N0N-CONFIDENTIAL

BOROUGH OF TAMWORTH

CABINET

22 July 2015

A meeting of the CABINET will be held on Thursday, 30th July, 2015, 6.00 pm in Committee Room 1 Marmion House, Lichfield Street, Tamworth

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A G E N D A

NON CONFIDENTIAL

1 **Apologies for Absence**

2 **Minutes of the Previous Meeting** (Pages 1 - 6)

3 **Declarations of Interest**

To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.

When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.

4 **Question Time:**

To answer questions from members of the public pursuant to Executive Procedure Rule No. 13

5 **Matters Referred to the Cabinet in Accordance with the Overview and Scrutiny Procedure Rules**

None

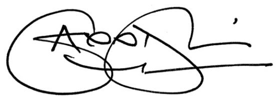
6 **Budget and Medium Term Financial Planning Process 2016/17** (Pages 7 - 20)

(The Report of the Leader of the Council)

7 **Annual Report on the Treasury Management Service and Actual Prudential Indicators 2014/15** (Pages 21 - 44)

(The Report of the Portfolio Holder for Operations and Assets)

Yours faithfully



Chief Executive

People who have a disability and who would like to attend the meeting should contact Democratic Services on 01827 709264 or e-mail committees@tamworth.gov.uk preferably 24 hours prior to the meeting. We can then endeavour to ensure that any particular requirements you may have are catered for.

To Councillors: D Cook, R Pritchard, S Claymore, S Doyle, and M Thurgood.

MINUTES OF A MEETING OF THE
CABINET
HELD ON 9th JULY 2015

PRESENT: Councillor D Cook (Chair), Councillors R Pritchard, S Claymore and M Thurgood

The following officers were present: Anthony E Goodwin (Chief Executive), Rob Barnes (Director - Housing and Health), Andrew Barratt (Director - Assets and Environment), Nicki Burton (Director - Technology and Corporate Programmes), Paul Weston (Head of Asset Management - Property Services) and Tina Mustafa (Head of Landlord Services)

13 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor S Doyle

14 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 18th June 2015 were approved and signed as a correct record.

(Moved by Councillor R Pritchard and seconded by Councillor S Claymore)

15 DECLARATIONS OF INTEREST

There were no Declarations of Interest.

16 QUESTION TIME:

None

17 MATTERS REFERRED TO THE CABINET IN ACCORDANCE WITH THE OVERVIEW AND SCRUTINY PROCEDURE RULES

None

18 LOCALITY COMMISSIONING - EMOTIONAL WELLBEING SERVICES FOR CHILDREN AND YOUNG PEOPLE IN TAMWORTH

The Report of the Leader of the Council informing Cabinet of the second 'Improving Wellbeing in Tamworth Commissioning' exercise and providing

Cabinet with a financial statement on Council and partner Funding for Locality Commissioning was considered.

RESOLVED : That Cabinet

1. noted the decision to award the contract, in line with the Council's financial guidance with details of successful tender; and

2. noted the current financial position with regard to Council and partner funding for Locality Commissioning.

(Moved by Councillor D Cook and seconded by Councillor R Pritchard)

19 PLANNED UPGRADE TO CORPORATE SERVER INFRASTRUCTURE

The Report of the Portfolio Holder for Operations and Assets advising Cabinet of the current situation following withdrawal of Microsoft support for software versions in use at Tamworth Borough Council and seeking the approval of the release of contingencies to support this essential activity was considered.

RESOLVED: That Cabinet approved the release of £35k from the Specific Contingency budget to support vendor demand during this essential server upgrade.

(Moved by Councillor R Pritchard and seconded by Councillor D Cook)

20 DEVOLUTION, DECENTRALISATION AND COLLABORATION (OPTIONS FOR A COMBINED AUTHORITY)

The Report of the Chief Executive advising Members on the current position in relation to the new Government's developing policy on devolution, growth and combined authorities and in particular, the emerging proposals for the West Midlands and seeking Members endorsement for the actions taken to date by the Chief Executive and for delegated authority for the Leader (or his nominated deputy) and the Chief Executive to engage in discussions on behalf of the Council on the Combined Authority, devolution and public sector reforms options so that any formal proposals can be considered by the Council at the earliest opportunity was considered.

RESOLVED: That

1. Members endorsed the actions of the Chief Executive in engaging in the initial discussions with the West Midlands Metropolitan Boroughs and the Chairs of the Greater Birmingham, Black Country and Coventry Local Enterprise Partnerships;

2. Cabinet approved the Council continuing to explore the

opportunity to deliver it's agreed objectives for growth and economic prosperity through its current membership of both the GBSLEP and the Staffordshire and Stoke on Trent LEP and potentially through a Devolution Deal with the West Midlands Combined Authority and Government;

3. Cabinet authorised the Chief Executive Officer in conjunction with the Leader/Portfolio Holder to engage in discussions with partners on Combined Authorities and Devolution Deal options;

4. the Council seek assurance that any new entity created to support devolution will not be to the detriment of existing relationships with LEPs; and

5. the Chief Executive report key stage progress to Cabinet in addition to the agreed cross party briefings.

(Moved by Councillor S Claymore and seconded by Councillor D Cook)

21 COMPULSORY PURCHASE ORDER FOR LAND AND PROPERTY ON THE KERRIA REGENERATION SITE

The Report of the Portfolio Holder for Economy and Education setting out for Cabinet the current position in relation to the acquisition of land and property assets on Kerria site and setting out the land and property asset acquisitions required for the regeneration site and seeking full approval for the making of a Compulsory Purchase Order in respect of remaining interests in the Estate land was considered.

RESOLVED: That Cabinet

1. noted the current position of land and property asset acquisitions on the Kerria regeneration site;

2. approved the making of a Compulsory Purchase Order or Orders under Section 226(1)(a) of the Town and Country Planning Act 1990 in respect of acquisition of all remaining outstanding interests and any new rights (if required) under Section 13 of the Local Government and Miscellaneous Provisions Act 1976 in the Kerria Estate;

3. agreed that the Director of Assets and Environment will negotiate the acquisition of all remaining interests and rights in land shown single edged black at Appendix 1 in advance of and alongside the making of the Compulsory Purchase Order(s) if voluntary negotiations are unsuccessful as well as to agree costs and/or compensation relating to the land edged black or the CPO payable as a result of giving effect to the above recommendations;

4. agreed to authorise the Director of Assets and Environment to make/initiate any appropriate agreements/applications/licences under the Highways Act 1980 (including but not limited to Section 38 and/or Section 278 Agreements) and to submit an application under Section 247 of the Town and Country Planning Act 1990 to stop up any highway within the area edged black at Appendix 1 as is or are necessary for the Kerria Scheme; and

5. agreed that delegated authority be given to the Solicitor to the Council in consultation with the Director of Assets and Environment to take all necessary steps to give effect to the above recommendations including (but not limited to) execution of documents as required to secure the making, confirmation and implementation of the Compulsory Purchase Order and presentation at any Public Local Inquiry including the service of notices to give effect thereto including High Court Enforcement Officer’s notices and (if granted power to do so by the Secretary of State) to confirm the Compulsory Purchase Order and to complete acquisitions of land and rights within the area shown edged black at Appendix 1.

(Moved by Councillor S Claymore and seconded by Councillor D Cook)

22 COMPULSORY PURCHASE ORDER FOR LAND AND PROPERTY AT THE TINKERS GREEN REGENERATION SITE

The Report of the Portfolio Holder for Economy and Education setting out for Cabinet the current position in relation to the acquisition of land and property assets on Tinkers Green regeneration site and setting out the land and property asset acquisitions required for the regeneration site and seeking full approval for the making of a Compulsory Purchase Order in respect of remaining interests in the Estate land was considered.

RESOLVED: That Cabinet

1. noted the current position of land and property asset acquisitions on the Tinker’s Green regeneration site;

2. approved the making of a Compulsory Purchase Order under Section 17 of the Housing Act 1985 in respect of acquisition of all remaining outstanding interests and any new rights (if required) under Section 13 of the Local Government and Miscellaneous Provisions Act 1976 in the Tinkers Green Estate (shown edged black on the plan at Appendix 1) to facilitate redevelopment for housing purposes;

3. agreed to authorise the Director of Assets and Environment to negotiate the acquisition of all remaining interests and rights in land shown single edged black at Appendix 1 in advance of and alongside the making of the Compulsory Purchase Order if voluntary negotiations are unsuccessful as well as to agree costs and/or compensation relating to the land edged black or the CPO payable as a result of giving effect to the above recommendations;

4. agreed to authorise the Director of Assets and Environment to make/initiate any appropriate agreements/applications/licences under the Highways Act 1980 (including but not limited to Section 38 and/or Section 278 Agreements) and to submit an application under section 247 of the Town and Country Planning Act 1990 to stop up any highway within the area edged black at Appendix 1 as is or are necessary for the Tinkers Green Scheme; and

5. agreed to give delegated authority be given to the Solicitor to the Council in consultation with the Director of Assets and Environment to take all necessary steps to give effect to the above recommendations including (but not limited to) execution of documents as required to secure the making, confirmation and implementation of the Compulsory Purchase Order and presentation at an Public Local Inquiry including the service of notices to give effect thereto including High Court Enforcement Officer's notices and (if granted power to do so by the Secretary of State) to confirm the Compulsory Purchase Order and to complete acquisitions of land and rights within the area shown edged black at Appendix 1.

