital resources		£10m	Limit will be set based on level of reserves and balances going forward and appropriate due diligence will be undertaken before investment of this type
Wider Investment Funds - the use of these instruments can be deemed as capital expenditure and as such will be an application (spending) of capital resources		£10m	Limit will be set based on level of reserves and balances going forward and appropriate due diligence will be undertaken before investment of this type

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.

ANNEX 5 APPROVED COUNTRIES FOR INVESTMENT

This list is based on those countries which have sovereign ratings of AA- or higher (showing 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 Link Asset Services credit worthiness service.

Based on lowest available rating

AAA

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

AA+

- Finland
- U.S.A.

AA

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

AA-

- Belgium
- Qatar

(Per Link Asset Services 8/1/19)

* At its meeting of the 15th September 2009, full Council approved a recommendation that;

'authorises the use of institutions currently supported by the UK Government should its Sovereign rating be downgraded below the current requirement for a 'AAA' rating by all three rating agencies'

this approval continues to form part of the strategy in 2018/19.

ANNEX 6 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

- receiving and reviewing reports on Treasury Management policies, practices and activities.
- approval of annual strategy.
- 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.

(ii) Cabinet

- receiving and reviewing Treasury Management policy statement and Treasury Management practices and making recommendations to the full Council.
- receiving and reviewing regular monitoring reports and making recommendations to the full Council.
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit and Governance Committee

- reviewing the Treasury Management policy and procedures and making recommendations to the Cabinet.
- receiving and reviewing regular monitoring and making recommendations to the Cabinet.

ANNEX 7 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) Officer is responsible for

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is sustainable, affordable and prudent in the long-term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following -

    - Risk management (TMP1), including investment and risk management criteria for any material non-treasury investment portfolios;

    - Performance measurement and management (TMP2), including methodology and criteria for assessing the performance and success of non-treasury investments;

    - Decision making, governance and organisation (TMP5), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- Reporting and management information (TMP6), including where and how often monitoring reports are taken;

- Training and qualifications (TMP10), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

ANNEX 8

TREASURY MANAGEMENT PRACTICES

The Treasury Management Practices document (TMPs) forms detailed operational procedures and processes for the Treasury Management function. This document can be found on the Council's Internet by following the following link;

http://www.tamworth.gov.uk/treasury-practices

and clicking on the TMPs folder.

The items below are summaries of the individual TMPs which the Council has to produce and adopt under the Treasury Code of Practice.

TMP1 : RISK MANAGEMENT

General Statement

The Section 151 Officer will design, implement and monitor all arrangements for the identification, management and control of Treasury Management risk; will report at least annually on the adequacy / suitability of the arrangements and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives. The reports will be in accordance with the procedures contained in TMP6.

1.1 Credit and Counterparty Risk Management

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

This organisation regards a key objective of its Treasury Management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and detailed in the TMP Operational document.

It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

1.2 Liquidity Risk Management

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

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

1.3 Interest Rate Risk Management

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

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

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

1.4 Exchange Rate Risk Management

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

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

1,5 Inflation Rate Risk Management

Inflation risk, also called purchasing power risk, is the chance that cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

1.6 Refinancing Risk Management

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

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

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

1.7 Legal and Regulatory Risk Management

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

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

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

1.8 Fraud, Error and Corruption, and Contingency Management

The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its Treasury Management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

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

The Council will therefore:-

a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.

b) Fully document all its Treasury Management activities so that there can be no possible confusion as to what proper procedures are.

c) Ensure that staff will not be allowed to take up Treasury Management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.

Records will be maintained of all Treasury Management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.9 Price Risk Management

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

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

TMP2 : PERFORMANCE MEASUREMENT

The Council is committed to the pursuit of best value in its Treasury Management activities, and to the use of performance methodology in support of that aim, within the framework set out in the Treasury Management Policy Statement.

The Treasury Management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal, grant or subsidy incentives, and the scope for other potential improvements. The performance of the Treasury Management function will be measured using the criteria set out in the detailed TMP Operational document.

TMP3 : DECISION-MAKING AND ANALYSIS

The Council will maintain full records of its Treasury Management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are set out in the detailed TMP Operational document.

TMP4 : APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Council will undertake its Treasury Management activities by employing only those instruments, methods and techniques set out in the detailed TMP Operational document and within the limits and parameters defined in TMP1.

TMP5 : ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The Council considers it essential, for the purposes of the effective control and monitoring of its Treasury Management activities, for the reduction of risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of Treasury Management responsibilities.

The principle on which this will be based is the clear distinction between those charged with setting Treasury Management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of Treasury Management decisions and the audit and review of the Treasury Management function.

If and when this organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the Section 151 Officer will ensure that the reasons are properly reported in accordance with TMP6 and the implications properly considered and evaluated.

The Section 151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in Treasury Management, and the arrangements for absence cover. He will also ensure that at all times those engaged in Treasury Management will follow the policies and procedures set out. The present arrangements are set out in the detailed TMP Operational document.

The Section 151 Officer will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are set out in the detailed TMP Operational document.

The delegations to the Section 151 Officer in respect of Treasury Management are set out in the detailed TMP Operational document. He will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

TMP6 : REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Council will ensure that regular reports are prepared and considered on the implementation of its Treasury Management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its Treasury Management activities; and on the performance of the Treasury Management function.

As a minimum Cabinet and Council will receive:

- An annual report on the planned strategy to be pursued in the coming year and the reporting of Prudential Indicators.

- A mid-year review

- An annual report on the performance of the Treasury Management function including the performance against the Prudential Indicators, the effects of the decisions taken and the transactions executed in the past year and on any circumstances of non-compliance with the Council's Treasury Management policy statement and TMPs.

Cabinet will receive regular monitoring reports on Treasury Management activities and risks.

The Audit and Governance Committee will have responsibility for the scrutiny of Treasury Management policies and practices.

The Treasury Management indicators will be considered together with the Treasury Management indicators in the Prudential Code as part of the budget approval process.

The present arrangements and the form of these reports are set out in the detailed TMP Operational document.

TMP7 : BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The Section 151 Officer will prepare and Council will approve and, if necessary from time to time, will amend, an annual budget for Treasury Management, which will bring together all of the costs involved in running the Treasury Management function together with associated income. The matters to be included will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1, TMP2 and TMP4.

The Section 151 Officer will exercise effective controls over this budget and report upon and recommend any changes required in accordance with TMP6.

The Council will account for its Treasury Management activities, for decisions made and transactions executed in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP8 : CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Section 151 Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis and the Section 151 Officer will ensure that these are adequate for the purpose of monitoring compliance with TMP1. The present arrangements for preparing cash flow projections, and their form, are set out in the detailed TMP Operational document.

TMP9 : MONEY LAUNDERING

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. The Council will, therefore, maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that all staff involved are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are set out in the detailed TMP Operational document.

TMP10 : TRAINING AND QUALIFICATIONS

The Council recognises the importance of ensuring that all staff involved in the Treasury Management function are fully equipped to undertake the duties and responsibilities allocated to them. It will seek to appoint individuals, who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Section 151 Officer will recommend and implement the necessary arrangements.

The Section 151 Officer will ensure that Council members tasked with Treasury Management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

TMP11 : USE OF EXTERNAL SERVICE PROVIDERS

The Council recognises that responsibility for the Treasury Management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of Treasury Management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. Terms of appointment will be properly agreed, documented and subject to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Section 151 Officer, and details of the current arrangements are set out in the detailed TMP Operational document.

TMP12 : CORPORATE GOVERNANCE

The Council is committed to the pursuit of proper corporate governance throughout its services, and to establishing the principles and practices by which this can be achieved. Accordingly the Treasury Management function and its activities will be undertaken with openness, transparency, honesty, integrity and accountability.

The Council has adopted and implemented the key recommendations of the Code. This, together with the other arrangements are set out in the detailed TMP Operational document and are considered vital to the achievement of proper governance in Treasury Management, and the Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

TMP 13: MANAGEMENT PRACTICES FOR NON-TREASURY INVESTMENTS

This Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all of its investments are covered in the capital strategy and/or investment strategy, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The Council maintains a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Council's risk exposure.

The following TMPs will apply with regard to non-treasury management investments:-

TMP1 - Risk management - including investment and risk management criteria for material non-treasury investment portfolios

TMP2 - Performance measurement and management - including methodology and criteria for assessing the performance and success of non-treasury investments

TMP5 - Decision making and analysis - including a statement of the governance requirements for decision-making in relation to non-treasury investments, and arrangements to ensure that appropriate professional due diligence is carried out to support decision making

TMP6 - Reporting and management information - including where and how often monitoring reports are taken

TMP10 - Training and qualifications - including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

ANNEX 9

Treasury Management Glossary of Terms

Bank Rate	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short term interest rates in the money markets.
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Capital Financing Requirement	The Council's underlying need for borrowing for a capital purpose.
Counterparty	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
Credit Default Swap (CDS)	A specific kind of counterparty agreement which allows the transfer of third party credit risk from one party to the other. One party in the swap is a lender and faces credit risk from a third party, and the counterparty in the credit default swap agrees to insure this risk in exchange for regular periodic payments (essentially an insurance premium). If the third party defaults, the party providing insurance will have to purchase from the insured party the defaulted asset. In turn, the insurer pays the insured the remaining interest on the debt, as well as the principal.
Credit Rating	This is a scoring system that lenders issue organisations with, to determine how credit worthy they are.
Gilts	These are issued by the UK Government in order to finance public expenditure. Gilts are generally issued for a set period and pay a fixed rate of interest for the period.
iTraxx	This is an index published by Markit who are a leading company in CDS pricing and valuation. The index is based on an equal weighting of the CDS spread of 25 European financial companies.

