STRATEGIC OVERVIEW AND SCRUTINY COMMITTEE
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SUBMISSION BY CLLR C SPRUCE, CABINET MEMBER FOR FINANCE, DEMOCRATIC AND LEGAL SERVICES

THE MEDIUM TERM FINANCIAL STRATEGY (REVENUE & CAPITAL) 2014-17 (MTFS (R&C) 2014-17)

1. Purpose of Report

1.1 To provide Members with the opportunity to scrutinise the proposals for the Council's three year MTFS (R&C) 2014-2017.

1.2 The outcome of the scrutiny will be reported to Cabinet on 4 February 2014.

2. Summary

2.1 **The MTFS (R&C) 2014-17**

2.2 **Funding our Plan for the District 2012-16 : The Three Year MTFS (R&C) 2014-17**
The ability to deliver the outcomes set out in the **Plan for the District 2012-16** is dependent on the resources available over the life of the plan, and therefore the Plan must drive the MTFS. It is the Council's policy to make appropriations from General Reserves for the first year 2014/15 of the three year MTFS (R&C) 2014-17 to finance Net Operating Expenditure in a planned and prudent manner, whilst maintaining a level of reserves to mitigate the financial business risk over the period of the MTFS. The MTFS (R&C) 2014-17 is set out in **APPENDIX A**.

2.3 The Capital Programme is the investment plan for our **Plan for the District 2012-16**. The way in which the Capital Programme is managed is set out in **APPENDIX B**, together with a summary of the programme and how it is financed at **APPENDIX C**. The Chief Financial Officer's report on the robustness of the budget and the level of reserves is set out in **APPENDIX D**.

2.4 The total Funding Gap in the MTFS (R&C) 2014-17 is **£3,143,450** over the period 2014/15 to 2016/17. The Council is legally required to balance the budget in the first year of the three year MTFS (R&C) 2014-17 and set out its proposals to balance the second two financial years 2015/16 and 2016/17. This MTFS (R&C) 2014-17 assumes a policy change in terms of the use of General Reserves. In the Council's previous MTFS (R&C) 2013-16, it had been assumed that all available reserves over and above the Minimum Level of **£1,000,000** would be used to assist the Council in meeting its Funding Gap. The MTFS (R&C) 2014-17 proposes that Council only uses its General Reserves for the first year of the MTFS (R&C) 2014-17 to balance the Revenue Budget for 2014/15. The use of reserves of **£405,880** in 2014/15 reduces the Funding Gap that needs to be closed to **£2,737,570** over the three year period. The Council's overall position is summarised in the table below :

	Financial Year				
	2013/14 £	**2014/15** £	**2015/16** £	**2016/17** £	**3 year total (2014/15 to 2016/17)** £
Net Budget Requirement for all Services[1]	11,247,930	11,003,880	11,438,300	12,125,270	34,567,450
Total Funding Available	(10,611,000)	(10,598,000)	(10,351,000)	(10,475,000)	(31,424,000)
Funding Gap prior to the use of Reserves	**£636,930**	**£405,880**	**£1,087,300**	**£1,650,270**	**£3,143,450**
Total Reserves Available to Fund Services [2]	(1,953,930)				
Reserves to be used to Fund Services	(636,930)	(405,880)	Nil	Nil	(405,880)
2015/16 savings/additional income after the use of Reserves	Nil	Nil	(1,087,300)	(1,087,300)	(2,174,600)
2016/17 savings/additional income after the use of Reserves	Nil	Nil	Nil	(562,970)	(562,970)
Total Savings/Additional Income	**£Nil**	**£Nil**	**(£1,087,300)**	**(£1,650,270)**	**(£2,737,570)**
General Reserves available after being used to Fund Services	(£1,317,000)	(£911,120)	(£911,120)	(£911,120)	(£911,120)

[1] This is after the transfer of £224,740 from Earmarked Reserves in 2013/14.
[2] Reserves available to Fund Services exclude the £1m Minimum Level.

2.5 The main reasons for the Funding Gap of **£2,737,570** are explained in **APPENDIX A** and are summarised below :

- Council Tax - A Council Tax Freeze in 2014/15 and 2015/16 together with an increase of **1%** in 2016/17 compared with the planned annual **1.8%** increase creates a Budgetary Pressure of **£291,000**.
- Government Funding consisting of Revenue Support Grant, Retained Business Rates, Returned New Homes Bonus and Business Rate Cap Reimbursement - the overall funding reduction is **£235,000**.
- Local Council Tax Support for Parishes - reducing the support from 2015/16 onwards produces a saving of **(£55,000)**.
- New Homes Bonus - additional Income of **(£752,000).**
- Provision for Inflation, Investment Income and Other Variations - a Budgetary Pressure of **£541,000.**
- MTFS (R&C) 2013-16 and 2016/17 remaining savings to be identified - a Budgetary Pressure of **£371,000.**
- Revenue Implications of a Capital Programme where Friarsgate Proceeds - a Budgetary Pressure of **£1,195,000** due principally to borrowing costs and loss of income from asset demolitions and closures.
- No use of Reserves to Balance the Budget in 2015/16 and 2016/17 - a Budgetary Pressure of **£911,000**.