(Moved by Councillor S Claymore seconded by Councillor R Pritchard)

23 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED: That members of the press and public be now excluded from the meeting during consideration of the following item on the grounds that the business involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

24 REVIEW OF COUNCIL OWNED SHELTERED AND EXTRA CARE HOUSING

The Report of the Portfolio Holder for Housing and Waste Management updating Cabinet on findings from the Sheltered Housing Review following cessation of

Staffordshire County Council (SCC) funding - c£249k - from 31st March 2015 and cumulatively c£268k from 31st March 2016 was considered.

RESOLVED: That Cabinet endorsed the recommendations as contained in the report

(Moved by Councillor M Thurgood and seconded by Councillor D Cook)

Thanks were expressed by the Leader for the work the teams have put in to the report.

25 SERVICE CHARGES FOR COUNCIL OWNED STOCK

The Report of the Portfolio Holder for Housing and Waste Management outlining the implications of introducing service charges to tenants and leaseholders in the Council's own stock. Independent support has been engaged and the professional opinion of the Chartered Institute of Housing (CIH) referenced throughout. The evidence and data, supporting service charges is comprehensive and where relevant is included in this report highlighting the key decisions for Cabinet, namely:-

1. Options for introducing service charges including reference to both an economic impact assessment and equality impact assessment
2. Benefits and risks of introducing either fixed or variable charges
3. Proposed methodology for charging including de-pooling and capping
4. Proposed twin track approach for tenants and leaseholders recognising that the contractual position is different
5. Route map and summary timescales for implementation including statutory consultation arrangement
6. Inextricable links with proposed business modelling for sheltered housing which will detail an option around enhance housing management which is effectively a service charge

RESOLVED: That Cabinet endorsed the recommendations as contained in the report

(Moved by Councillor M Thurgood and seconded by Councillor D Cook)

Leader

CABINET

30th July 2015

REPORT OF THE LEADER OF THE COUNCIL

BUDGET AND MEDIUM TERM FINANCIAL PLANNING PROCESS 2016/17

EXEMPT INFORMATION

None

PURPOSE

To seek agreement to the Proposed Budget and Medium Term Financial Planning Process for General Fund and the Housing Revenue Account for 2016/17.

RECOMMENDATION

That the proposed process for the General Fund and Housing Revenue Account Budget and Medium Term Financial Planning Process for 2016/17 be adopted.

EXECUTIVE SUMMARY

The budget setting process has faced significant constraints in Government funding in recent years - over 40% in real terms since 2010 - and the last 12 months have been as challenging as previous years if not more so. The recent announcement in the Summer Budget that austerity measures are to continue would suggest that the key challenges that the Council is currently addressing are likely to become greater.

It has previously been recognised by the Council's Executive Management Team (a non-decision making forum of Cabinet Members and Chief Officers of the Corporate Management Team) that Members will need to focus on strategic decisions relating to high level financial issues. There also remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation arising from the Business Rates Retention system, changes in Support for Council Tax and Technical Reforms to Council Tax - as well as other changes arising from the Government's Welfare Reform agenda.

The Council holds sufficient funds in reserves and balances to allow it to plan its approach to budget setting, and Cabinet, on 22nd August 2013, endorsed the document 'Planning for a Sustainable Future' as the overarching strategy for meeting the challenges forecast for the Council's Medium Term Financial Strategy (MTFS) and a series of workstreams designed to deliver savings and efficiencies designed to tackle the forecast deficit. This includes exploring new and innovative ideas and to be more commercial in our approach to business.

Last year's budget report also outlined a proactive approach to the other major challenge, that of ever increasing demand. By adopting the guiding principles, tools, techniques and transformational approaches, the Council can set about **managing demand** and thereby have greater control and the ability to align or target "supply" to managed "demand".

The focus shall remain upon a Single Corporate Vision. The Strategic Priorities **To Aspire & Prosper and To be Healthier & Safer** are shared by all districts and boroughs across the County and are encapsulated by the County Council too in their stated priorities: **Regeneration & Growth; Safer more Resilient Communities and Healthier more Active Communities.**

In summary, by adopting the model, 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).**

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 reduc ing**. Whether to implement change, react to funding reductions or simply to ensure compliance with reforms, the adoption of a "problem solving" approach to accommodating change has enabled the Council to maintain high quality public services.

The attached Project Plan at **Appendix A** lists the stages, deadlines and the responsible officers for the production of the budget and medium term financial plan. **Appendix B** contains an outline of the process whilst **Appendix C** shows the flow of key stages over the process period.

Members are asked to endorse the process to be followed.

OPTIONS CONSIDERED

None

RESOURCE IMPLICATIONS

There are no financial or resource implications arising from the implementation of the Budget and Medium Term Planning Process.

LEGAL/RISK IMPLICATIONS BACKGROUND

It is considered that a Medium Risk to the achievement of the planned timetable exists due to the potential for a delay in the:

1. Provision of information from managers; and

2. Publication of the Revenue Support Grant (RSG) information for each individual authority by the Department for Communities & Local Government (DCLG).

3.
BACKGROUND INFORMATION

Budget and Medium Term Financial Planning Process

Budget Process Approach

The budget setting process has faced significant constraints in Government funding in recent years - over 40% in real terms since 2010 - and the last 12 months have been as challenging as previous years if not more so. The recent announcement in the Summer Budget that austerity measures are to continue would suggest that the key challenges that the Council is currently addressing are likely to become greater.

This sustained reduction in government grant and the wider constraints placed upon local government to balance their budgets are directly affecting the sustainability of services. Perhaps of even greater significance is the coincidental and unprecedented increase in demand for public services. The consequence in simple terms is that the gap between demand and the Council's ability to supply grows and the cost of meeting the growing demand becomes the deficit.

It has previously been recognised by the Council's Executive Management Team (a non-decision making forum of Cabinet Members and Chief Officers of the Corporate Management Team) that Members will need to focus on strategic decisions relating to high level financial issues. There also remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation arising from the Business Rates Retention system, changes in Support for Council Tax and Technical Reforms to Council Tax - as well as other changes arising from the Government's Welfare Reform agenda.

The Council holds sufficient funds in reserves and balances to allow it to plan its approach to budget setting, and Cabinet, on 22nd August 2013, endorsed the document 'Planning for a Sustainable Future' as the overarching strategy for meeting the challenges forecast for the Council's Medium Term Financial Strategy (MTFS) and a series of workstreams designed to deliver savings and efficiencies designed to tackle the forecast deficit. This includes exploring new and innovative ideas and to be more commercial in our approach to business.

As Members will be aware, this has and continues to deliver efficiencies. Indeed, this approach coupled with a number of efficiency drives and transformational change programmes have enabled the Council to sustain the majority of service levels and standards.

However; this represents a reactive response to the implications of reduced funding and has resulted in the Council operating as a 'Hybrid' service delivery model utilising a range of techniques – Outsourcing, Shared Services, Joint Working, In-house and commissioned services. It has sustained services on a "doing more for less" basis. It has not done anything to address the cause other than lobby via the LGA.

Last year's budget report also outlined a proactive approach to the other major challenge, that of ever increasing demand. By adopting the guiding principles, tools, techniques and transformational approaches, the Council can set about

managing demand and thereby have greater control and the ability to align or target “supply” to managed “demand”.

Utilising many of the cornerstones already in place – an empowered, agile and competent workforce; a nationally recognised strategic partnership environment; lean and efficient service delivery processes and a public sector commissioning framework, the Council is well placed.

The focus shall remain upon a Single Corporate Vision. The Strategic Priorities **To Aspire & Prosper and To be Healthier & Safer** are shared by all districts and boroughs across the County and are encapsulated by the County Council too in their stated priorities: **Regeneration & Growth; Safer more Resilient Communities and Healthier more Active Communities.**

The primary change is a shift away from trying to sustain a full suite of services at high standards with 40%+ budget reductions to understanding the needs of our customers and working with them to co-design how we meet those demands.

The adoption of a Demand Management operating model for the Council was approved by Cabinet on 19th February 2015. 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. The report entitled ***Creating Opportunities From An Uncertain Future*** is available to all Members and is available to the public. In summary, by adopting the model, 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).**

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 reduce**. Whether to implement change, react to funding reductions or simply to ensure compliance with reforms, the adoption of a “problem solving” approach to accommodating change has enabled the Council to maintain high quality public services.