	Clients can use the iTraxx to see where an institution's CDS spread is relative to that of the market and judge its creditworthiness in that manner, as well as looking at the credit ratings.
Liquidity	An asset is perfectly liquid if one can trade immediately, at a price not worse than the uninformed expected value, the quantity one desires.
Long term	A period of one year or more.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Minimum Revenue Provision	Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred therefore such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision.
Monetary Policy Committee (MPC)	Interest rates are set by the Bank's Monetary Policy Committee. The MPC sets an interest rate it judges will enable the inflation target to be met. Their primary target (as set by the Government) is to keep inflation at or around 2%.
Security	An investment instrument, issued by a corporation, government, or other organization which offers evidence of debt or equity.
Short Term	A period of 364 days or less
Supranational Bonds	A supranational entity is formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. Examples of supranational institutions include the European Investment Bank and the World Bank.

	Similarly to the government bonds, the bonds issued by these institutions are considered very safe and have a high credit rating.
Treasury Management	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.
Working Capital	Cash and other liquid assets needed to finance the everyday running of a business such as the payment of salaries and purchases.
Yield	The annual rate of return on an investment, expressed as a percentage.

ANNEX 10

PRUDENTIAL INDICATORS – DEFINITIONS / INTERPRETATION

CIPFA's Prudential Code for Capital Finance requires local authorities to prepare Prudential Indicators of their intended capital spending plans for the forthcoming and future years. The indicators are intended to help the decision making process within an authority and must be approved by the full Council before the beginning of the financial year. The indicators are neither comparative statistics nor performance indicators. Different Councils will have different figures reflecting their history and local circumstances.

1. **Estimate of total capital expenditure to be incurred –** This summarises the Council's current plans for the total capital expenditure over the next 3 years. Details of individual schemes are contained within the capital estimate pages.

2. **Estimates of Capital Financing Summary** – This details the capital financing sources for the next 3 years.

3. **Estimated Ratio of financing costs to net revenue stream** - This indicator has been calculated as debt interest, borrowing refinancing costs, minimum revenue provision, depreciation for HRA, net of investment income and divided by the General Fund (GF) budget requirement for the GF element of costs and the total of HRA income for the HRA costs**.** For GF Account, the indicator has been calculated gross of government support in the form of RSG for the proportion of capital expenditure funded from supported level of borrowing.

4. **Capital Financing Requirement** – This represents the Council's underlying need to borrow to finance historic capital expenditure and is derived by aggregating specified items from the Council's balance sheet. The actual **net borrowing** is lower than this because of the current strategy to use internal borrowing rather than replace maturing debt.

5. **Actual External Debt** –This is a key indicator and Section 3 of the Local Government Act 2003 requires the Council to ensure that gross external debt does not, except in the short term, exceed the total of the Capital Financing Requirement in the preceding year plus estimates of any additional capital financing requirement for the current and next two financial years.

6. **Authorised Borrowing Limit for external debt** - This indicator represents the maximum amount the Council may borrow at any point in time in the year and has to be set at a level the Council considers is **prudent**. It allows for uncertain cash flow movements and borrowing in advance for future requirements. The Council does not currently have any finance lease liabilities.

The recommended authorised limits for external debt are gross of investments and are consistent with the Council's current commitments, existing plans and the current treasury management policy and strategy. The authorised limit determined for 2018- 19 is the statutory limit determined under section 3(1) of the Local Government Act 2003.

7. **Operational Boundary for external debt** - The proposed operational boundary for external debt is calculated on the same estimates as the authorised limit but reflects estimates of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. Within the operational boundary, figures for borrowing and other long term liabilities are separately identified.

8. **Treasury Management** – these indicators form part of the treasury management strategy and policy statement approved by the Council each year before the beginning of the financial year. The main indicators are:

(a) The adoption of **CIPFA Code of Practice for Treasury Management**, which the Council adopted before the current Prudential System was introduced.

(b) **Interest Rate Exposure** - The approved Treasury Policy Statement and Strategy contains upper and lower limits for fixed and variable interest rate exposure for net outstanding principal sums.

(c) **Maturity Structure of Borrowing** – The approved treasury management strategy also sets out the maturity structure of the Council’s borrowing to ensure the Council is not exposed to risks of having to refinance large level of debt at a time in future when interest rates may be volatile or uncertain.

(d) **Investments longer than 365 days** – The approved treasury management strategy includes a limit of £20m for investments maturing beyond 365 days.

APPENDIX O

CORPORATE CAPITAL STRATEGY

PURPOSE

This strategy sets out the Council's approach to capital investment and the approach that will be followed in making decisions in respect of the Council's Capital assets.

Capital investment is an important ingredient in ensuring the Council's vision is achieved and given that capital resources are limited it is critical that the Council makes best use of these resources.

The Strategy sets the policy framework for the development, management and monitoring of this investment and forms a key component of the Council's planning alongside the Medium Term Financial Strategy (MTFS).

It sets out the strategic influences on the Council's capital investment plan and how the Council is going to work with these influences to bring about the best advantage to meet local needs – including working with Partners:

- the Local Enterprise Partnerships (Greater Birmingham and Solihull and Staffordshire and Stoke-on-Trent) of which the council is a Member;
- the West Midlands Combined Authority as a Non-Constituent member;
- Staffordshire Commissioner for Police, Fire and Rescue and Crime;

with the aim to drive economic regeneration, deliver local plan objectives and access inward investment to support the delivery of local capital priorities.

The Council plans to update its approach to Asset Management and long term asset planning to improve the way strategic property objectives can be delivered. This will enable the development of a longer term plan for the management and maintenance of its assets, whilst identifying the funding ambition gap to maximise inward investment opportunities for funding from Partners.

It also demonstrates that the Council has regard to the Prudential Code for Capital Finance by giving a clear and concise view of how much it can afford to borrow and its risk appetite. It is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

Summary Capital Investment Plan

Capital Programme	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
General Fund	983	1,080	1,150	775	1,309
HRA	8,927	8,437	9,552	8,427	9,154

The General Fund capital programme will require unsupported borrowing of £2.1m over the next 5 years subject to the exploration and availability of alternative funding. Key Schemes include:

- Gateways £310k (including £170k S106 receipts);
- Disabled Facilities Grants, £650k p.a. (including £400k p.a. BCF grant);
- Amington Community Woodland, £50k p.a. funded by S106 receipts;
- Replacement Castle Grounds Play Area 2021/22, £375k;
- Energy Efficiency Upgrades-Commercial and Industrial Units, £75k p.a.
- Street Lighting £727k;

The HRA capital programme can be fully funded through projected capital resources. Key HRA Schemes:

- HRA Business plan works to dwellings, £31.5m
- Retention of Garage Sites, £0.5m;
- Redevelopment of Garage Sites & other acquisitions, £12.5m

Impact on Medium Term Financial Plan

The General Fund capital programme will require unsupported borrowing of £2.1m over the next 5 years which will be funded through internal borrowing (with an associated loss of investment interest) and will require provision for debt repayment.

The HRA capital programme will be funded though capital receipts and annual revenue contributions of c.£7.3m.

Summary of Risk Assessment

Risks specific to the capital programme and the capital strategy are managed in accordance with the Council's Risk Management Policy and are recorded and monitored through the Pentana Performance Management system. Risks are monitored on an ongoing basis as part of routine risk management practices and are reviewed and updated where appropriate as part of the refresh of the Capital Strategy. Risks specific to the capital strategy are included in a table at Annex C. They align with other corporate risk registers and are informed by project/ programme level risks to ensure risks are monitored and managed from operational through to strategic level.

The Capital Strategy

The Capital Strategy is a 'live' and dynamic document, which will update and evolve as strategic influences and priorities change. The Corporate Capital Strategy will be reviewed annually and an update presented to Council in February each year as part of the MTFS report. However should a significant situation arise, whether it be a policy matter, an investment opportunity or a new risk for example, an update to the Capital Strategy will be presented to Members as part of the quarterly performance report.