2.6 In 2013 the Council launched its programme called Fit for the Future (F4F) in order to bridge the Council's Funding Gap and to meet the challenges facing local government. This is designed to manage the changes that will be needed across the Council and the service it delivers. This programme is being implemented over the next three years, including reviews to accommodate national impacts and local changes. It brings together a series of projects that all aim to reduce the expenditure of the Council and also reshape and redesign the Council and its services into one that is fit for the future, with all the challenges that brings. To date, F4F savings of **(£4,839,990)** have been identified and are included in the Budgetary Pressure of **£541,000** for Provision for Inflation, Investment Income and Other Variations shown above in **2.5**. This means the Council is still required to continue working to achieve the balance of savings needed through the F4F projects to close the Funding Gap of **£2,737,570**.

Treasury Management

2.7 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the 'CIPFA TM Code') and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement and Prudential Indicators on an annual basis. This Treasury Management Strategy Statement also incorporates the Annual Investment Strategy that is a requirement of Communities and Local Government's Investment Guidance. Together, these cover the financing and investment strategy for the forthcoming financial year. CIPFA has defined Treasury Management as:
"the management of the organisation'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."

2.8 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are an important and integral element of its treasury management activities. The main risks to the Council's treasury activities are:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Inflation Risk (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risk (Impact of debt maturing in future years)
- Legal and Regulatory Risk

2.9 The Strategy also takes into account the impact of the Council's Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators and the outlook for interest rates.

2.10 The purpose of the Treasury Management Strategy Statement is, therefore, to approve:

- The Cash Flow forecast for 2014/15
- Balance Sheet Projections and Borrowing Requirement and Strategy for 2014/15
- Minimum Revenue Provision Statement 2014/15
- Treasury Management Policy Statement and Annual Investment Strategy
- Use of Specified and Non-Specified Investments
- Prudential Indicators 2014-17

2.11 All Treasury activity will comply with relevant statute, guidance and accounting standards.

3.	Statement of Reasons

The Medium Term Financial Strategy (Revenue and Capital) 2014-17

3.1 The Plan for the District 2012-16, sets out the opportunities and challenges we face, the community's needs, the Council's aspirations, our focus and our priorities covering the life of this Council.

3.2 To fund our Plan for the District, we prepare a **Medium Term Financial Strategy**. This covers how we will use reserves, our investments, and the approach to Council Tax and how we deploy our Capital. It also looks over the medium term at the cost pressures we are likely to face and how these could be financed. The Strategy is set out in **APPENDIX A** for Revenue & Capital and **APPENDICES B & C** outline our indicative Capital Investment Plans.

3.3 The Council has a statutory duty to set a balanced budget in each of the three years and to calculate the level of Council Tax for its area. The Chief Financial Officer has a statutory duty to ensure that the figures provided for estimating and financial planning are robust and will stand up to audit scrutiny. The Council is required to set out Prudential Indicators for Capital Expenditure and financing, these are detailed elsewhere on the Agenda under the Treasury Management Strategy Report.

3.4 The Local Government Act 2003 places duties and requirement on the Authority on how it sets and monitors its Budgets, including the Chief Financial Officer's report on the Robustness of the Budget and adequacy of Reserves as shown in **APPENDIX D.**

Treasury Management

3.5 Cash Flow Forecast

- Treasury Management includes the management of the Council's cash flows as a key responsibility. The planned monthly cash flow forecast for the 2014/15 financial year is shown in detail at **APPENDIX E**. This has been used to calculate the investment income budget and this has been estimated as **£0.081m** (this equates to **1.9%** of the Council's income from Central Government grants and Retained Business Rates of **£4.215m** in **2014/15**), interest payments of **£0.013m** and Minimum Revenue Provision of **£0.080m**.
- The Capital Programme assumes Friarsgate proceeds and to fund the Capital Programme we externally borrow **£2.500m** in 2016/17. These sums are included in our cash flow forecast and our Balance Sheet projections.
- The graph of cash flow trends for 2012-15 shows the level of our investments is reducing due to the funding of our Capital Programme and the use of Balances to fund the Revenue Budget.
- In addition, the monthly cash flow together with the graph shows investment levels increase in the first half of the year peaking in September 2014. This is due to receipt of Council Tax and Business Rate income instalments. However, these receipts reduce in the second half of the year because of our spend profile and the Council Tax instalments end in January 2015.

3.6 Balance Sheet Projections

- We prepare four year Revenue Forecasts and Capital Programme budgets and these together with the actual Balance Sheet from the previous financial year are used to also prepare 4 year Balance Sheet projections.
- These Balance Sheet projections (**APPENDIX E**) are key in assessing the Council's Treasury Management Position in terms of borrowing requirement, investment levels and our Investment Policy and Strategy.