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).

A more detailed summary of the process is attached at **Appendix A** with an outline of the process and flow chart of the process being shown at **Appendix B and C**.

Budget Consultation

For 2016/17, in addition to the activity planned for the Tamworth Listens process, consultation has been planned to gauge residents', business and other core stakeholders' views on the Council's priorities to achieve the 'Vision' considering areas of spending or where savings could potentially be made.

The consultation, detailed at **Appendix D,** will be 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 will be promoted using social networking/media sites and through email contact databases. The business survey will be promoted through business social networking sites and business email contact databases. The voluntary and community sector survey will be promoted through email contact databases.

Timetable

Significant milestones in the process, detailed at **Appendix A**, are planned as:

a) Consultation process - results to Cabinet 22nd October;

b) Base budget and technical adjustments to Cabinet 26th November;

c) Cabinet to consider Council Taxbase calculation on 26th November and Business Rates Forecast on 14th January;

d) Cabinet proposals to a Leaders Budget Workshop 3rd December;

e) Provisional RSG settlement assessment to Cabinet and CMT in December;

f) Joint Scrutiny Committee (Budget) to be held on 26th January 2016;

g) Final Budget and Medium Term Plan reports to Cabinet 18th February 2016;

h) Budgets set at Council 23rd February 2016.

It should be noted that the complexity of some of the issues and the reliance on the Government for Business Rates Retention and RSG data to report might mean that some reports have to be treated as urgent items and/or are considered at a later meeting.

REPORT AUTHOR

Stefan Garner, Director of Finance, Telephone: 01827 709242

LIST OF BACKGROUND PAPERS

Planning for a Sustainable Future (Meeting the Challenges to MTFS) – Cabinet 22nd August 2013

"Creating Opportunities From An Uncertain Future" (Proposed Strategic &

APPENDICES

Appendix A

Project Plan for the Budget and Medium Term Financial Planning Process for the year 2016/17

Appendix B

Outline of the Budget and Medium Term Financial Planning Process

Appendix C

Flowchart of the Budget & Medium Term Financial Planning Process

Appendix D

2016/17 Budget Consultation

Appendix A

	Budget and Medium Term Financial Planning Process for 2016/17		
	Project Plan	**Deadline**	**Responsible Officer/s**
1	Review of the 2015/16 process, formulation of 2016/17 process and report, to Cabinet 30th July, including:	01/08/2015	DOF
	• Review of potential budget issues;	01/08/2015	EDCS / DOF
	• The Budget Consultation process.	01/08/2015	DOF / Corp. Performance Manager
2	Policy Changes		
	• Circulation to Directors of provisionally approved policy changes for 2015/16 onwards - for confirmation or otherwise;	01/09/2015	Accountants
	• Any unavoidable cost increases arising from, for example, legislative or demand led changes (e.g. reduced income), be identified and included together with completion of 2014/15 outturn review;	12/10/2015	CMT/Accountants
	• Return of responses with Business Cases completed for new proposals, to Corporate Accountancy for collation;	12/10/2015	CMT/Accountants
	• Meeting of CMT to review all Revenue Policy Changes proposals on 19th October 2015;	19/10/2015	DOF / Accountants
	• Responses to be presented to Executive Management Team 9th November for initial consideration.	26/10/2015	DOF / Accountants
3	Consideration of responses – including an analysis of the impact of such on the overall financial position of the Council at CMT 2nd November, Executive Management Team 9th November and Cabinet 26th November, to formulate/consider budget proposals in detail prior to Budget Workshop review 3rd December.	02/11/2015	CMT/Accountants
4	Capital Programme		
	• Directors to review & confirm the provisionally approved capital schemes already contained within the 5 year capital programme (including a ‘block allocation’ for Cabinet approval of new schemes during the year);	19/10/2015	CMT/Accountants
	• Impact of any updated Stock Condition data assessed	09/10/15	DOA/Head of Property Services

	Project Plan	Deadline	Responsible Officer/s
	• Formulation of new 5 year programme including appraisal forms etc to be submitted to the Asset Strategy Group (ASG) prior to submission to Executive Management Team;	23/10/2015	CMT/Accountants
	• Capital Programme report to CMT 2nd November, Executive Management Team 9th November.	02/11/2015	CMT/Accountants
5	Budget Consultation – Cabinet receive 22nd October, the results of the consultation process,	13/10/2015	Corporate Performance Manager
6	Charges for Services – Updated recharges basis adjusted for any structural issues, proposals to be discussed at CMT 2nd November, base recharges to be completed by 31st October to allow consultation period (to December 2015).	31/10/2015	CMT/Accountants
7	State of Tamworth Debate, to inform the budget process.	October/November	CMT
8	Consideration of the adjusted base budget, at CMT 2nd November / Executive Management Team 9th November / Cabinet 26th November.	02/11/2015	EDCS/DOF/Accountants
9	Approval of the Council Tax Base Calculation for 2016/17 - to Cabinet 26th November	16/11/2015	Head of Revenues
10	A meeting of Cabinet on 26th November to receive/confirm budget proposals for Budget Workshop consideration.	26/11/2015	EDCS/DOF
11	Leaders Budget Workshop 3rd December.	27/11/2015	Leader
12	Local Government Finance Settlement (LGFS) implications - to CMT on 14th December / Executive Management Team 15th December.	14/12/2015	DOF/Accountants
13	Draft Budget & MTFS Report to Executive Management Team 11th January / Cabinet 14th January and Joint Scrutiny Committee (Budget) 26th January.	06/01/2016	EDCS/DOF
14	Final Business Rates forecast for 2016/17 - to Cabinet 14th January.	05/01/2016	EDCS/DOF/ Head of Revenues
15	Implications of the final Business Rates forecast & LGFS information to be considered/built into the budget proposals (as soon as available).	January 2016	EDCS/DOF/Accountants
16	Final Budget & MTFS Report to CMT on 25th January / Executive Management Team 8th February.	22/01/2016	EDCS/DOF
17	Final budget reports considered by Cabinet on 18th February who would recommend a budget to the Council meeting on 23rd February.	09/02/2016	EDCS/DOF

Outline of the Budget and Medium Term Financial Planning Process

Reasons for Producing Budgets

Budgets are required to plan for forthcoming activities in meeting the objectives of the Council as a whole. Legally, the Council is required by legislation to set its budget (balanced funding/spend) and the associated Council Tax by 11th March each year.

The budget represents the Council's plans in financial terms and acts as a method of measuring performance against the achievement of these objectives. Variances from the budget are highlighted to Senior Management and Members on a monthly basis.

Budgets assist in bringing together views, opinions and decisions of all stakeholders such as Members, Local Residents, Focus Groups and the Business Community.

The Budget Process

The budgets for the next financial year are compiled in the 'budget process' that runs mainly from September to March each year (some preparatory work / forecasts are prepared from July).

Day to day responsibility for setting budgets and financial performance monitoring may be delegated to appropriate line managers/senior officers, as appropriate.

A brief summary of the stages involved in the budget process are as follows:

- **Review / Formulation of Budget Process**

  Following a review of the previous year's process, the outline process to be followed is formulated / agreed by the Corporate Management Team and Cabinet.

- **Consideration of Policy Changes**

  Planned changes to services (provisionally approved during the previous budget process) are issued for confirmation. Budget Managers are also required to consider any unavoidable increased costs (arising from, for example, legislative or demand led changes e.g. reduced income) and targets for budget savings. They will be aware of the objectives of the Council as a whole within the Corporate Plan and should therefore be looking to incorporate changes or additions into their future plans.

  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).

- **Capital Programme**

  Managers are asked to review provisionally approved schemes (within the medium term capital programme) and submit new / revised capital appraisal forms for consideration, and prioritisation within available resources, by CMT, Directors, the Asset Strategy Group and Cabinet.

- **Budget Consultation**

  For 2016/17, in addition to the activity planned for the Tamworth Listens process, consultation has been planned to gauge residents', business and other core stakeholders' views on the Council's priorities to achieve the 'Vision' considering areas of spending or where savings could potentially be made.

  The consultation will be carried out through three 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 will be promoted using social networking/media sites and through email contact databases. The business survey will be promoted through business social networking sites and business email contact databases. The voluntary and community sector survey will be promoted through email contact databases.

- **Formulation of Budget Forecast & Base Budgets**

  Managers should consider their future activities and spending requirements before discussions with their Accountant. Managers should identify any minor changes in expenditure or income or highlight other areas of concern with their Accountant prior to the finalisation of the base budget working papers. Regular review / monitoring during the year assist in this process.

  It is important that managers assess budget figures carefully and do not merely increase the original budgets by the given inflation percentage. Managers should consider the previous year's level of expenditure when looking at budgets and decide if this is to be a normal level or an exception. A zero based budgeting approach to deliver service needs is required especially in a period of resource constraints.