The Capital Strategy will:

- Reflect Members' priorities as set out in the Corporate Plan including the approach to the allocation of its capital resources and how this links to its priorities at a corporate and service level;
- Balance the need to maintain the Council's existing asset base against its future ambition and associated long term asset needs, and consolidate assets where appropriate;
- Recognise that growth is the strategic driver for financial self-sufficiency;
- Be affordable in the context of the Council's MTFS;
- Seek to ensure value for money through achieving a return on investment or by supporting service efficiency and effectiveness;
- Be flexible to respond to evolving service delivery needs;
- Seek to maximise investment levels through the leveraging of external investment through working with regional/County partners;
- Recognise the value of assets for delivering long-term growth as opposed to being sold to finance capital expenditure;
- Recognise the financial benefits and risks from growth generated through investment to support investment decisions; and
- Reflect the service delivery costs associated with growth when assessing the level of resources available for prudential borrowing.

The capital strategy informs the strategic direction of capital investment through consideration of strategic priorities and objectives. It feeds into the annual revenue budget and MTFS by informing the revenue implications of capital funding decisions. The implications for the MTFS are fully considered before any capital funding decisions are confirmed.

The Strategy is supported by the leadership of the Council, including the Chief Executive and the Leader of the Council. The recently updated CIPFA Prudential Code now requires that 'the chief finance officer should report explicitly on the affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.' The statement below is the response of the Executive Director Finance:-

Affordability and risk are key considerations within this capital strategy. The key principles articulated are that the strategy must support the financial viability of the Council, and that payback should be a key consideration of the strategy. The capital investments detailed within the strategy provide for a number of regeneration opportunities. Robust risk management is also a requirement of our strategy. Business cases for new schemes are required to ensure that risks are adequately considered. The most significant risks are currently capacity to deliver individual projects, and adequately identifying resources required at the commencement of projects.

Over the next five years the strategy is expected to see almost £50m of capital expenditure (both General Fund and HRA). The HRA capital programme is a key element of the 30 year HRA Business Plan. Within this financial context and considering the Council's balance sheet and asset base, and its track record in acquiring, managing and disposing of assets where required to support its objectives, the capital strategy as a whole is proportionate to the Council's overall activities and financial position.

Specialised external advice is obtained where required with regard to specific schemes, for example to support commercial acquisitions or in considering the financial implications of major schemes included within the strategy. The Council also utilises our treasury management advisors, Link Asset Services, to consider the implications of the Prudential Code and the impact on the treasury management strategy.

The strategy articulates a wide range of new and existing activities. This includes regeneration ambitions, new infrastructure and significant investment in Housing as well as smaller schemes. The strategy also leaves space for consideration of new income streams that fit with our ambitions as a Council and support areas in which we already have skills and knowledge.

Background

The Council has an ongoing capital programme of over £55m for 2018/19 and an asset base valued at £219m (as at 31st March 2018).

Traditionally the Council's capital programme has been set and approved for a five year period, with a 30 year HRA business plan setting out future plans for the Council's housing stock. In order to improve longer term strategic planning, so that the Council can better prioritise spending and align with local, regional and national priorities, it is recognised that the current capital programme needs to have a longer-term focus for the purposes of the capital strategy, ideally looking to a 20-30 year timeframe.

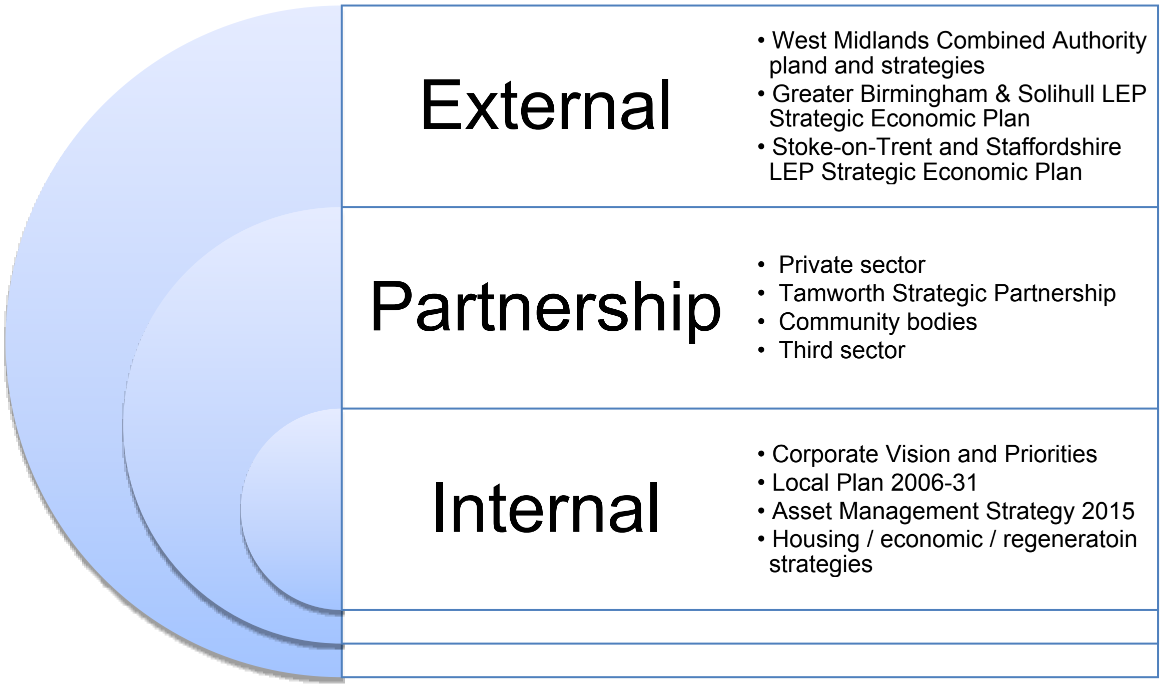
As a result, the following action is to be taken:-

The process for the consideration of capital expenditure within the MTFS process to be reviewed and refined to ensure that there are provisional plans for expenditure out to a 10 year timeframe, with an indication of requirements out to 20-30 years.

A number of actions/improvements have been identified throughout this capital strategy, and they are summarised in an action plan, with target completion dates and responsible officers, at Annex B.

Influences

The following diagram illustrates some of the main internal and external influences on the Council's capital strategy, including our partners. Consideration of these plans and strategies in the context of our own capital ambitions is important because it may provide new opportunities for investment or funding.



The Council’s corporate priorities are an integral influence in informing the Capital Strategy and set the scene for how capital projects and individual proposals are assessed.

<table>
<tr><td colspan="2">TAMWORTH BOROUGH COUNCIL: VISION

To put Tamworth, its people and the local economy at the heart of everything we do</td></tr>
<tr><td colspan="2">OUR STRATEGIC PRIORITIES
FOR 2019-2022</td></tr>
<tr><td>People and Place

1. To meet housing needs through a variety of approaches and interventions
2. To facilitate sustainable growth and economic prosperity
3. To work collaboratively and flexibly to meet the needs of our communities
4. To create a new and developing vision for the continued evolution of Tamworth, including a Town Centre fit for the 21st century</td><td>Organisation

1. To be financially stable
2. To ensure our employees have the right skills and culture to help our residents, visitors and businesses
3. To ensure our service delivery is consistent, clear, and focused
4. To ensure our decisions are driven by evidence and knowledge</td></tr>
</table>

The Council is committed to working with its public, peers and partners in order to:

a) Sustain essential services at agreed standards for those in greatest need;

b) Deliver a programme of projects, planned initiatives and work streams designed to achieve outcomes against the Corporate Priorities;

c) Adopt a commercial approach to growth and investment designed to generate a sustainable income to support a) and b); and

d) Continue its excellent performance in financial planning, management and investment. By being 'Risk Aware' rather than 'Risk Averse', the Council will consider all opportunities to improve and/or sustain services.

The Capital Appraisal Process

The capital appraisal process is important as it helps to prioritise schemes in order to target spending in a challenging funding climate, and to ensure that the Council is spending on projects which help to deliver its strategic priorities.

As part of the Council's business planning process, managers and Assistant Directors are required to consider the capital resources needed to deliver their services now and into the future (5 year timeframe). The asset management plan and HRA business plan also inform the capital strategy.

All capital bids should be prepared in light of the following list of criteria, and the proposed investment should address and be assessed with regard to:

- the contribution its delivery makes towards the achievement of the Council's Corporate Priorities;

- the achievement of Government priorities and grant or other funding availability;

- the benefits in terms of compliance with the Corporate Capital Strategy requirements of:

    1. Invest to save
    2. Maintenance of services and assets
    3. Protection of income streams
    4. Avoidance of cost.

The current de-minimis for capital expenditure is £10k per capital scheme.

It is important that capital investment decisions are not made in isolation and instead are considered in the round through the annual budget setting process.

All proposed schemes requiring capital investment should have as a minimum the following information:

- A description of the scheme;
- The expected outputs, outcomes and contribution to corporate objectives;
- The estimated financial implications, both capital and revenue;
- Any impacts on efficiency and value for money;
- The nature and outcome of consultation with stakeholders and customers (as applicable);
- Risk assessment implications and potential mitigations; and
- Any urgency considerations (e.g. statutory requirements or health and safety issues).