3.7 Minimum Revenue Provision Statement 2014/15

- The Council is required to make prudent provision for debt redemption (known as Minimum Revenue Provision or MRP) and each year Council must approve its Minimum Revenue Provision statement and this will include an allowance for leases that appear on the Council's Balance Sheet.
- As in previous years, the Council proposes to base its Minimum Revenue Provision on the estimated life of the asset (**APPENDIX F**).

3.8 Treasury Management Advice and the Expected Movement in Interest Rates

- The interest rate outlook provided by the Council's treasury advisor is shown in the table below:

Official Bank Rate

Projection	Mar 2014	June 2014	Sept 2014	Dec 2014	Mar 2015	June 2015	Sept 2015	Dec 2015	Mar 2016	Jun 2016	Sep 2016	Dec 2016	Mar 2017
Optimistic[3]		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	1.00
Central Case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**

The Central Case rates have been used as the basis for preparation of the investment income budgets for 2014/15 and future years.

3.9 Treasury Management Policy Statement, Annual Investment Strategy and Specified and Non Specified Investments

- The criteria and limits for Specified Investments and Non Specified Investments are shown in Detail at **APPENDICES G, H and I**.

[3] This is in addition to the central case projection.

3.10 Prudential Indicators

- The Prudential Indicators are shown in detail at **APPENDIX J**, and in summary below :

PI	Description	2013/14	2014/15	2015/16	2016/17
		Revised	**Original**	**Original**	**Original**
1	Capital Expenditure (£m)	£4.782m	£2.422m	£4.798m	£5.290m
2	Ratio of Financing Costs to Net Revenue Stream (%)	2%	3%	7%	7%
3	Capital Financing Requirement (£m)	£3.157m	£3.740m	£5.923m	£6.825m
3	Net external borrowing does not exceed the Capital Financing Requirement in the current year plus the next two years	True	True	True	True
4	Actual External Debt including Finance Leases (£m)	(£0.620m)	(£0.372m)	(£1.816m)	(£4.038m)
5	Incremental impact of capital investment decisions on Band D Council Tax (£)	(£3.91)	£5.27	£12.14	£16.03
6	Authorised Limit (Maximum) (£m)	£11.791m	£11.779m	£11.966m	£14.371m
7	Operational Boundary (Maximum) (£m)	£3.008m	£2.996m	£2.984m	£5.389m
8	Adoption of CIPFA Code of Practice in Treasury Management	Yes			
9	Is our Gross Debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need ?	No	No	No	No
	Interest Rate Exposures (%)				
10	Upper Limit for Investments (Fixed Interest Rate Exposure)	(100%)	(100%)	(100%)	(100%)
10	Upper Limit for Investments (Variable Interest Rate Exposure)	100%	100%	100%	100%
11	Upper Limit for Borrowings (Fixed Interest Rate Exposure)	(100%)	(100%)	(100%)	(100%)
11	Upper Limit for Borrowings (Variable Interest Rate Exposure)	30%	30%	30%	30%
	Maturity Structure of Fixed Rate Borrowing (Upper Limit) (%)	**Lower Limit**	**Upper Limit**		
12	Under 12 months	0%	100%		
12	12 months and within 24 months	0%	100%		
12	24 months and within 5 years	0%	100%		
12	5 years and within 10 years	0%	100%		
12	10 years and within 20 years	0%	100%		
12	20 years and within 30 years	0%	100%		
12	30 years and within 40 years	0%	100%		
12	40 years and within 50 years	0%	100%		
12	50 years and above	0%	100%		
13	Principal sums invested > 364 days (£m)	£2.000m	£1.500m	£0.800m	£0.700m
14	Credit Risk	We consider security; liquidity and yield, in that order, when making investment decisions			

4. Community Benefits

4.1 The reporting of timely budget performance statements enables Members to make informed decisions for the efficient and effective use of resources, in the interest of the community, for the delivery of services and key priorities, as set out in the Plan for the District 2012-16.

5. Recommendation

5.1 That the Committee scrutinises the data provided at **APPENDICES A to J** and provides views to Cabinet.

6. Plan for the District Implications

6.1 The report directly links to overall performance and especially the delivery of the Plan for the District 2012-16 as detailed elsewhere on the Agenda and the Corporate Risk Register.

7. Sustainability, Human Rights & Community Safety Issues

7.1 These areas are addressed as part of the specific areas of activity prior to being included in the Plan.

8.	Consultation

8.1 The Plan for the District 2012-16 is informed by extensive consultation, and is supported by surveys which test the quality of services and what is important to people, and where they wish the Council to focus. The views obtained support the direction set out in the Plan for the District 2012-16 and the Medium Term Financial Strategy.