  In the main, the recalculation of the base budget involves changes that have already been approved or are outside the control of managers (e.g. inflation, pay award etc). Major alterations to budgets or proposals involving significant changes in service delivery need to be raised and submitted for approval through the policy changes process.

  It should be borne in mind that financial guidance requires Budget Managers to be consulted (by the relevant Accountant) in the preparation of the budgets for which they will be held responsible and that they are required to accept accountability for their budgets and the service to be delivered.

  As part of the Governance process, there is a responsibility for Budget Managers to ensure that they are consulted and confirm that their budgets are accurate, complete and acceptable.

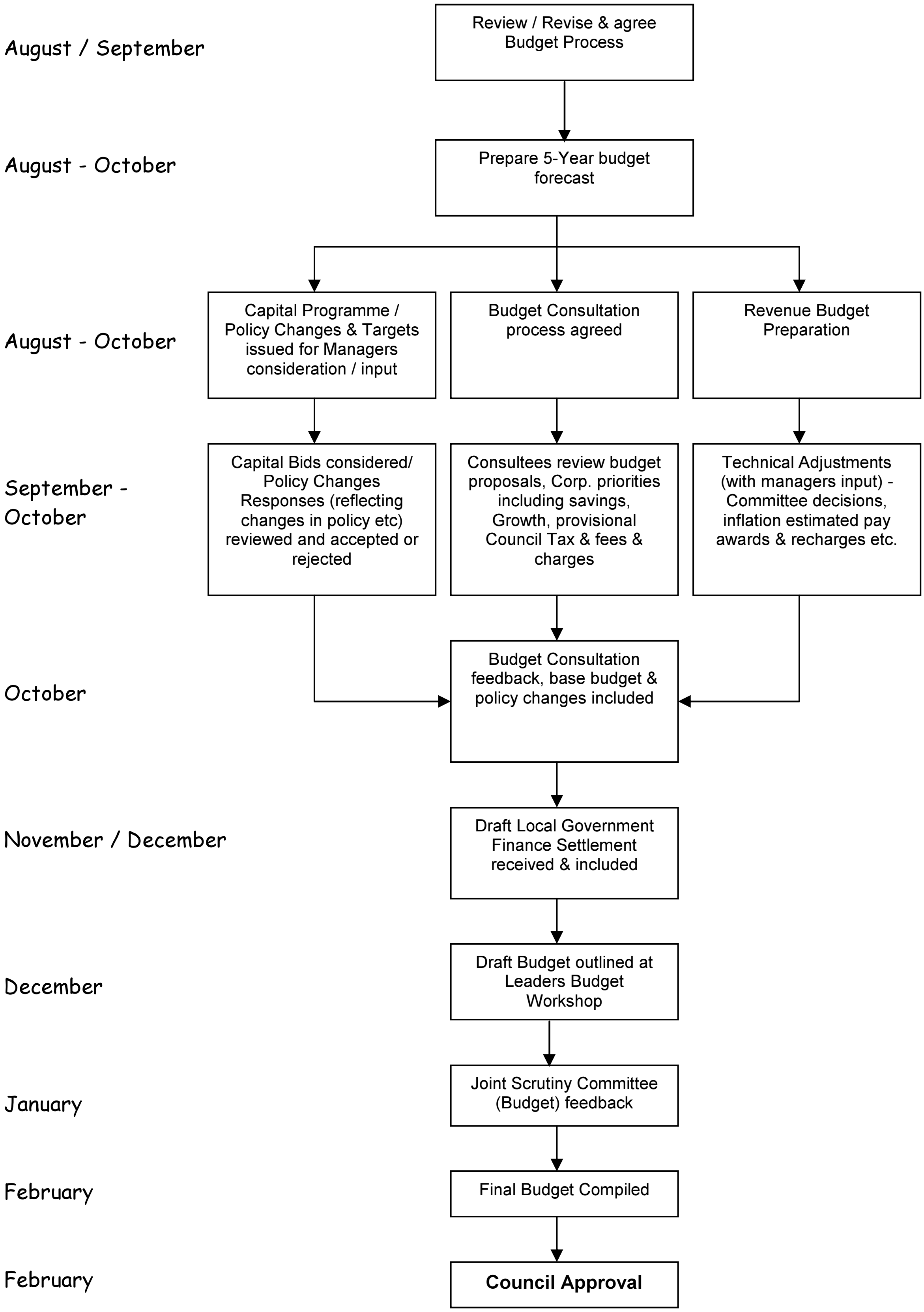
- **Compilation of Overall Budget figures**

  Once all the budget working papers have been prepared, an overall net expenditure figure for the Council can be assessed in terms of affordability and whether funding for these levels of expenditure is available. It may be that Managers would be required to identify savings in their budgets, dependent on guidance from Senior Managers and Members.

- **Final Budget Approved by the Council in February**

  The final budgets are approved by Members at the Cabinet meeting, usually in February. No further amendments can be made after this point. The full Council approves the budget at its meeting in February.

The Budget & Medium Term Financial Planning Process 2016 / 21



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Appendix D

Tamworth Borough Council

Budget Consultation 2016/17

Background

As part of a regular annual process the Council reviews its Council Tax and Charges Strategy for the development of the budget. This process ensures that funding is put into areas of highest priority. An important element of this process is to understand the views of residents, tenants, businesses, and local voluntary groups on what these priorities are.

Overview

Consultation on the key issues affecting the 2016/17 budget consultation will be carried out through three surveys;

- A residents survey – on line and postal, promoted using social networking/media sites and through email contact databases
- A business survey – on line, promoted through business social networking sites and business email contact databases
- A voluntary and community sector survey – on line, promoted through email contact databases at the CVS

Time Table

Planning	from 1st June 2015,
Postal survey posted (Residents)	from 31st July 2015,
Online survey (Residents)	launched 1st August 2015,
Online survey (Businesses)	launched 1st August 2015,
Online survey (V&CS)	launched 1st August 2015,
Surveys closes and taken offline	14th September 2015,
Analyse data and write report	26th September 2015,
Report at Corporate Management Team	5th October 2015
Report signed off in Democratic Services	13th October 2015
Budget Consultation report at Cabinet	22nd October 2015

Objectives

- Identify important priorities to target for savings
- Advise on acceptable levels of fees, charges and council tax

A small budget has been set aside within the Corporate Consultation budget to undertake this work.

Tamworth Listens

In addition, the activity scheduled for 'Tamworth Listens' includes:

Tamworth Listens Question Time Event	TBA
Tamworth Listens Report at State of Borough Debate	TBA

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THURSDAY, 30 JULY 2015

REPORT OF THE PORTFOLIO HOLDER FOR OPERATIONS AND ASSETS

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2014/15

PURPOSE

The Annual Treasury report is a requirement of the Council's reporting procedures. It covers the Treasury activity for 2014/15, and the actual Prudential Indicators for 2014/15.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes in accordance with Regulations issued under the Local Government Act 2003. It also provides an opportunity to review the approved Treasury Management Strategy for the current year and enables Members to consider and approve any issues identified, that require amendment.

RECOMMENDATIONS

That Cabinet ask Council to;

1. **Approve the actual 2014/15 Prudential Indicators within the report and shown at APPENDIX 1;**
2. **Accept the Treasury Management Stewardship Report for 2014/15.**
3. **Approve an increase in the current counterparty limits as identified at item 12 within this report.**

EXECUTIVE SUMMARY

This report covers Treasury operations for the year ended 31st March 2015 and summarises:

- the Council's Treasury position as at 31st March 2015;
- Performance Measurement.

The key points raised for 2014/15 are;

The Council's Capital Expenditure and Financing 2014/15

The Council's Overall Borrowing Need

Treasury Position as at 31st March 2015

The Strategy for 2014/15

The Economy and Interest Rates

Borrowing Rates in 2014/15

Borrowing Outturn for 2014/15

Investment Rates in 2014/15

Investment Outturn for 2014/15

Performance Measurement

Icelandic Bank Defaults.

The Treasury Function has achieved the following favourable results:

The Council has complied with the professional codes, statutes and guidance;

- There are no issues to report regarding non-compliance with the approved prudential indicators;
- Excluding the Icelandic investments (currently identified 'at risk') the Council maintained an average investment balance externally invested of £33.2m and achieved an average return of 0.56% (budgeted at £25.70m and an average return of 0.75%).

  These results compare favourably with the Council's own Benchmarks of the average 7 day and the 3 month LIBID rates for 2014/15 of 0.35% and 0.43% respectively, and is not significantly different from the CIPFA Treasury Benchmarking Club (22 LA members) average rate of 0.78%. This is not considered to be a poor result in light of the current financial climate, our lower levels of deposits/funds and shorter investment timelines due to Banking sector uncertainty, when compared to other Councils;
- The closing weighted average internal rate on borrowing has remained at 4.47%;
- The Treasury Management Function has achieved an outturn investment income of £202k compared to a budget of £189k. The additional revenue attained was as a result of higher levels of funds being available for investment, due to underspends/slippage on the revenue and capital programmes but tempered by the continuing subdued market interest rates.