Corporate Management Team and Service Managers identify the potential need for capital investment, in light of external influences, internal strategies and plans, service delivery plans and, in particular, the Asset Management plan. This is seen as a core influence on the Capital Strategy, and informs the priorities and schemes considered as it takes account of issues such as the condition of council owned assets and future maintenance requirements. Other key considerations are health and safety requirements, statutory obligations of the council, operational considerations and emerging opportunities for investment including possible sources of external financing.

The Asset Strategy Steering Group (ASSG) review capital bids prior to consideration by Members. Once capital bids have been prioritised, Executive Management Team will review the outcome of the deliberations of the ASSG and will make recommendations to Cabinet through an updated Medium Term Financial Strategy (MTFS) report on a proposed budget package which will include capital budget proposals.

The MTFS report (including capital budget proposals) will ultimately be considered by Budget Setting Council each year.

It is recognised that further action is required to fully embed the capital appraisal process, including proper consideration of options and risk, into the capital strategy and planning processes at Tamworth, and ensure that this is not just a ‘tick-box’ exercise. Therefore the following is planned:-

1) **Consideration of service units’ capital requirements to form part of the business planning process and a template drawn up to ensure this is properly considered and captured on Pentana, the performance management system;**

2) **The capital appraisal process and associated documentation to be reviewed and updated where appropriate to ensure proper consideration given to whole life costs of scheme; alternative options; risk management, etc, and to address the concerns outlined on completion of the CIPFA Property Capital Strategy Self-Assessment Checklist.**

Monitoring of Approved Capital Schemes

Each capital scheme has a budget holder/project manager who is responsible for ensuring progress against scheme in line with agreed timescales and for ensuring adherence to the approved budget. The Collaborative Planning (CP) system is used to monitor spend against budget and to inform the projected outturn position. The budget holder/project manager will hold monthly meetings with his/her Accountant to update budget monitoring information on the system and provide a brief commentary as to the progress of each project. Projected capital slippage and potential re-profiling of associated budgets is also reported. The monitoring of progress on individual schemes is reported to Corporate Management Team on a monthly basis and to Cabinet quarterly as part of Financial and Performance Healthcheck reports.

An annual Capital Outturn report is prepared for Cabinet in June each year which details the final outturn for the year, the latest project update from the Service Manager and any proposals to re-profile spend to future financial years for Cabinet approval.

A post implementation review is not appropriate or necessary for all capital projects. They should be prepared where learning is identified which could assist future projects or where there is a significant financial or political impact. Directors should encourage the collation of data during the project and identify any lessons learned which will assist in improving the process in the future.

It is recommended that:

a) **A post implementation review is completed for each scheme where learning is identified which could assist future projects or where there is a significant financial or political impact;**

b) **The Asset Strategy Steering Group meet to:**
   i. **scrutinise the completed post implementation reports;**
   ii. **review the management and monitoring of the capital programme;**

   on a quarterly basis with appropriate feedback and challenge – identifying improvements to improve the future management of the capital programme.

The full capital appraisal and monitoring process and guidance for managers can be found on the intranet at this link:-

http://infozone.tamworth.gov.uk:901/financial-guidance

Review of Asset Management Plan

The Council's Asset Management Plan will be reviewed on an ongoing basis. This will identify any assets held by the Council that are no longer either required or fit for purpose and appropriate recommendations made regarding retention for alternative use or disposal.

The Corporate Asset Management Strategy was last updated in 2015 relating to the following assets:

Asset Description	Value (31/03/15)
Investment Properties	£14,588,052
Land and Buildings	£6,537,500
Total	**£21,125,552**

It details an estimated 10 year maintenance cost for each asset (**totalling c.£8m**) based on the inspections that had been undertaken.

Asset Type	Estimated Backlog Costs (10 years)
Non-Operational – Commercial	£3.288m
Non-Operational – Retail	£1.861m
Operational Properties – Direct	£0.482m
Operational Properties – Indirect	£1.052m
Non-Operational – Community spaces	£0.194m
Non-Operational – Cemetery Land	£0.179m
Operational Properties – Office & Admin.	£1.038m
Other Properties	£0.333m
Total	**£8.427m**

It has been identified that the Council, through this strategy and through the development of a long term strategic plan, needs to take a longer-term view of the assets required to deliver its Corporate Plan priorities and to support its Medium Term Financial Strategy (MTFS), including spend required (and associated potential funding streams) to address the identified maintenance and repairs backlog for corporate assets. This could include the option to invest in or dispose of current asset holdings or make further acquisitions.

It is recognised that significant further work is required in this area in order to deliver a robust capital strategy, and the following action is to be undertaken:-

> **The Asset Management Plan is to be reviewed and updated, with an up to date stock condition survey. This should set out the detailed capital resources/expenditure required to maintain assets, together with the associated timeframe, to inform options appraisal and feed into the capital strategy for ASSG/CMT review of potential schemes.**

HRA BUSINESS PLAN

The Local Plan to 2031 has a target of 177 units of new housing, of which only 40 units per year are likely to be delivered by private developers. This represents only 21% of the total required number of new affordable homes – leaving 79% of need unmet.

The HRA Business Plan has the potential to address some of this unmet need. However the extent to which it can make up a shortfall depends on the resources available within the HRA.

As at April 2018, the Council's stock comprised 4,269 homes, 390 leasehold properties and 1,454 garages. Of the 4,269 homes, 2,391 (56%) are houses, 1,278 (30%) flats or maisonettes, 235 (5.5%) are bungalows. A further 365 properties (8.5%) are sheltered accommodation located in 10 separate schemes and comprising a mixture of flats and bungalows. 1029 properties (24%) are of non-traditional construction. The construction type, location and mix of properties in Tamworth have implications for the Investment Programme and Business Plan.

We know that resources within the Business Plan are unlikely to allow the Council to achieve all that it wants to do. However, over the course of the next thirty years opportunities may arise and there may be scope to progress these if the Business Plan has capacity at the time.

Three areas in particular will continue to be actively considered as priorities if additional resources become available:

- New affordable housing
- Regeneration of additional estates
- Investment in early help and preventative based strategies

Where savings are achieved when delivering existing Business Plan commitments, these may be used on the priority areas above.

Investment Programme

A key element of the new Business Plan is the revised investment programme. Although the Council has not had the benefit of a new stock condition survey, it has developed a comprehensive investment programme based on statutory requirements and the expected life of key building components.

The revised investment programme has assessed the types and volumes of work required over thirty years. From this, projections of likely repair and maintenance activity have been used to inform annual maintenance budgets and contracts with maintenance providers.

Regeneration Projects

The following regeneration projects have been accommodated within the Business Plan:

- Retention of garage sites (£500k budget in 2018/19)

- Strode House car park and garages (£530k budget in 2018/19)

- Tinkers Green (£5.373m during 2018/19 and 2019/20, after allowing for slippage and known additional costs)

- Kerria (£4.405m during 2018/19 and 2019/20, after allowing for slippage and known additional costs)

New Build & Acquisitions

The following new build/new supply projects have been accommodated within the Business Plan:

- Redevelopment of garage sites (£7.4m from 2018/19 to 2022/23, after allowing for virement of £2.6m for use at Tinkers Green)

- Other acquisitions (£2.41m from 2018/19 to 2022/23, after allowing for virement of £90k for use at Tinkers Green)

- Additional provision and resources have been allowed in 2018/19 for slippage on schemes at Kettlebrook, Dosthill and Coton Lane. The cost of these schemes in 2018/19 is assumed at £1.894m.

Financing

Financing of the investment programme has been assumed in line with the 2018/19 budget, plus resources that have subsequently slipped from 2017/18. From 2019/20 onwards the Business Plan assumes that resources identified by the medium term financial strategy continue to be available, and that resources generated from the sale of council houses are used to help pay for the HRA capital programme.

Use of 141 Right to Buy receipts has been assumed in line with the MTFS, and the budgets for schemes that have slipped into 2018/19. The plan currently assumes no use of 141 Right to Buy receipts after 2022/23 and implies that any unused receipts will be returned to the Government. This is in line with the assumptions within the MTFS.

The Business Plan assumes that the authority will borrow any additional sums it needs to finance the HRA investment programme.

DEBT AND BORROWING AND TREASURY MANAGEMENT

Details of the Council's borrowing need (Capital Financing Requirement – CFR), current and forecast debt, and other prudential indicators, as required by the CIPFA Prudential Code for Capital Finance, are set out in Appendix **N** – Treasury Management Strategy Statement, Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2019/20.

Capital Funding Streams

Decisions on capital investment should be made in the context of limited resources. The capital programme is currently reliant on funding from capital receipts and third party contributions/external grants. Other potential funding opportunities for future consideration include external borrowing and direct revenue funding (from other sources such as revenue contribution).

External Grants – external grant allocations are received from central government, for example Disabled Facilities Grant, and also other organisations such as the Heritage Lottery Fund (currently part-funding the Assembly Rooms project).

Section 106 and External Contributions – S106 contributions from developers can support Leisure and open space programmes in the Borough.