9.	Risk Management Issues

Risk Description	Likelihood/ Impact	Status	Countermeasure
Local Government Resource Review – Localisation of Business Rates: managing economic, financial and social impact.	High/ High	Economic/ Financial/ Social	Council policies will need to be developed to mitigate the impact of the Local Government Resource Review on the Council's Plan for the District 2012-16 and its finances.
Local Government Resource Review – Localisation of support for Council Tax	High/ High	Financial	A local scheme has been designed for Lichfield District Council.
The Government has announced a consultation on Local Authority parking including the level of parking charges	Medium / Medium	Financial	The Council will need to respond to this consultation and will need to continue to monitor the process to identify any implications for the Council.
The Government has promised to look at reforming the Business Rates system for 2017	Medium / Medium	Financial	The Council will need to respond to any consultation and will need to continue to monitor the process to identify any implications for the Council.
The Government will carry out an evaluation of New Homes Bonus and this is due for completion by Easter 2014.	Medium / Medium	Financial	The Council will need to respond to any consultation and will need to continue to monitor the process to identify any implications for the Council.
Planned Capital receipts are not received.	Medium/ High	Financial	The budget for Capital receipts will be monitored as part of the Council's normal budget monitoring procedures.
Achievement of the Council's key Council's priorities	Medium/ High	Financial	Close monitoring of performance and expenditure; maximising the potential of efficiency gains; early identification of any unexpected impact on costs incl. central Government policy changes, movement in the markets, and changes in the economic climate.

Background Documents :

Local Government Finance Information including the Grant Settlement for 2014/15 and the Provisional Settlement for 2015/16 can be found at :
https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2014-to-2015

Funding our Plan for the District 2012-16 : the Three Year Financial Strategy

1. The ability to deliver the outcomes set out in the Plan for the District 2012-16 is dependent on resources, and therefore this must drive the Medium Term Financial Strategy.
2. It is the Council's policy to make appropriations from General Reserves to finance Net Operating Expenditure in a planned and prudent manner whilst maintaining a level of Reserves to mitigate the financial business risk over the period of the Medium Term Financial Forecast.
3. The Local Government Act 2003 (Sections 25-28) places duties on Local Authorities on how they set and monitor budgets.
   The Director of Finance, Revenues & Benefits in the capacity as the Council's Chief Financial Officer (CFO), is of the opinion that the estimates are robust and the Council's proposed Reserves are adequate (Sections 25-27).
   Section 28 of the Act places a statutory duty on an authority to review its budget from time to time during the year. If the Budget Monitoring Report shows that there has been deterioration in the Authority's financial position, the Authority must take such action as it considers necessary. The Council currently reviews the Budget on a quarterly basis and this practice will continue.
   Supporting information on the Chief Financial Officer's Report on the robustness of the budget and the adequacy of Reserves is shown in **APPENDIX D**.

Revenue Budget
The Settlement

4. On 5 December 2013, the Chancellor of the Exchequer presented his Autumn Statement to the House of Commons. (Further details can be accessed via HM Treasury website)[4].
5. Lichfield District Council (LDC) was advised of its Funding Settlement for two years covering 2014/15 and 2015/16 on 18 December 2013.

Revenue Spending Power

6. The Estimated Business Rates aggregate for Councils is **£22.2bn**; the local share is **50%** of this or **£11.1bn**.
7. The Settlement Funding Allocations for Councils in 2014/15 have been confirmed. It has also been confirmed that of this total **£11.1bn** will be in the local share and **£12.7bn** in Revenue Support Grant. For 2015/16 Revenue Support Grant will be reduced to **£9.2bn**.

8. **Government's Assessment of Lichfield's Revenue Spending Power**
   The Government has produced for each local authority *notional* figures known as 'revenue spending power' based on national projections to enable comparisons to be made between different years. These revenue spending power figures consist of the Council's main income streams such as Council Tax, Settlement Funding Allocations (consisting of Revenue Support Grant and Retained Business Rates) and New Homes Bonus. The figures provided for LDC are shown in the following table:

Income Stream	2013/14 Adjusted £m	2014/15 £m	2014/15 Adjusted £m	2015/16 £m
Council Tax	5.256	5.279	5.279	5.301
Settlement Funding Allocations:				
Revenue Support Grant (53% in 2014/15)	2.780	2.116	2.116	1.440
Retained Business Rates (47% in 2014/15)	1.849	1.885	1.885	1.937
Sub Total : Settlement Funding Allocation	**4.629**	**4.001**	**4.001**	**3.377**
Section 31 Business Rates Cap		0.020	0.020	0.020
Council Tax Support Funding to Parishes	(0.135)	(0.135)	(0.135)	(0.135)
Council Tax Freeze Grant		0.058	0.058	0.116
New Homes Bonus Returned Funding	0.016	0.008	0.008	0.016
New Homes Bonus	0.716	1.196	1.196	1.677
Sub Total : Total Funding Available	**10.482**	**10.427**	**10.427**	**10.372**
Other Grants	0.016	0.016	0.016	
Housing Benefit Administration Subsidy	0.480	0.069	0.069	
Local Council Tax Support and Housing Benefit Administration Subsidy		0.422		
Council Tax Support New Burdens Funding	0.049			
Sub Total : Specific Grants	**0.545**	**0.507**	**0.085**	**0.000**
Revenue Spending Power	**£11.027m**	**£10.934m**	**£10.512m**	**£10.372m**