During 2014/15 the Council complied with its legislative and regulatory requirements.

The Executive Director Corporate Services confirms that no borrowing was undertaken within the year and the Authorised Limit was not breached.

At 31st March 2015, the Council's external debt was £65.060m (£65.060m at 31st March 2014) and its external investments totalled £32.353m (£28.557m at 31st March 2014) – including interest credited. This excludes £1.323m Icelandic Banking sector deposits (plus accrued interest at claim date) that was 'At Risk' at the year end (£1.355m at the 31st March 2014).

RESOURCE IMPLICATIONS

There are no financial implications or staffing implications arising from the report.

LEGAL/RISK IMPLICATIONS BACKGROUND

The Council is aware of the risks of passive management of the Treasury Portfolio and with the support of Capita Asset Services, the Council's current Treasury advisers, has proactively managed its debt and investments over this very difficult year.

SUSTAINABILITY IMPLICATIONS

None

REPORT AUTHOR

If Members would like further information or clarification prior to the meeting please contact Phil Thomas Ext 709239 or email phil-thomas@tamworth.gov.uk

LIST OF BACKGROUND PAPERS

- Local Government Act 2003;
- Statutory Instruments: 2003 No 3146 & 2007 No 573;
- CIPFA Code of Practice on Treasury Management in Public Services;
- Treasury Management Strategy & Prudential Indicators (Council 25th February 2014);
- Treasury Management Mid-Year Review 2014/15 (Council 16th December 2014);
- Treasury Outturn Report 2013/14 (Council 16th September 2014);
- CIPFA Treasury Benchmarking Club Report 2014.
- Treasury Management Strategy 2015/16 (Council 24th February 2015)

APPENDICES

Appendix 1 – Prudential and Treasury Indicators

Appendix 2 – Investment Performance Graph (CIPFA)

Appendix 3 – Borrowing and Investment Rates

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2014/15 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 25th February 2014)
- a mid-year (minimum) treasury update report (Council 16th December 2014)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

In addition, Cabinet has received quarterly Treasury management updates as part of the Financial Healthcheck Reports.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code to give scrutiny to all of the above Treasury Management Reports by the Audit and Governance Committee. Member training on Treasury Management issues was undertaken during the year on 4th February 2015 in order to support members' scrutiny role.

During 2014/15, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential & Treasury Indicators	2013/14 Actual £m	2014/15 Estimate £m	2014/15 Actual £m
Capital Expenditure			
Non HRA	1.339	2.982	**0.581**
HRA	7.602	6.003	**4.972**
Total	8.941	8.985	**5.553**
Capital Financing Requirement			
Non HRA	1.311	1.162	**1.241**
HRA	68.042	68.034	**68.042**
Total	69.353	69.196	**69.283**
Gross Borrowing			
External Debt	65.060	65.060	**65.060**
Investments			
Longer than 1 year	-	-	**-**
Less than 1 year	28.557	20.140	**32.353**
Total	28.557	20.140	**32.353**
Net Borrowing	36.503	44.920	**32.707**

Other prudential and treasury indicators are to be found in the main body of this report. The Executive Director Corporate Services confirms that no borrowing was undertaken in year and the statutory borrowing limit (the authorised limit) was not breached.

The financial year 2014/15 continued the challenging investment environment of previous years, namely low investment returns.

Introduction and Background

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Council’s underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

1. The Council's Capital Expenditure and Financing 2014/15

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

£m General Fund	2013/14 Actual £m	2014/15 Estimate £m	2014/15 Actual £m
Capital expenditure	1.339	2.982	**0.581**
Financed in year	1.339	2.982	**0.581**
Unfinanced capital expenditure	-	-	**-**
£m HRA	2013/14 Actual £m	2014/15 Estimate £m	2014/15 Actual £m
Capital expenditure	7.602	6.003	**4.972**
Financed in year	7.602	6.003	**4.972**
Unfinanced capital expenditure	-	-	**-**

2. The Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2014/15 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2014/15 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2014/15 on 25th February 2014.

The Council's CFR for General Fund and the HRA for the year are shown below, and represent a key prudential indicator.

CFR (£m): General Fund	31st March 2014 Actual £m	31st March 2015 Budget £m	31st March 2015 Actual £m
Opening balance	1.525	1.227	**1.312**
Add unfinanced capital expenditure (as above)	-	-	**-**
Less MRP/VRP	(0.213)*	(0.065)	**(0.070)**
Less PFI & finance lease repayments	-	-	**-**
Closing balance	1.312	1.162	**1.242**

- As a result of notifications that there would probably be no further distributions from the Administrators of the Icelandic Bank Heritable, the Council made an additional Voluntary Revenue Provision (VRP) in year of £135k to reduce the original Capitalisation of our potential loss.

CFR (£m): HRA	31st March 2014 Actual £m	31st March 2015 Budget £m	31st March 2015 Actual £m
Opening balance	68.054	68.044	**68.042**
Add unfinanced capital expenditure (as above)	-	-	**-**
Less VRP	(0.012)	(0.010)	**-**
Less PFI & finance lease repayments	-	-	**-**
Closing balance	68.042	68.034	**68.042**

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2014/15) plus the estimates of any additional capital financing requirement for the current (2015/16) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2014/15. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31st March 2014 Actual £m	31st March 2015 Budget £m	31st March 2015 Actual £m
Gross borrowing position	65.060	65.060	**65.060**
CFR	69.353	69.196	**69.283**

The Authorised Limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2014/15 the Council has maintained gross borrowing within its authorised limit.

The Operational Boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Actual Financing Costs as a Proportion of 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.

General Fund	2014/15 £m
Authorised limit	12.705
Maximum gross borrowing position	1.231
Operational boundary	1.367
Average gross borrowing position	-
Financing costs as a proportion of net revenue stream %	(1.19)%

HRA	2014/15 £m
Authorised limit	79.407
Maximum gross borrowing position	68.380
Operational boundary	70.901
Average gross borrowing position	65.060
Financing costs as a proportion of net revenue stream %	22.55%

3. Treasury Position as at 31 March 2015

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2014/15 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

General Fund	31st March 2014 Principal £m	Rate/ Return %	Average Life yrs	31st March 2015 Principal £m	Rate/ Return %	Average Life yrs
Fixed rate funding:						
-PWLB	-	-	-	-	-	-
-Market	-	-	-	-	-	-
Variable rate funding:						
-PWLB	-	-	-	-	-	-
-Market	-	-	-	-	-	-
Total debt	***-***	***-***	***-***	***-***	***-***	***-***
CFR	***1.31***			***1.24***		
Over / (under) borrowing	***(1.31)***			***(1.24)***		
Investments:						
- in house	16.50	0.71		18.69	0.56	
Total investments	***16.50***	***0.71***		***18.69***	***0.56***	

HRA	31st March 2014 Principal £m	Rate/ Return %	Average Life yrs	31st March 2015 Principal £m	Rate/ Return %	Average Life yrs
Fixed rate funding:						
-PWLB	65.06	4.47	35.43	65.06	4.47	34.43
-Market	-	-	-	-	-	-
Variable rate funding:						
-PWLB	-	-	-	-	-	-
-Market	-	-	-	-	-	-
Total debt	***65.06***	***4.47***	***35.43***	***65.06***	***4.47***	***34.43***
CFR	***68.04***			***68.04***		
Over / (under) borrowing	***(2.98)***			***(2.98)***		
Investments:						
- in house	12.05	0.71		13.66	0.56	
Total investments	***12.05***	***0.71***		***13.66***	***0.56***	

Maturity Structures

Debt - The maturity structure of the debt portfolio was as follows:

	31st March 2014 Actual £m	2014/15 original limits %	31st March 2015 Actual £m
Under 12 months	0	20	**3.00**
12 months and within 24 months	3.00	20	**2.00**
24 months and within 5 years	2.00	25	**0**
5 years and within 10 years	0	75	**0**
10 years and within 20 years	1.00	100	**3.00**
20 years and within 30 years	4.00		**2.00**
30 years and within 40 years	10.00		**15.00**
40 years and within 50 years	45.06		**40.06**

Investments - All investments held by the Council were invested for under one year.

The exposure to fixed and variable rates was as follows:

	31st March 2014 Actual	2014/15 Original Limits	31st March 2015 Actual
Fixed rate - principal	36.503	49.712	**32.707**
Variable rate - interest	-	6.506	**-**

4. The Strategy for 2014/15

The expectation for interest rates within the strategy for 2014/15 anticipated low but rising Bank Rate (starting in quarter 1 of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2014/15. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

The actual movement in gilt yields meant that PWLB rates saw little overall change during the first four months of the year but there was then a downward trend for the rest of the year with a partial reversal during February.