Capital Receipts – the Council is able to generate capital receipts through the sale of surplus assets such as land and buildings and has recently benefitted from £24m as a result of the sale of the Golf Course at Amington, which is earmarked for investment under the Council's Commercial Strategy. The potential for future sales will be determined as part of the Council's Asset Management Strategy, to be refreshed as per the action plan detailed previously. Any further capital receipts generated will be reinvested in the capital programme.

Reserves – the Council has a level of reserves which are earmarked to be used to support delivery of the Corporate Plan or Invest to Save projects.

Revenue Funding – the Council can use revenue resources to fund capital projects by making a 'revenue contribution to capital,' however continuing revenue budgetary constraints mean this option is limited.

Prudential Borrowing – the introduction of the Prudential Code in 2004 allows Councils to undertake unsupported borrowing which is subject to the requirements of the Prudential Code for Capital Expenditure. The Council must ensure that unsupported borrowing is affordable, prudent and cost effective. This type of borrowing has revenue implications for the Council in the form of financing costs.

APPROACH TO RISK MANAGEMENT

The Council is committed to the culture of Risk Management ensuring that its reputation is not tarnished by an unforeseen event nor is it financially or operationally affected by the occurrence. The risks considered in the capital strategy are considered with reference to the corporate risk management policy and practices. The Risk Management Strategy and further information can be accessed at the following link:-

http://infozone.tamworth.gov.uk:901/risk-management

Risk Appetite

The risk appetite is "the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time" (CIPFA). The Council will manage the risks by reducing, preventing, transferring, eliminating or accepting the risk.

Whilst the Council acknowledges that it will have "severe" (red) risks from time to time, it will endeavour to reduce those to an acceptable level either through controls or ceasing the activity (if applicable). Sometimes risks are identified and even though managed, may still remain "severe" (red risk).

Risk Management Roles and Responsibilities

The importance of establishing roles and responsibilities within the risk management framework is pivotal to successful delivery. Considering risks must be embedded into corporate policy approval and operational service delivery.

The agreed roles and responsibilities within the risk management framework are outlined in the table below:

Group /Individual	Role
Corporate Management Team	• Provide leadership for the process to manage risks effectively. • Review and revise the Risk Management Policy and Strategy in accordance with the review period. • Monitor and review the Corporate Risk Register on a quarterly basis including the identification of trends, upcoming events and potential new corporate risks.
Audit & Governance Committee	• Monitor the effectiveness of the Authority's risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management. • To monitor the actions being taken to mitigate the impact of potentially serious risks
Cabinet	• To provide strategic direction with regard to risk management.

Group /Individual	Role
Directors / Assistant Directors	• To provide leadership for the process of managing risks. • To ensure that risk management methodology is applied to all service plans, projects, partnerships and proposals. • To identify and manage business /operational risks. • To ensure that the management of risk is monitored as part of the performance management process.
Directors / Assistant Directors	• To ensure that all risks are identified, recorded and effectively managed in their area or responsibility. • To review and update their risk register on at least an annual basis but appropriate to the risk. • To determine the method of controlling the risk. • To delegate responsibility if appropriate for the control of the risk. • To notify the Director of new risks identified for consideration for inclusion on the corporate risk register.
All staff	• To ensure that risk is effectively managed in their areas. • To ensure that they notify their managers of new and emerging risks.
Assistant Director - Finance	• To ensure that the risk management strategy is regularly reviewed and updated. • Promote and support the risk management process throughout the Authority. • Advise and assist managers in the identification of risks.

The Audit & Governance Committee will regularly review the Risk Management Policy and Strategy to ensure their continued relevance to the Borough. They will also assess performance against the aims and objectives.

Specific capital risks are contained within a register at Annex C to the Capital Strategy, alongside mitigating actions.

COMMERCIAL ACTIVITY

The Council’s Commercial Investment Strategy set out a number of alternative investment options to generate improved returns of c. 4 to 5% p.a. (plus asset growth) including:

- Set up of trading company to develop new income streams;
- Local investment options – Lower Gungate/Solway Close development including the potential to drawdown funding from the Local Growth Fund/ Local Enterprise Partnerships (GBS and Staffordshire);
- Investments in Diversified Property Funds – a savings target to return c.4% p.a. from £12m invested has already been included from 2019/20.

Note: these would represent long term investments of between 5 – 10 years (minimum) in order to make the necessary returns (after set up costs).

CIPFA defines commercial investments as those which are taken for mainly financial reasons. These may include investments arising as part of business structures, such as loans in subsidiaries or other outsourcing structures; or investments explicitly taken with the aim of making a financial surplus for the organisation. Commercial investments also include non-financial assets which are held primarily for financial benefit, such as investment properties.

The Code requires that such investments are proportional to the level of resources available, and that the same robust procedures for the consideration of risk and return are applied to investment decisions. All such investments are therefore included within the capital strategy/investment strategy, setting out the risk appetite and including specific policies and arrangements for such investments, and details of existing material investments and risk exposure.

Investment in Property Funds

As part of the Capital Programme, the Council has since 2018/19 begun to invest in Commercial Property Funds to establish a portfolio which is managed to generate a revenue return to the Council to support financial sustainability and to protect the provision of services to residents, along with maintaining and growing the capital value of the investment. A capital scheme of £12m is included within the 2018/19 capital programme to generate a target net additional income of c. £300k per annum, financed from part of the capital receipt from the sale of the former Golf Course.

A Property Fund Manager selection exercise was undertaken following the appointment of Link Asset Services to provide support and advice in the identification and selection of suitable UK-focussed property funds.

At the outset, the Council was looking to engage with funds that had a broad remit of exposures to different property types, rather than being focussed on one particular area, such as shopping centres. Link Asset Services looked to the “Balanced Fund” universe of UK property funds, as outlined in the AREF/IPD UK Quarterly Property Fund Index, for the starting point for selection. This universe is the industry accepted standard for balanced property funds and included 27 funds as at the close of September 2017.

From this initial list, a number of funds were removed in instances where the Council would not be able to invest, for example those that are solely for pension funds and others where investor types are limited, excluding Local Authorities. The Council also looked to exclude funds below a minimum size threshold of £750m. This left 10 funds from which to further shortlist, and each was sent a copy of a questionnaire to complete, which had been drawn up in conjunction with Link Asset Services and focussed on a number of key areas. Following consideration of the completed questionnaires, a shortlist of 6 funds was drawn up, and the Fund Managers were invited to attend the Council’s offices and give a presentation on their fund and answer questions from the selection panel, which consisted of Council officers and Link Asset Services. Further details of the selection process were included in Link Asset Services’ report presented to Members on 21st February 2018.

The result of the process was to look to consider splitting investment across the following six funds:-

BlackRock UK Property Fund
Hermes Property Unit Trust
Lothbury Property Trust
Schroder UK Real Estate Fund
The Local Authorities Property Fund (CCLA)
Threadneedle Property Unit Trust

This will provide the Council with a range of approaches to property fund investment, diversification across a number of funds, rather than a concentration in only one or two options, as well as the ability to take advantage of entering a number of funds via the secondary market, whereby the Council would be purchasing units from investors looking to exit the particular fund, and may potentially gain access to a fund at a lower level of cost than via the primary route.

The Council is able to invest in property funds under legislation contained within the Local Government Act 2003.

Members endorsed the above approach and approved investment in the above property funds, making use of both primary and secondary markets as appropriate, at full Council on 27th February 2018.

Investments in property funds as at September 2018 are as follows:-

Schroders UK Real Estate Fund - £1.85m, with an estimated return/yield of 3.2%

Threadneedle Property Unit Trust - £2.0m, with an estimated return/yield of 4.7%

Total investments - £3.85m, with an estimated return of 4.0% plus any capital growth.

Fund	Settlement Date	Standard Entry Cost	Actual Entry Cost/Saving	Net consideration	Fees	Total Cost	Estimated Return p.a.
		£	%	£	£	£	%
Schroders UK Real Estate Fund	08-May-18	1,880,516	-1.60%	1,782,933	12,951	1,795,884	
Schroders UK Real Estate Fund	08-May-18	69,612	-1.60%	66,000	479	66,479	
		1,950,128	-1.60%	1,848,933	13,431	1,862,364	3.20%
Threadneedle Property Unit Trust	31-Jul-18	2,052,709	3.50%	2,000,249	7,046	2,007,295	4.68%
Totals				**3,849,182**	**20,477**	**3,869,659**	4.00%

Performance information is received from each fund on a monthly/quarterly basis and a monitoring spreadsheet has been established to track income received and growth in the funds. Income generated is reported to CMT monthly and to Members quarterly as part of regular financial healthcheck reports, as well as in the regular Treasury Management reports presented to Cabinet and Council (three each year). Performance management/monitoring is also undertaken with reference to the financial press and Link Asset Services advice.

Due to recent uncertainty around arrangements for Brexit and the associated potential impact on the economy, it has been decided to delay any further investment in property funds until there is more clarity. The remaining £8m will be re-profiled into 2019/20, as reported to Members in the Quarter 3 Performance and Financial Healthcheck report to Cabinet, and in the 2018/19 Mid-Year Treasury Review Report to Council in December 2018.