% Reduction 2014/15 to Adjusted 2013/14		(0.8%)		
Average % Reduction 2014/15 to 2013/14 England		(2.9%)		
% Reduction 2015/16 to 2014/15				(1.3%)
Average % Reduction 2015/16 to 2014/15 England				(1.8%)

[4] https://www.gov.uk/government/topical-events/autumn-statement-2013

Using these *notional* spending power figures, the equivalent Settlement Funding Allocation percentage reductions are **13.6%** and **15.6%** in 2014/15 and 2015/16 respectively.

Revenue Support Grant for 2014/15 represents **53%** (60% in 2013/14) of the Settlement Funding Allocation for LDC. Revenue Support Grant Funding for 2014/15 is **£2,116,000** and is reduced by **£676,000** or **31.9%** for 2015/16 in comparison with 2014/15. Government's intention is to reduce Revenue Support Grant Funding for all Councils to **£ZERO** by 2019/20.

9. The Medium Term Financial Strategy 2014-17 - Total Funding Available

The Council's Medium Term Financial Strategy utilises some of the information from the Government's Revenue Spending Power calculation. However it also updates elements of this notional information based on more relevant local information such as the level of Retained Business Rates, New Homes Bonus projections and Council Tax. The levels of Total Funding Available in the Approved Three Year Medium Term Financial Strategy (Revenue & Capital) 2013-16 (MTFS (R&C) 2013-16) and the proposed MTFS (R&C) 2014-17 are shown in the table below:

Income Stream	2014/15		2015/16		2016/17	
	2013-16 Approved £m	2014-17 Proposed £m	2013-16 Approved £m	2014-17 Proposed £m	2013-16 Projected £m	2014-17 Proposed £m
Council Tax	5.386	5.259	5.518	5.300	5.654	5.417
Council Tax Freeze Grant		0.058		0.116		0.116
Collection Fund Surplus		0.063				
Settlement Funding Allocations:						
Revenue Support Grant (51% in 2014/15)	2.135	2.116	1.930	1.440	1.758	0.884
Retained Business Rates (49% in 2014/15)	1.906	2.015	1.722	2.070	1.570	2.134
Sub Total : Settlement Funding Allocation	**4.041**	**4.131**	**3.652**	**3.510**	**3.328**	**3.018**
Section 31 Business Rates Cap		0.020		0.020		0.020
New Homes Bonus Returned Funding		0.006		0.016		0.044
Council Tax Support Funding to Parishes	(0.135)	(0.135)	(0.135)	(0.115)	(0.135)	(0.099)
New Homes Bonus	1.045	1.196	1.303	1.504	1.561	1.959
Total Funding Available	**£10.337m**	**£10.598m**	**£10.338m**	**£10.351m**	**£10.408m**	**£10.475m**

The Level of Council Tax

Council Tax: A Budgetary Pressure of £291,000[5]

Council Tax Base

10. The Council Tax Base calculation changed last year due to the Localisation of Council Tax Support and this approach is also applied to the MTFS (R&C) 2014-17. In terms of the calculation the following key assumptions have been made:

Council Tax	2014/15	2015/16	2016/17
Council Tax Base (per CTB 1 return)	38,881	38,881	38,881
Reduction in Tax Base to reflect Local Council Tax Support Scheme	(4,205)	(4,205)	(4,205)
Total Equivalent Dwellings after discounts and reliefs	34,676	34,676	34,676
Conversion to Band D equivalents ratio	1.02	1.02	1.02
Band D Equivalents	**35,206**	**35,206**	**35,206**
Provision for Growth			
2014/15 0.94%	330	330	330
2015/16 0.78%		278	278
2016/17 1.20%			424
Revised Council Tax Base assuming 100% Collection	**35,536**	**35,814**	**36,238**
Less : 1% provision for non-collection	(355)	(358)	(362)
Contribution in lieu for MOD dwellings	115	115	115
Revised Council Tax Base	**35,296**	**35,571**	**35,991**

[5] A reduction in Council Tax revenue of £0.581m is offset by Council Tax Freeze Grant of £0.290m.

APPENDIX A

Council Tax Increase

11. Government has offered a specific grant to Councils and Fire Authorities to freeze Council Tax equivalent to a **1%** increase in Council Tax. The Secretary of State has agreed with the Chancellor that Council Tax Freeze Grant for the next two years 2014/15 and 2015/16 will be built into the spending review baseline ie financial support will be part of the Settlement Funding allocation.