5. The Economy and Interest Rates

The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the ECB was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the general election due in May 2015.

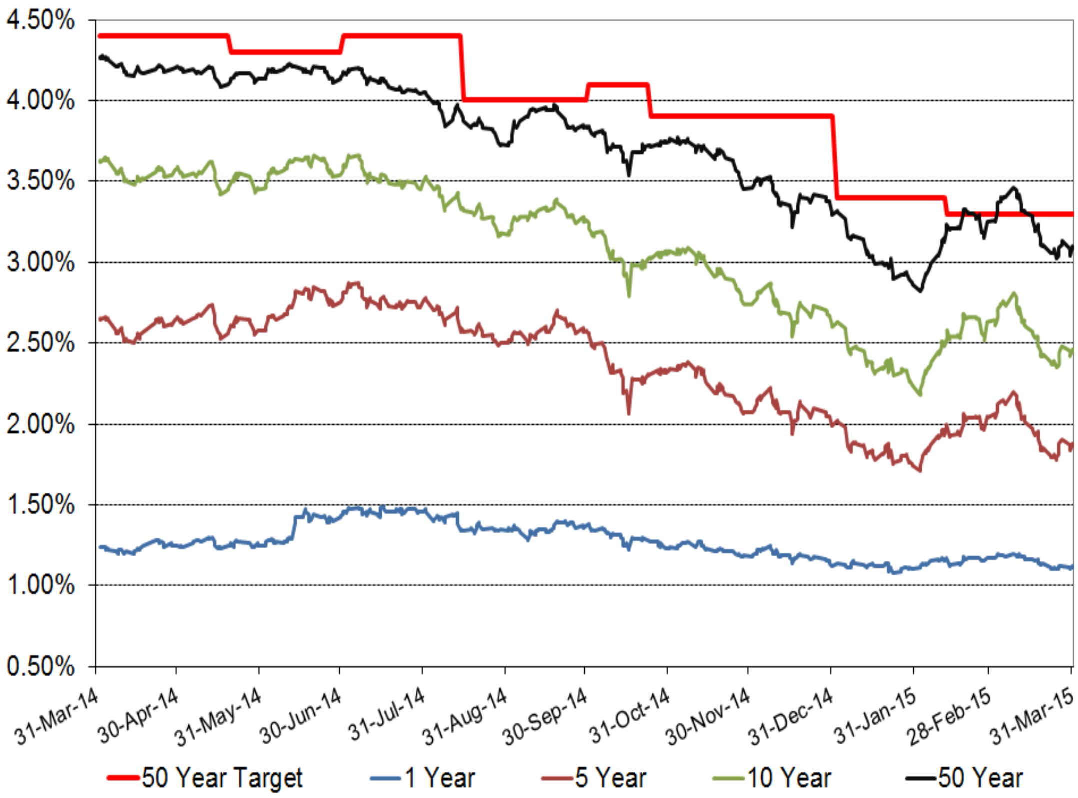
The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing throughout 2014/15.

The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget.

The EU sovereign debt crisis had subsided since 2012 until the Greek election in January 2015 sparked a resurgence of fears. While the UK and its banking system has little direct exposure to Greece, it is much more difficult to quantify quite what effects there would be if contagion from a Greek exit from the euro were to severely impact other major countries in the EZ and cause major damage to their banks.

6. Borrowing Rates in 2014/15

PWLB certainty maturity borrowing rates - the graphs and table for PWLB rates below and in appendix 3, show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



7. Borrowing Outturn for 2014/15

Treasury Borrowing

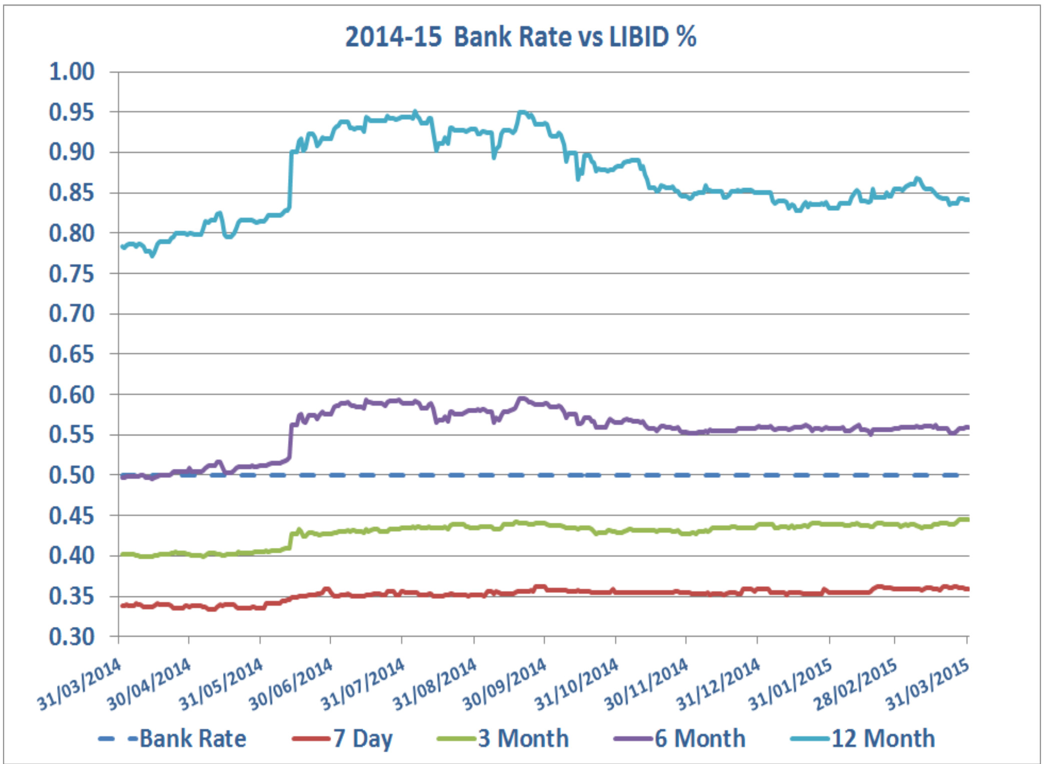
Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year.

Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

8. Investment Rates in 2014/15

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme.



9. Investment Outturn for 2014/15

Investment Policy – the Council's investment policy is governed by CLG guidance, which was been implemented in the annual investment strategy approved by the Council on 25th February 2014. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties. However, on one occasion during the year, the approved maximum limit held in the Council's bank account (£2m) was exceeded by £592k, due to processing problems with an investment, this issue was corrected the following day.

Resources – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources General Fund (£m)	31st March 2014	31st March 2015
Balances	4.570	**4.912**
Earmarked Reserves	5.987	**5.967**
Provisions	0.547	**1.679**
Usable Capital Receipts	0.826	**0.812**
Total	11.930	**13.370**

Balance Sheet Resources HRA (£m)	31st March 2014	31st March 2015
Balances	5.481	**5.957**
Earmarked Reserves	5.276	**8.157**
Provisions	-	**-**
Usable Capital Receipts	2.116	**3.086**
Total	12.873	**17.200**

Total Authority Resources	24.803	**30.570**

10. Performance Measurement

One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide *(as incorporated in the table in section 3).* The Council's performance indicators were set out in the Annual Treasury Management Strategy.

This service had set the following local performance indicators:

- *To Maximise investment returns by ensuring that the average balance held in the Council's current accounts (non-interest earning) is maintained below £5,000*;

  The actual average balance held in the current accounts for 2014/15 was £12,970 cr (in hand) (£14,954 cr in hand in 2013/14);

  The net loss of interest for 2014/15 (loss of investment interest on un-invested balances less any overdraft interest incurred) was £29 (£18 for 2013/14) or approximately 8p per day;

- *Average external interest receivable in excess of 3 month LIBID rate;*

  Whilst the assumed benchmark for local authorities is the 7 day LIBID rate, a higher target is set for internal performance.

  The actual return of 0.56% compared to the average 3 month LIBID of 0.43% (0.13% above target).

CIPFA Benchmarking Club

The Council is a member of the CIPFA Treasury Management Benchmarking Club which is a means to assess our performance for the year against other members (22 participating Authorities). Our average return for the year (as mentioned above) was 0.56% compared to the group average of 0.66% (information from CIPFA Benchmarking Report 2014/15) Combined In-House Investments excluding the impaired investments in Icelandic banks.