The MTFS includes assumed income of £480k p.a. from 2020/21 arising from the investment of £12m in property funds – with a projected revenue return of 4% p.a.

The annual revenue return is dependent on the property fund achieving rental income returns on the commercial property portfolio which has been relatively stable in the past due to the quality of the commercial property owned by the fund. With regard to the growth (or contraction) in the overall asset value – over the longer term, growth has been consistent but can be subject to market correction (and losses) in the short term. However, it has been recognised that the funds will be a long term investment for 10-15 years and would not be redeemed to realise a loss. A budget / reserve of £600k will also be available to mitigate any losses.

While this does go some way towards achieving a balanced budget and MTFS, the Council currently has reserves and balances totalling c.£50m and other plans to achieve savings in the future.

Regeneration of Town Centre and Purchase of Gungate site

Council on 11th April 2018 approved the purchase of the Gungate site within Tamworth town centre, incorporating the site of the former Gungate shopping precinct; a private pay and display car park currently leased to NCP for a term of 26 years; and a Council run pay and display car park leased to the Council on a peppercorn lease until 2062. This was funded from a £4milion capital budget financed from capital receipts from the sale of the Golf Course. Following the purchase of this site, the Council is now in receipt of an additional income stream in respect of the area leased to NCP.

The Council is entitled to purchase land to hold as an investment and regeneration opportunity under the Local Government Act 1972; and the Local Government Act 2003 gives the Council the power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs.

As part of this report, Members also approved the development of a regeneration opportunity including further site acquisition should this be beneficial; including formal negotiations with Staffordshire County Council and Staffordshire Police to look at the inclusion of land bordering the site; and to commence masterplanning works to bring the site to a commercially viable development opportunity.

The report to Council recognised that any return from future redevelopment is not guaranteed, and that it could take several years to get a major regeneration project up and running. Initial plans are for a mixed housing/leisure development.

The Council is currently working with Aspinall Verdi and Altair to develop options for the site, and resources have been secured from the Local Government Association (LGA) to pay for 40 days' consultancy; and an £80k grant has been received from the Greater Birmingham and Solihull Local Enterprise Partnership. It is expected that this will take approximately 8 - 10 months to complete.

Solway (Tamworth) Ltd

In line with plans set out in the Commercial Investment Strategy, Council on 17th July 2018 approved the establishment of Solway (Tamworth) Ltd, a trading company to be wholly owned by the Council, with the Chief Executive, Leader of the Council and Executive Director Finance as Directors of the Company. The disposal of land owned by the Council at Solway Close to be purchased by the Company for the development of private housing for rent was also approved, with a budget of £4million being established from capital receipts from the sale of the Golf Course to provide a loan for the company to purchase the land.

Extensive legal advice was received from Trowers and Hamlins on potential options and governance models, and tax advice and a financial viability model was obtained from KPMG to inform decision making. A full risk assessment as part of the business case was developed and reported to Members.

It has been projected that the Council will earn a return to the General Fund from the Company from the following sources:-

- Debt interest charged to the Company on the planned loan from the Council - market interest rate will be applied to comply with state aid legislation;

- A return on equity invested (through dividends) which reflects profits back to the Council from the Company offering the properties for rent at market value; and

- The repayment of the loan over approx. 30 years.

Including projected land acquisition costs (generating a capital receipt for the Council) the projected start-up and construction cost for 20 dwellings is £3.6m which will be financed via a loan from the Council to the company of £1.7m (48%) and an equity investment as sole shareholder of £1.9m (52%).

The table below details the target returns to the Council's General Fund over the next three years. Beyond this, the Council will receive a steady inflation-linked income, plus debt repayment and asset growth. The financial viability model prepared by KPMG shows over a 30 year timeframe annual returns to the General Fund ranging from £160k to £231k.

General Fund Returns	**2019/20**	**2020/21**	**2021/22**
	£	£	£
Interest on loan (c 4.5%)	66,887	77,342	75,457
Dividends (c 4.5%)	0	41,358	34,078
Sub-Total (Revenue)	66,887	118,700	109,535
Debt repayment (capital receipt)	0	41,104	42,046
TOTAL	**66,887**	**159,804**	**151,581**
Return	3.90%	4.50%	4.30%

Commercial and Industrial Property

The following table details the Council's current holding of commercial and industrial property.

INVESTMENT	**VALUATION @ 31/03/18 £**	**INCOME 2017/18 £**	**RETURN %**
Amington Industrial Estate (ground rents)	6,495,150	265,540	4.09%
Lichfield Industrial Estate (ground rents plus 1 leased plot)	2,949,000	153,513	5.21%
Local Centre Shops	1,921,500	218,876	11.39%
Misc Corporate Property	18,781,728	1,115,937	5.94%
Sandy Way Industrial Units	2,426,800	253,370	10.44%
Tamworth Business Centre	855,750	97,000	11.34%
Town Centre Shops	1,568,202	135,364	8.63%
Total	**34,998,130**	**2,239,600**	**6.40%**

The corporate asset management strategy report prepared by Ridge in October 2015 indicated estimated costs of maintenance over 10 years of £3.288m for non-operational commercial property and £1.861m for non-operational retail property.

The above assets currently deliver a return for the Council and assist in balancing the MTFS. The capital programme includes £75k p.a. to ensure Industrial properties are compliant with the Energy Act and have Energy Performance Certificates as with effect from April 2018 it will not be possible to enter into long term lease agreements for commercial and industrial units with an EPC rating of 'E' or less. Many of our units fall into this category and will require a degree of improvement once they become vacant in order to relet-

The Council also has a Building Repairs Fund of c.£400k p.a. which should be included in the planned approach to asset management.

A disposals policy is in place at the Council, however there is currently no plan or strategy to manage those assets which may be surplus to requirements/do not generate a return. It is recognised that the following action needs to be taken:-

1) **Corporate asset viability model to be developed, identifying whole life costs and value for money of each group of assets, with reference to demand, costs and income generated**

2) **The Asset Strategy Steering Group to consider the results of this modelling and identify poorly performing and well performing assets, and as a result develop a plan for future maintenance and investment, and options appraisal/disposals plans as appropriate**

3) **Risk register around corporate asset management to be developed**

4) **Process for monitoring performance of commercial property to be established, and reporting on a routine and exception basis to be implemented**

5) **A planned approach to be established for the use of the Building Repairs Fund for both planned maintenance & responsive repairs & Building Condition Standards.**

KNOWLEDGE AND SKILLS

Treasury Management staff are either AAT or CCAB qualified and the three CCAB qualified staff must complete the annual CPD requirements of their professional accountancy bodies. Link Asset Services are currently contracted to provide treasury management advice and guidance, and have also been engaged to provide other one-off pieces of work, eg. property funds review in early 2018 and guidance/review of the draft Capital Strategy in December 2018.

Training for Members with regard to treasury management is undertaken on a regular basis, most recently in February 2018, where there was also a presentation to Members from Link Asset Services with regard to our investments in property funds.

With regard to non-treasury investments, the Council employs qualified and experienced staff such as accountants, solicitors and surveyors. It is fully supportive in providing access to courses both internal and external to enable those staff to complete their Continuing Professional Development (CPD) requirements.

The Council ensures that its Members are qualified to undertake their governance role by providing training opportunities and access to workshops, etc.

The Council also procures expert advice and assistance such as financial and legal advice as and when required.

Annex A

CAPITAL PROGRAMME 2019/20 – 2023/24

Following a review of the Capital Programme approved by Council on 27th February 2018, a revised programme has been formulated including additional schemes which have been put forward for inclusion.

A schedule of the capital scheme appraisals for the General Fund (GF) & Housing Revenue Account (HRA) received for consideration is attached at **Appendix I – General Fund (GF) and Appendix J – Housing (HRA),** together with the likely available sources of funding (capital receipts / grants / supported borrowing etc.).

With regard to the contingency schemes/allocation, **£35k** remains in current year GF contingency funds and **£100k** remains in current year HRA contingency funds (which will be re-profiled into 2019/20 to provide contingency funding).

To inform discussions, the proposals have been reviewed by the Asset Strategy Steering Group and Corporate Management Team with initial comments & suggestions for each of the schemes outlined below.

General Fund

A significant increase in net funding has been proposed which means that insufficient resources are available to finance all of the GF schemes submitted therefore, should the schemes progress either:

1) the Council would need to use supported borrowing to fund the shortfall – funding from borrowing would impact on the revenue budget through interest costs on the debt at c.2.5 to 3% p.a. plus debt repayment costs of 4% p.a. (based on a 25 year asset life); or

2) the potential use of part of the capital receipt from the Golf Course sale – which would mean the resources would no longer be available for investment through the Commercial Investment Strategy projects (and therefore impact on the revenue account through loss of potential investment income at c.4% p.a.); or

3) Fund the spend from revenue through a direct contribution to the capital programme.