12. Under the Localism Act 2011, local communities have the power to decide on Council Tax rises. The Secretary of State announced on 8 January 2014, that the limit determined for Council Tax increases for 2014/15 will be announced when the Final Settlement is debated in Parliament in February 2014.

13. The Approved MTFS (R&C) 2013-16 assumed that Council Tax would rise by **1.8%** in each financial year.

14. The MTFS (R&C) 2014-17 assumes that Council Tax will be frozen for two years in 2014/15 and 2015/16. The Strategy assumes that Council Tax will increase by **1%** in 2016/17.

Government Funding:	**Additional Cumulative Reduction of £235,000**

15. The Government Funding consists of the Settlement Funding Allocation (Retained Business Rates and Revenue Support Grant), reimbursement for the capping of the Business Rates increase in 2014/15 to **2%** as announced in the Autumn Statement on 5 December 2013 and the return of New Homes Bonus budget that has not been spent.

16. Revenue Support Grant has reduced by an additional **£1,383,000** and additional income from returned New Homes Bonus will total **£66,000** over the period 2014-17.

17. Retained Business Rates is projected to increase by **£1,022,000** and the Government will provide reimbursement for the Business Rate cap of **£60,000** over the period 2014-17.

18. We have to provide a three year budget and we have therefore had to predict the reduction in funding for the third year. Realistically, although we are technically in a consultation period, the Settlement figures announced on 18 December 2013 are unlikely to change.

19. The Chancellor also announced that the Spending Review 2013 will determine funding levels up to 2017/18. Councils need to be realistic in estimating funding for this period. It is reasonable to assume that the average reductions beyond 2015/16 for Districts could be higher than the national average for local government. This is in addition to the eventual loss of Revenue Support Grant Funding by 2019/20. We have used the latest information available to estimate the reduction in funding for 2016/17 and the reduction would be **39%** equating to **£556,000**.

Local Council Tax Support (LCTS) for Parishes:	**A saving of (£55,000)**

20. The localisation of Support for Council Tax took effect from 1 April 2013.

21. In the Revenue Spending Power calculations, Government has set Settlement Funding allocations for the two years 2014/15 and 2015/16. These figures assume Council Tax Support to Parishes will remain constant at **£134,700** per annum.

22. Government has advised that the funding attributable to the parish precept will be provided to the Billing Authority. It is included in the Notional Spending Power and it also expects the Billing Authority to work with local parish and town councils to provide certainty over their funding.

23. In deciding the amount of funding to be passed down to local precepting authorities, the Billing Authority needs to decide how much of a contribution the local preceptor needs to make towards the cost of LCTS, where it exceeds the level of funding provided by Government.

24. The table below shows the Settlement Funding Allocation for 2013/14 and 2014/15 and a provisional settlement for 2015/16 together with an estimate for 2016/17.

Settlement Funding Allocation	Financial Year			
	Financial Settlement 2013/14 £	Financial Settlement 2014/15 £	Provisional Settlement 2015/16 £	Estimate 2016/17 £
Revenue Support Grant	(2,779,640)	(2,116,000)	(1,440,000)	(884,000)
Business Rates Baseline Funding	(1,849,220)	(2,015,000)	(2,070,000)	(2,134,000)
Settlement Funding Allocation	**(4,628,860)**	**(4,131,000)**	**(3,510,000)**	**(3,018,000)**
Reduction (£)		497,860	621,000	492,000
Reduction (%)		11%	15%	14%

25. The use of the Settlement Funding Allocation figures provides a basis to determine the percentage reduction in funding allocated to parishes for LCTS. In 2014/15 it is proposed that the allocation remains the same as for 2013/14 at **£134,700**. It is proposed for 2015/16 a **15%** reduction will apply reducing Funding Allocation to **£114,700** and for 2016/17, a **14%** reduction will apply to reduce Funding Allocation to **£98,700**. An alternative would be to use Government's Revenue Spending Power which includes Council Tax and New Homes Bonus however this would mean smaller reductions. The table below summarises the proposed funding for the three years 2014/15 to 2016/17 based on Settlement Funding Allocation figures:

Allocation to Parish Councils	Financial Year			
	Financial Settlement 2013/14 £	Financial Settlement 2014/15 £	Provisional Settlement 2015/16 £	Estimate 2016/17 £
Government Allocation Published November 2012 (Lichfield)	134,700			
Proposed Allocation Based on Settlement Funding Assessment		134,700	114,700	98,700

New Homes Bonus: **Additional Income of (£752,000)**

26. New Homes Bonus (NHB) was introduced in 2011/12 and is intended to *'.. provide a powerful, simple, transparent and permanent means of incentivising local authorities to increase their housing supply.. '* by financially rewarding the Council for each new home that is built within its area. The scheme provides that, for each additional home provided within the District, compared with the previous year, an amount equating to the national average Council Tax **(£1,456** for 2014/15) is paid to the Council for **six** financial years. In addition, for each additional affordable home a flat rate of **£350** per home will be paid. Of the total amount calculated, our Council retains **80%** of NHB, with the remaining **20%** being paid to Staffordshire County Council.