This can be analysed further into the following categories:

	Average Balance Invested £ m		**Average Rates Received %**	
Category	Tamworth Borough Council	CIPFA Benchmarking Club	Tamworth Borough Council	CIPFA Benchmarking Club
Fixed investments up to 30 days Managed in-house	0.1	1.9	0.41	0.38
Fixed investments 31 to 90 days Managed in-house	1.0	4.7	0.43	0.46
Fixed investments 91 to 365 days Managed in-house	15.6	54.6	0.69	0.72
Fixed investments between 1 year and 5 year Managed in-house	0.5	24.7	1.00	1.59
Fixed investments over 5 years	-	5.9	-	5.19
Notice Accounts	4.7	30.2	0.45	0.52
DMADF	-	8.7	-	0.25
CD's Gilts and Bonds	2.0	23.3	0.60	1.12
Callable and Structured Deposits	-	40.0	-	2.19
Money Market Funds Constant NAV	9.3	23.4	0.39	0.43
Money Market Funds Variable NAV	-	10.2	-	0.55
Externally Managed Funds	-	1.6	-	0.71
All Investments Managed in-house	**33.2**	**141.9**	**0.56**	**0.78**

Graphs showing a summary of the Authority's investment performance over the year can be found at **APPENDIX 2**.

11. Icelandic Bank Defaults

The U.K. Government, Local Government Association, administrators and other agencies have continued to work throughout 2014/15 in recovering assets and co-ordinating repayments to all UK councils with Icelandic investments.

In the case of Heritable Bank plc, a significant repayment was made in August 2013, bringing the total repayments to approximately 94%. A recent update provided by the Administrators has indicated that following the resolution of an outstanding dispute, a further distribution is anticipated in August 2015, which could take the projected recovery to between 98% and 100%.

In the case of Kaupthing, Singer and Friedlander Ltd, the administrators made a further small dividend payment during the financial year, bringing the current recovery level up to 82.5%. Further payments and updates are anticipated during 2015/16.

Investments outstanding with the Iceland domiciled bank Glitnir Bank hf have been subject to decisions of the Icelandic Courts. Following the successful outcome of legal test cases in the Icelandic Supreme Court, the Administrators have committed to a full repayment and the Authority received a significant sum in late March 2012. However, due to Icelandic currency restrictions, elements of our deposits which are held in Icelandic Krone have been held back pending changes to Icelandic law. This sum has been placed in an interest bearing account and negotiations are still continuing for their early release.

Members will be periodically updated on the latest developments of these efforts.

The Authority currently has the following investments 'at risk' in Icelandic banks;

Bank	Original Deposit	Accrued Interest	Total Claim	Exchange Rate Adjustments	Repayments Received @ 31/03/2015	Balance Outstanding	Anticipated Recovery
	£'m	£'m	£'m	£'m	£'m	£'m	%
Glitnir	3.000	0.232	3.232	0.024	2.554	0.654	100.00
Kaupthing Singer & Freelander	3.000	0.175	3.175	-	2.620	0.555	85.75
Heritable	1.500	0.005	1.505	-	1.415	0.090	98.00 -100.00
Totals	**7.500**	**0.412**	**7.912**	**0.024**	**6.589**	**1.299**	-

12. Increase in Counterparty Investment Limits

Arising from the planned sale of the former Golf Course land, it is anticipated that the Council will receive a significant capital receipt, potentially phased over the next few years.

At the end of June 2015, the Council's investment portfolio stood at £37.5m with investment levels with the majority of our approved counterparties being at, or close to the maximum approved under our current Treasury Strategy Statement.

It is considered prudent to review our lending limits for Specified Investments* at this early stage and increase them now, to provide flexibility for easier investment of these additional funds as and when they are received.

Our Treasury Management consultants Capita Asset Services, recommends that no more than 20% of the Council's investment portfolio should be placed with an individual counterparty, in order to spread risk. The current limits of up to £5m with individual institutions, equates to a portfolio level of approximately £25m. As mentioned above, our current portfolio has averaged around £37m over the past 3 months and would result in a limit of just over £7m, which is above the proposal mentioned below.

Members are asked to approve an increase in our lending limits as follows;

Specified Investments*	Criteria	Current Limit	Proposed Limit
UK Government/ Debt Management Agency Deposit Facility	Defined by Regulation UK Treasury (AA+)	£5m	£6m
Term deposits – Local Authorities	Defined by Regulation (Sec 23 of the 2003 act)	£5m	£6m
Treasury Bills	Defined by Regulation UK Treasury (AA+)	£5m	£6m
Term Deposits, Callable Deposits, including Certificates of Deposits – Banks and Building Societies	In accordance with Sector's Creditworthiness Service up to 'Orange' or 'Blue'	£5m individual institutions £8m Group limit	£6m individual institutions £9m Group limit
Pooled investment vehicles (OEIC's, MMF's etc)	AAA (Moody's MR1, Fitch MMF and S&P M).	£5m	£6m
Banks and Building Societies – Forward deals up to 1 year from arrangement to maturity	In accordance with Sector's Creditworthiness Service up to 'Orange 'or 'Blue'	£5m	£6m

**These investments are sterling denominated investments of not more than one-year maturity, meeting the minimum 'high' quality criteria where applicable. They are of relatively high security, high liquidity and are low risk assets where the possibility of loss of principal or investment income is small, they could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes.*

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APPENDIX 1

Appendix 1: Prudential and Treasury Indicators

1. PRUDENTIAL INDICATORS	2013/14	2014/15	2014/15
Extract from budget and rent setting report	**actual**	**original**	**actual**
Capital Expenditure	**£m**	**£m**	**£m**
Non - HRA	1.339	2.982	0.581
HRA	7.602	6.003	4.972
TOTAL	8.941	8.985	5.553
Ratio of financing costs to net revenue stream	**%**	**%**	**%**
Non - HRA	1.22	(1.33)	(1.19)
HRA	15.39	34.97	22.55
Gross borrowing requirement General Fund	**£m**	**£m**	**£m**
brought forward 1 April	-	-	-
carried forward 31 March	-	-	-
in year borrowing requirement	-	-	-
Gross borrowing requirement HRA	**£m**	**£m**	**£m**
brought forward 1 April	65.060	65.060	65.060
carried forward 31 March	65.060	65.060	65.060
in year borrowing requirement	-	-	-
	£m	**£m**	**£m**
Gross debt	65.060	65.060	65.060
Capital Financing Requirement	**£m**	**£m**	**£m**
Non – HRA	1.311	1.162	1.241
HRA	68.042	68.034	68.042
TOTAL	69.353	69.196	69.283
Annual change in Capital Financing Requirement	**£m**	**£m**	**£m**
Non – HRA	(0.214)	(0.065)	(0.070)
HRA	(0.012)	(0.010)	-
TOTAL	(0.226)	(0.075)	(0.070)
Incremental impact of capital investment decisions	**£ p**	**£ p**	**£ p**
Increase in council tax (band D) per annum	(0.05)	0.16	0.16
Increase in average housing rent per week	(0.01)	(0.04)	(0.04)

2. TREASURY MANAGEMENT INDICATORS	2013/14	2014/15	2014/15
	actual	original	actual
	£m	£m	£m
Authorised Limit for external debt - General Fund			
borrowing	9.705	9.705	9.705
other long term liabilities	3.000	3.000	3.000
TOTAL	12.705	12.705	12.705
Authorised Limit for external debt - HRA			
borrowing	79.407	79.407	79.407
other long term liabilities	--	-	--
TOTAL	0.000	79.407	0.000
Operational Boundary for external debt - General Fund	**£m**	**£m**	**£m**
borrowing	1.367	1.367	1.367
other long term liabilities	-	-	-
TOTAL	1.367	1.367	1.367
Operational Boundary for external debt - HRA	**£m**	**£m**	**£m**
borrowing	70.901	70.901	70.901
other long term liabilities	-	-	-
TOTAL	70.901	70.901	70.901
Actual external debt	**£m**	**£m**	**£m**
	65.060	65.060	65.060
Maximum HRA debt limit	**£m**	**£m**	**£m**
	79.407	79.407	79.407
Interest Rate Exposure (Upper Limit)*	**£m**	**£m**	**£m**
Limits on Fixed Interest Rates based on net debt	49.409	49.712	49.712
Limits on Variable Interest Rates based on net debt	6.506	6.506	6.506
Limits on Fixed Interest Rates:			
Debt only	65.060	65.060	65.060
Investments only	26.085	25.580	25.580
Limits on Variable Interest Rates:			
Debt only	6.506	6.506	6.506
Investments only	10.434	10.232	10.232
Upper limit for total principal sums invested for over 364 days	2.500	2.500	2.500
(per maturity date)			

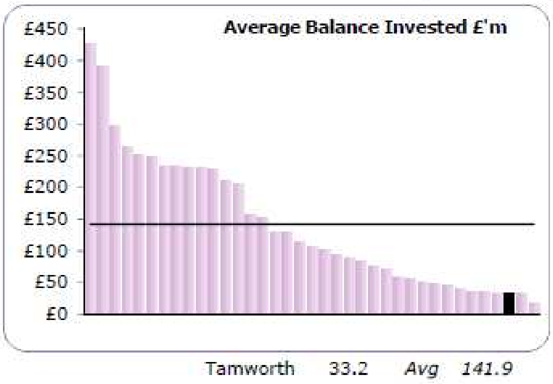
* Original limits set in the Treasury Management Strategy Statements. There has been no requiremnet for revision.