	The minimum approved level of GF capital balances is £0.5million which, should the programme progress without amendment, would mean over £1.1m in borrowing would be needed (or use of the capital receipt) over the next 3 years (£2.1m over 5 years).

1)	**Technology Replacement – Infrastructure upgrade/Network Security/Refresh of Thin Clients**
	Project Score: 72
	A revised capital submission had been prepared for £60kp.a. (no change from the provisionally approved programme) for ongoing, large scale upgrade and maintenance to the TBC infrastructure, in line with agreed device lifecycles. *The Council is also on a journey towards digital self service for customers and demand for flexible resilient and available IT services to support this requires continued investment into the authority's hardware and related software.*
	External factors including legislative requirements from central government in the guise of the Public Sector Network (PSN) Code of Connection, *and the increase in required investment into cyber security to keep the council's network secure and available*. It should be noted that corporate applications are excluded from this schedule of planned work.
	No savings / payback from the investment have been identified. *In light of the ongoing priority review of ICT systems, the minimum budget requirement for 2019/20 was requested – including a detailed breakdown of the proposed spend.* *Future year's budgets removed – as this will be informed by the conclusions of the priority review and ICT Strategy.*

2)	**Disabled Facilities Grants (DFG)**
	Project Score: 72
	The provisional programme included £360k p.a. fully funded by redistributed Better Care Fund (BCF) grant. A revised capital submission has been received to increase this to £650k p.a. part funded by £400k BCF grant – net additional cost of £250k p.a.
	During the 2018/19 budget process, it was noted that a Government review of the approach to DFGs was planned during 2018 and so it was agreed that the 2018/19 financial year budget be increased to £650k to deal with the immediate demand/backlog.
	The additional £250k p.a. net funding would need to be funded via capital receipts (with an associated revenue loss of investment interest), borrowing (with revenue interest/debt repayment costs) or a revenue contribution.

3)	**Replacement of Castle Grounds Play Area**
	Project Score: 60
	A new capital submission had been prepared for potential spend of £375k in 2021/22 (net of £25k S106 funding).
	Replacement of the existing play area within the Castle grounds, the existing facility was installed in May 2006 and although well maintained will need to be replaced to ensure facilities are retained for the public.

The additional £375k net funding would need to be funded via capital receipts (with an associated revenue loss of investment interest), borrowing (with revenue interest/debt repayment costs) or a revenue contribution.

4) With regard to the provisional programme:

a) CCTV Camera Renewals

An updated appraisal has not been prepared for the provisional funding of £15k p.a. – budget removed pending the conclusions from the priority review.
£15k remains available in 2018/19 and could be carried forward if required.

b) Street Lighting

An updated appraisal has not been prepared – following inclusion of a rolling programme with an annual spend required from 2016/17. The Council has its own stock of street lighting across the borough, mainly in housing areas and other communal parts such as play areas and car parks. The street lighting assets are inspected and maintained by Eon on behalf of the Council under the terms of Staffordshire County Council PFI contract with Eon.

Eon have produced a replacement street lighting programme which spans 40 years and includes the replacement of all the lighting columns based on 'their life expectancy' and a lighting head replacement programme based on providing more efficient low energy lighting heads.

A significant increase in replacements has been included for 2023/24 at a cost of £584k. The proportion relating to HRA lighting is to be identified.

c) Energy Efficiency Upgrades to Commercial & Industrial Units

An updated appraisal has not been prepared following inclusion of a rolling programme with an annual spend of £75k required from 2017/18 for 5 years.

To fund a degree of improvement to industrial units when they become vacant in order to be able to re-let them – as, with effect from April 2018, it will not be possible to enter into long term lease agreements for commercial and industrial units with and EPC rating of 'E' or less.

Depending on void levels, we could expect to lose around £20k p.a. increasing by £20k p.a. for the next 5 years (c.£300k over 5 years).

If we are able to let on License or Tenancy at Will arrangements we may be able to maintain a level of income but there will be an increase in other costs such as NNDR payments, repair costs, security costs and the like.

Investment in enveloping works to improve energy efficiency will prolong the life of the estate at the current rent levels but ultimately Sandy Way phase 2 will require a more significant investment project to give a long life expectancy.

d) Gateways Project

An updated appraisal has not been prepared following inclusion of £70k p.a. for 3 years from 2018/19 (net cost after use of TBC S106/CIL funds of £75k, £50k and £120k respectively) with plans for significant capital works in future years for Phase 3 Corporation Street and Phase 4 Railway Station forecourt - which will draw in funding and professional support from SCC (funded by SCC through the Regional Growth Fund / S106 receipts).

e)	**Amington Community Woodland**
	An updated appraisal has not been prepared following inclusion of £50k p.a. for 5 years from 2018/19 on the creation of a community woodland on 7.5ha of the ex-municipal golf course - funded by the S106 income.

6)	**General Fund Capital Contingency Budget**
	The remaining 2018/19 contingency budget of £35k will be rolled forward to 2019/20.

Housing

The proposed 5 year Housing Capital Programme is attached at **Appendix J**.

Updated Capital programme schemes have been proposed amounting to £35.34m over 4 years, £44.5m over 5 years (including the provisionally approved £2m p.a. relating to the Development Housing on Garage Sites; £0.5m p.a. for Other Acquisitions; and £0.5m Retention of Garage Sites budget). This compares to the total provisionally approved programme *over 4 years* of £28.67m – additional costs of £6.67m, partially offset by lower repairs costs in the HRA*.*

The minimum approved level of HRA capital balances is £0.5million which, any funding from borrowing would impact on the revenue budget through interest costs on the debt at c.2.5 to 3% p.a. but it should be noted that while there are no debt repayment costs for the HRA, the Government had previously set a debt cap of £79.407m.

The current HRA Capital Financing Requirement (CFR) stands at £68.041m with planned borrowing of £7.214m relating to the Tinkers Green and Kerria Regeneration projects, which means £4.152m would be available for additional borrowing up to the debt cap.

However, it should be noted following the recent announcement by the Prime Minister, the Housing Revenue Account borrowing cap is being removed to enable councils to build more homes. They intend to remove the borrowing cap by issuing a determination revoking previous determinations that specified a local authority's limits on indebtedness - with further details confirmed in the Budget at the end of October 2018.

The capital programme has been reviewed and updated:

	Housing Revenue Account
	Cabinet on 27th September 2018 authorised that £298m detailed in the HRA Business Plan Investment plan be considered as part of the budget setting process for 2019/20 to 2024/25 noting updates to the stock condition modelling and other financial HRA impacts can be assessed through the process and the financial position adjusted accordingly. The Capital Programme has been updated to reflect the HRA Business Plan Investment plan.

	With regard to the provisional programme:
a)	**Retention of Garage Sites**
	£500k p.a. for 2 years from 2018/19 was included to invest in retained garages to meet demand and to provide alternative uses including parking areas.

b)	**Development Housing on Garage Sites / Other Acquisitions**
	Funding of £2m p.a. from 2018/19 has been provisionally approved for redevelopment of Garage Sites for housing with £0.5m p.a. for other housing acquisitions.
	No spend is likely in 2018/19 for redevelopment of Garage Sites and so the planned £2m programme will be deferred by 1 year.

CAPITAL STRATEGY ACTION PLAN **ANNEX B**

REF	ACTION	RESPONSIBILITY	TIMESCALE
1	The process for the consideration of capital expenditure within the MTFS process to be reviewed and refined to ensure that there are provisional plans for expenditure out to a 10 year timeframe, with an indication of requirements out to 20-30 years, in conjunction with HRA Business Planning (including updated financial modelling tool).	S Garner/L Pugh/Asset Strategy Steering Group	Oct-19
2	Consideration of service units' capital requirements to form part of the business planning process and a template drawn up to ensure this is properly considered and captured on Pentana, the performance management system.	J Goodfellow/J Day/All service managers	Oct-19
3	The capital appraisal process and associated documentation to be reviewed and updated where appropriate to ensure proper consideration is given to whole life costs of schemes; alternative options; risk management, etc, and to address the concerns outlined on completion of the CIPFA Property Capital Strategy Self-Assessment Checklist.	S Garner/L Pugh/Asset Strategy Steering Group	Oct-19
4	The Asset Management Strategy to be reviewed and updated. An up to date stock condition survey should be commissioned, to feed into the Asset Management Plan. This should set out the detailed capital resources/expenditure required to maintain assets, together with the associated timeframe, to inform options appraisal and feed into the capital strategy for ASSG/CMT review of potential schemes.	P Weston	2020/21
5	A Post implementation review is completed for each scheme where learning is identified which could assist future projects or where there is a significant financial or political impact.	S Garner/L Pugh/Asset Strategy Steering Group	Within 3 months of completion of the relevant scheme
6	The Asset Strategy Steering Group meet to: i. scrutinise the completed post implementation reports; ii. review the management and monitoring of the capital programme; on a quarterly basis with appropriate feedback and challenge – identifying improvements to improve the future management of the capital programme.	S Garner/L Pugh/Asset Strategy Steering Group	Jun-19
7	Corporate asset viability models to be developed, identifying whole life costs and value for money of each group of assets, with reference to demand, costs and income generated	L Pugh/P Weston/J Goodfellow/Asset Strategy Steering Group	Commence October 2019 - ongoing