27. Government in 2014/15 will fund **£250m** of NHB and the balance estimated to be **£666m** is funded from a deduction from total Estimated Business Rates income. For 2014/15 NHB funding amounts to **£916m** nationally.

28. The estimates of New Homes Bonus and the key assumptions used are shown in the table below for 2014-17:

	2014/15	**2015/16**	**2016/17**	**3 year total (2014/15 to 2016/17)**
Non Affordable Housing Completions				
Housing Completions per Annual Monitoring Report Indicator H4, Nov 2013	472	397	605	1,474
Risk allowance for non-completions and timing differences	70%	70%	70%	
Housing Completions Projection	330	278	424	1,032
Empty Homes Brought Back into Use	94	0	0	94
Total Projected New Housing Supply	424	278	424	1,126
Ratio applied to calculate Band D Equivalent Properties	0.94	0.91	0.91	
Total Projected New Housing Supply Band D Equivalent Properties	**399**	**252**	**384**	**1,035**
Assumed National Band D Council Tax Level	£1,456	£1,456	£1,456	
District Council's 80% Share	**(£464,000)**	**(£294,000)**	**(£448,000)**	**(£1,206,000)**

Affordable Housing Completions				
Housing Completions per Housing Team Band D Equivalent Properties	57	52	25	134
Rate per Completion	£350	£350	£350	
District Council's 80% Share	**(£16,000)**	**(£14,000)**	**(£7,000)**	**(£37,000)**

Total District Council's 80% Share per year for 6 years	**(£480,000)**	**(£308,000)**	**(£455,000)**	**(£1,243,000)**

	2014/15	**2015/16**	**2016/17**	**3 year total (2014/15 to 2016/17)**
Year 1 Payment	(261,000)	(261,000)	(261,000)	(783,000)
Year 2 Payment	(224,000)	(224,000)	(224,000)	(672,000)
Year 3 Payment	(231,000)	(231,000)	(231,000)	(693,000)
Year 4 Payment	(480,000)	(480,000)	(480,000)	(1,440,000)
Year 5 Payment		(308,000)	(308,000)	(616,000)
Year 6 Payment			(455,000)	(455,000)
Total New Homes Bonus Projected	(1,196,000)	(1,504,000)	(1,959,000)	(4,659,000)
Less : Top slice from 2015/16 @ 35%		£0	£0	£0
Budgeted New Homes Bonus	**(£1,196,000)**	**(£1,504,000)**	**(£1,959,000)**	**(£4,659,000)**

Other Factors:

29. The reduction in Government funding is the significant contributor to our Funding Gap. However, there are other elements that will impact and these are outlined below.

Budget Variations

Provision for Inflation on Existing Levels of Service:	**Budgetary Pressure of £434,000**

30. Generally, financial forecasts for 2011/12 onwards have continued with the policy of no inflationary adjustments for budgets where there is no contractual inflationary adjustment in place. Other price increases have to be contained within budgets.

31. Pay Award - in November 2012 the Chancellor announced a **1%** cap on Public Sector pay rises for 2014/15 and 2015/16. The models assume a **2%** increase for 2016/17.

32. Employers' National Insurance Contributions will increase in 2016/17 to reflect Government's policy of implementing a Single Tier Pension from 1 April 2016 of **£144.00** per week. The Local Government Pension Scheme is a 'contracted out' scheme and as a result of this policy decision, Employers' National Insurance Contributions will increase on average by **2.45%** from 1 April 2016.

33. The triennial revaluation of Staffordshire Pension Fund 2013 valuation has recently been completed. As a result of this revaluation, the Council's contribution rate will increase by **1%** per annum on a cumulative basis from 2014/15 onwards. The Approved MTFS (R&C) 2013-16, assumed a **0.5%** increase per annum. The reason for this increase is due to several factors - investment returns have not been as high as anticipated; life expectancy has increased which means payments out of the fund have been higher than expected and the workforce profile is changing to a more advanced age meaning fewer new entrants to the scheme making contributions.