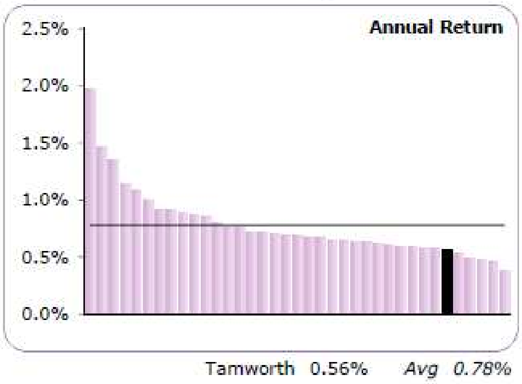
Maturity structure of fixed rate borrowing during 2013/14	upper limit	lower limit
under 12 months	0.00%	20.00%
12 months and within 24 months	0.00%	20.00%
24 months and within 5 years	0.00%	25.00%
5 years and within 10 years	0.00%	75.00%
10 years and over	0.00%	100.00%

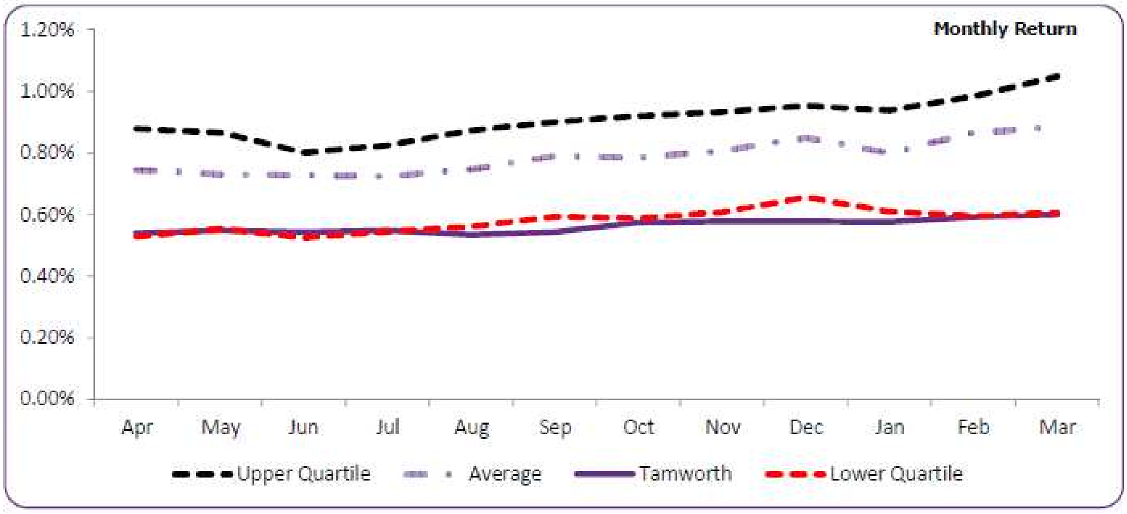
APPENDIX 2

Cipfa Treasury Management Club Final Report 2014/15

COMBINED INVESTMENTS (excluding impaired investments)







Monthly Return (April 14 - March 15)	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	Year
Av Bal £'m	31.64	31.39	31.88	32.70	33.37	34.08	34.17	33.45	34.36	34.78	33.50	33.09	33.20
Earned £'k	14.0	14.6	14.2	15.2	15.1	15.2	16.6	15.9	16.8	17.0	15.2	16.8	186.8
Upper Quartile	0.88%	0.87%	0.80%	0.82%	0.87%	0.90%	0.92%	0.93%	0.95%	0.94%	0.99%	1.05%	0.88%
Average	*0.74%*	*0.73%*	*0.73%*	*0.73%*	*0.75%*	*0.79%*	*0.79%*	*0.81%*	*0.85%*	*0.80%*	*0.87%*	*0.88%*	*0.78%*
% Return	0.54%	0.55%	0.54%	0.55%	0.53%	0.54%	0.57%	0.58%	0.58%	0.57%	0.59%	0.60%	0.56%
Lower Quartile	0.53%	0.55%	0.53%	0.55%	0.56%	0.59%	0.59%	0.61%	0.66%	0.61%	0.60%	0.61%	0.59%
% Diff from Av	-0.20%	-0.18%	-0.19%	-0.18%	-0.21%	-0.25%	-0.21%	-0.23%	-0.27%	-0.22%	-0.28%	-0.29%	

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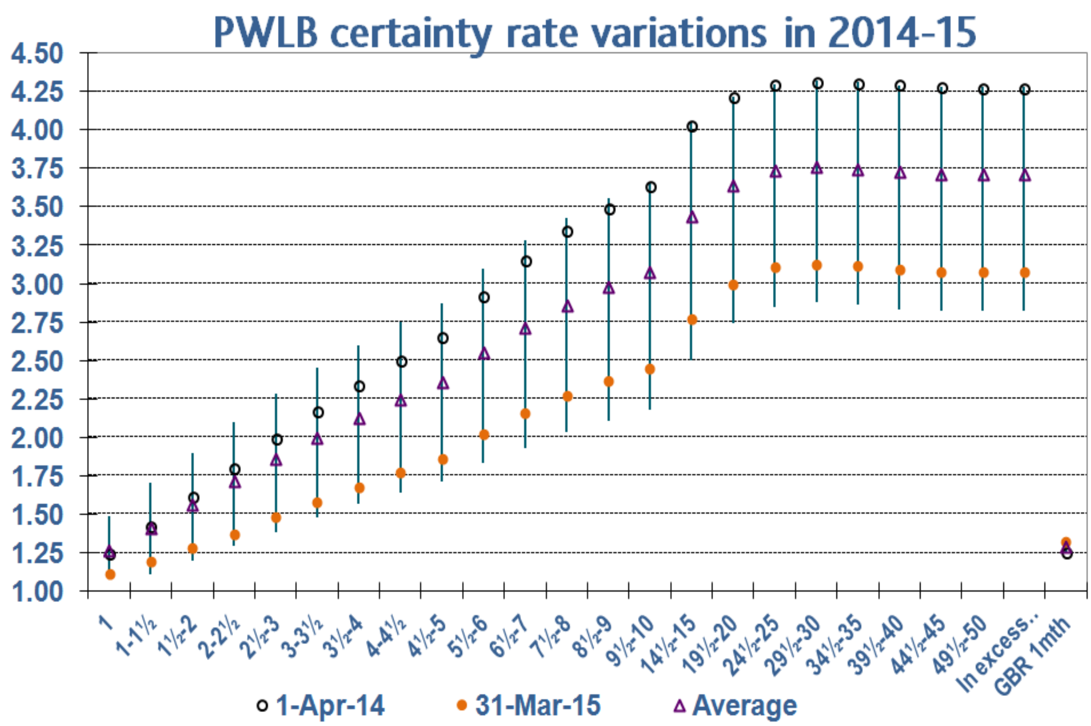
Borrowing and Investment Rates

Money market investment rates 2014/15					
	7 day	1 month	3 month	6 month	1 year
1/4/14	0.338	0.362	0.402	0.497	0.783
31/3/15	0.358	0.378	0.445	0.559	0.841
High %	0.362	0.384	0.445	0.596	0.951
Low %	0.334	0.360	0.400	0.496	0.772
Average %	0.352	0.374	0.429	0.556	0.868
Spread %	0.028	0.024	0.045	0.100	0.180
High date	26/3/15	26/9/14	27/3/15	19/9/14	5/8/14
Low date	8/5/14	4/4/14	9/4/14	14/4/14	14/4/14



	1	1-1.5	2.5-3	3.5-4	4.5-5	9.5-10	24.5-25	49.5-50	1 month variable
1/4/14	1.240%	1.420%	1.990%	2.340%	2.650%	3.630%	4.290%	4.270%	1.250%
31/3/15	1.110%	1.190%	1.480%	1.680%	1.860%	2.450%	3.110%	3.080%	1.320%
High	1.490%	1.700%	2.280%	2.600%	2.870%	3.660%	4.300%	4.280%	1.340%
Low	1.080%	1.110%	1.380%	1.570%	1.710%	2.180%	2.850%	2.820%	1.250%
Average	1.266%	1.417%	1.863%	2.130%	2.362%	3.083%	3.737%	3.719%	1.290%
Spread	0.410%	0.590%	0.900%	1.030%	1.160%	1.480%	1.450%	1.460%	0.090%
High date	16/07/2014	03/07/2014	03/07/2014	03/07/2014	03/07/2014	20/06/2014	03/04/2014	02/04/2014	17/09/2014
Low date	23/01/2015	06/01/2015	07/01/2015	07/01/2015	02/02/2015	02/02/2015	02/02/2015	02/02/2015	01/04/2014

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