REF	ACTION	RESPONSIBILITY	TIMESCALE
8	The Asset Strategy Steering Group to consider the results of this modelling and identify poorly performing and well performing assets, and as a result develop a plan for future maintenance and investment, and options appraisal/disposals plans as appropriate	Asset Strategy Steering Group	Commence October 2019 - ongoing
9	Risk register around corporate asset management to be developed	P Weston	Oct-19
10	Process for monitoring performance of commercial property to be established, and reporting on a routine and exception basis to be implemented	P Weston/L Pugh/J Goodfellow	Oct-19
11	A planned approach to be established for the use of the Building Repairs Fund for both planned maintenance & responsive repairs & Building Condition Standards	P Weston/L Pugh/J Goodfellow	Oct-19

CAPITAL STRATEGY RISK REGISTER **ANNEX C**

Risk Title/Description	Gross Risk Assessment	Mitigating Factors	Current Risk Assessment	Risk Owner	Review Date
Risk of insufficient funds to meet capital needs	Very Likely - Major impact	Options appraisal and detailed consideration of finance available to meet capital investment ambitions	Likely - Serious impact	S Garner/L Pugh/ J Goodfellow	Oct-19
Risk of inadequate resources to deliver capital programme	Likely - Serious impact	Consideration of resources (not just financial) required to deliver projects at capital appraisal stage	Unlikely - Serious impact	S Garner/L Pugh/ J Goodfellow	Oct-19
Risk of significant budget re-profiling/timescales slipping	Very Likely - Significant impact	Pro-active management and monitoring of capital projects with robust estimates feeding in to budget monitoring/healthcheck reports	Likely - Serious impact	Project Managers/ Budget Holders	Ongoing
Risk of significant overspends	Unlikely - Serious impact	Robust estimates and costings prepared at point of capital appraisal. Pro-active management and monitoring of capital projects with timely intervention to keep things on track/deal with any potential issues	Very Unlikely - Serious impact	Project Managers/ Budget Holders	Ongoing
Risk of investment under-performing and income falling	Unlikely - Serious impact	Risk averse approach to investments. Sufficient reserves retained to mitigate any downturn. Regular performance monitoring to identify any issues	Unlikely - Significant impact	S Garner/L Pugh/ J Goodfellow	Ongoing
Risk of legislative changes/changes in Government policy having an impact on funds available or accounting treatment	Likely - Serious impact	Early identification of potential issues. Pro-active response to any consultation. Robust response/plans in place	Likely - minimal impact	S Garner/L Pugh/ J Goodfellow	Ongoing

Tamworth Borough Council

Community Impact Assessment

Part 1 – Details	
What Policy/ Procedure/ Strategy/Project/Service is being assessed?	Statutory requirement to prepare a budget, set the Council tax and rent for the following financial year. The report incorporates the Corporate Vision & Corporate Priorities of the Authority which are reflected within the Budget 2019/20 & Medium Term Financial Strategy (Revenue & Capital). The Corporate Vision & Corporate Priorities are clear and accessible by stating what we aim to achieve, how we will do it and the resources we will use to support these aims. The Vision for Tamworth is underpinned by high level, evidence based priorities that focus upon both Tamworth (the place), the communities served (the people) as well as the Council (the organisation). However, it has become evident that the plans, processes and strategies that have guided the organisation to date required a review and refresh if elected members are to respond to the demands from local people. More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation. So, not only will the Council seek investment from businesses and developers, but the Council itself will explore viable and sustainable investment opportunities using all returns to support public services. The Vision is focused on longer term, aspirational goals of the Council. The Corporate Priorities identify, in the short to medium term, the key areas for improvement which will change in future years as the Council realigns to local aspirations, central government policy and its performance. The budget and associated forecast will ensure that appropriate resources are focussed on areas we have identified as priorities.
Date Conducted	February 2019

Name of Lead Officer and Service Area	Stefan Garner, Executive Director Finance	
Commissioning Team (if applicable)	N/A	
Director Responsible for project/service area	Stefan Garner, Executive Director Finance	
Who are the main stakeholders	Local residents / customers Members Partners (Local Businesses, Voluntary Organisations, other public sector bodies, other stakeholders) Tamworth Strategic Partnership	
Describe what consultation has been undertaken. Who was involved and what was the outcome	The Budget and Priorities were informed through consultation with the people of Tamworth. This included feedback from The State of Tamworth Debate, responses arising from the Tamworth Listens consultation & customer feedback. Budget Consultation feedback reported to Cabinet 8th November 2018. Tenants Consultative Group – informed HRA business plan & associated budgetary implications. Members – prior to approval by Cabinet/Council (Budget Workshop 6th December 2018, Joint Scrutiny Committee 30th January 2019);	
Outline the wider research that has taken place (E.G. commissioners, partners, other providers etc)	The budget consultation is carried out through 3 online surveys. A survey that is tailored for businesses, a full survey aimed at residents and a survey that is tailored for the voluntary and community sector. The online residents survey is promoted using social networking/media sites and through email contact databases. The business survey is promoted through business social networking sites and business email contact databases. The voluntary and community sector survey is promoted through email contact databases.	
What are you assessing? Indicate with an 'x' which applies	A decision to review or change a service	☐
	A Strategy/Policy/Procedure	☒
	A function, service or project	☐

What kind of assessment is it? Indicate with an 'x' which applies	New	☐
	Existing	☐
	Being reviewed	☒
	Being reviewed as a result of budget constraints / End of Contract	☐

Part 2 – Summary of Assessment

Give a summary of your proposal and set out the aims/ objectives/ purposes/ and outcomes of the area you are impact assessing.

Sound procedures / strategy in place
Financial governance, accountability & steward ship
Compliance with legislation – Council tax, rent and revenue & capital programme set
Based on informed feedback from interested parties / focus groups (Tamworth Listens Consultation, Tenants Groups etc.)

The way the Council prepares and monitors its budgets (including professional standards and statutory timetables) is one of the external auditors key lines of enquiry in assessing the Councils performance under their annual VFM assessment.

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. (In the Executive Director Finance's view, the budget proposals include estimates which take into account circumstances and events which are reasonably foreseeable at the time of preparing the budget. In his view, the level of reserves remains adequate for the Borough Council based on this budget and the circumstances in place at the time of preparing it.)

Who will be affected and how?

Local residents / customers
Members
Partners (Local Businesses, Voluntary Organisations, other public sector bodies, other stakeholders)

Through continued service provision

Are there any other functions, policies or services linked to this impact assessment?

Yes ☒ No ☐

If you answered 'Yes', please indicate what they are?

Corporate Capital Strategy & Asset Management Plan (Separate CIA)
Treasury Management Strategy & Prudential Indicators (Separate CIA)

Part 3 – Impact on the Community **Thinking about each of the Areas below, does or could the Policy function, or service have a direct impact on them?**			
Impact Area	**Yes**	**No**	**Reason (provide brief explanation)**
Age	☒	☐	**None directly arising from the MTFS but through associated actions, strategies and plans (separate EIAs completed) – informed by budget consultation process**
Disability	☒	☐	
Gender Reassignment	☒	☐	
Marriage & Civil Partnership	☒	☐	
Pregnancy & Maternity	☒	☐	
Race	☒	☐	
Religion or belief	☒	☐	
Sexual orientation	☒	☐	
Sex	☒	☐	
Gypsy/Travelling Community	☒	☐	
Those with Caring/Dependent responsibilities	☒	☐	
Those having an offending past	☒	☐	
Children	☒	☐	
Vulnerable Adults	☒	☐	
Families	☒	☐	
Those who are homeless	☒	☐	
Those on low income	☒	☐	
Those with Drug or Alcohol problems	☒	☐	
Those with Mental Health issues	☒	☐	
Those with Physical Health issues	☒	☐	
Other (Please Detail)	☐	☐	

Part 4 – Risk Assessment **From evidence given from previous question, please detail what measures or changes will be put in place to mitigate adverse implications**		
Impact Area	Details of the Impact	Action to reduce risk
Eg: Families	*Families no longer supported which may lead to a reduced standard of living & subsequent health issues*	*Signposting to other services. Look to external funding opportunities.*
None directly arising from the MTFS but through associated actions, strategies and plans (separate EIAs completed) – informed by budget consultation process.		

Part 5 - Action Plan and Review

Detail in the plan below, actions that you have identified in your CIA, which will eliminate discrimination, advance equality of opportunity and/or foster good relations.

If you are unable to eliminate or reduce negative impact on any of the impact areas, you should explain why

Impact (positive or negative) identified	Action	Person(s) responsible	Target date	Required outcome
	Outcomes and Actions entered onto Pentana			

Date of Review (If applicable) ……………………………………………..

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