34. The table below shows the changes to the MTFS (R&C) 2014-17 as a result of these assumptions. The figures for the Approved MTFS (R&C) 2013-16 are shown in brackets :

Pay Award and Employer Costs	Financial Year			
	2013/14 %	2014/15 %	2015/16 %	2016/17 %
Pay Award	1.00 (1.00)	1.00 (1.00)	1.00 (1.00)	2.00 (2.00)
Employers National Insurance (average rate)	6.94 (6.93)	7.03 (6.90)	7.04 (6.90)	9.49 (7.00)
Employers Pension	18.60 (18.60)	19.60 (19.10)	20.60 (19.60)	21.60 (20.10)

35. In addition, there have been several other changes to Pensions legislation in relation to:

- The requirement for auto enrolment of all employees in employer's pension schemes. This means that employer's pension costs will increase for employees that were not previously part of the pension scheme and who following auto enrolment do not then "opt out".
- The requirement that all overtime and casual employment costs become pensionable thereby increasing employers pension costs.
- The Autumn Statement abolished employer National Insurance contributions below the upper earnings limit for employees aged 21 and under from April 2015. We have assessed the impact this change on the Council's budget from 2015/16 onwards and it is marginal based on current posts and employees in post.

36. These costs are treated as inflation as they are not as a result in growth of service provision.

37. General Inflation estimates have been prepared in a similar way to previous years. An estimate of future inflation is taken from a mixture of history, market indications and supplier contracts.

38. No significant changes have been included and planned price increases for services such as Leisure Centres have not been implemented due to price elasticity and local competition.

39. Car parking charges are reviewed on an annual basis and were last increased on 1 April 2008 and there have been no further general changes to charges for car parking since then. The MTFS (R&C) 2014-17 at present assumes no increase in charges over the next three years. Therefore, this effectively means there has been no provision for increases over the Medium Term for car parking charges for **eight** financial years from 2009/10 to 2016/17.

Investment Income: **Additional Income of (£21,000)**

41. Interest on Balances

The level of the base rate remains at **0.5%** and the Bank of England has now issued forward guidance that indicates that interest rates are unlikely to increase until unemployment falls to **7%**. The Bank of England has recently projected that interest rates will potentially rise in 2015. The level of investment returns included in the budget is shown below (the figures for the Approved MTFS (R & C) 2013-16 are shown in brackets):

Treasury Management	Financial Year			
	2013/14 %	2014/15 %	2015/16 %	2016/17 %
Investment Returns	0.72 (0.61)	0.77 (0.65)	0.77 (0.66)	0.76 (0.66)

Other Variations:	**A Budgetary Pressure of £128,000**

42. The Council Tax Collection Fund is projected to be in surplus in 2013/14 and the Council's share of the surplus receivable in 2014/15 will be **£63,000**.

43. Other variations will result in a net budgetary pressure of **£190,820** over three years.

Total Savings Reflected in the Base Budget:	**A Budgetary Pressure of £371,570**

44. The MTFS (R&C) 2013-16 identified savings of **£3,663,800**. In addition the projections for 2016/17 identified a further **£2,365,950** of savings making a total of **£6,029,750**.

45. The Outturn for the financial year 2012/13 was below Budget by **(£657,410)**.

46. The Fit for the Future Programme Phase 1 identified **(£2,899,320)** of savings in 2012-15, a further (**£1,390,660)** in 2016/17 and **(£550,010)** of subsequent savings making a total of **(£4,839,990)** of savings[6].

47. The Council's financial performance for the first eight months of 2013/14 shows that it is projected to be over Budget by **£23,580**.

48. It is estimated that income from retained Non Domestic Rates will increase by (**£184,360)**

No Planned Use of General Reserves post 2014/15:	**A Budgetary Pressure of £911,000**

49. Council policy has previously been to use all General Reserves in excess of the Minimum Level of **£1,000,000.** However, the use of reserves does not create a financially sustainable Budget as at some point all the available reserves will have been spent creating a financial 'cliff edge'. The MTFS (R&C) 2014-17 makes the assumption that General Reserves are used to balance the Budget for 2014/15 only.

Capital Programme

Revenue Implications of the Capital Programme:	**A Budgetary Pressure of £1,195,000**

50. One of the stated principles of a good and balanced Budget is to ensure that the Revenue Budget is integrated with the Capital Programme.

51. The total Indicative Capital Programme 2014-17 assumes Friarsgate Proceeds and therefore totals **£12,510,000**. It is funded from eight sources of funding:

Total Indicative Capital Programme 2014-17	**£m**
Capital Receipts	0.712
Revenue Contributions	0.466
Section 106 Funds	0.123
Sinking Funds	0.253
Grants and Contributions	3.802
Earmarked Reserves	1.670
Internal / External Borrowing	2.962
Finance Leases	2.522
Total Sources of Funding	**£12.510m**

52. The Council's Resources available to fund the Indicative Capital Programme consists of Capital Receipts amounting to **£712,000,** Historic Buildings Grant (included in earmarked reserves) of **£34,000** and Revenue Contributions of **£466,000**.

53. A projection of the revenue implications of both externally borrowing **£2,500,000** and funding the remainder from internal borrowing is shown in the table below:

- All current Capital Programme bids incorporated.
- **£2,500,000** borrowed 1 April 2016 using a repayment loan over 33 years at **4.89%** (current rate is 4.39% so an allowance for an increase of rates by 2016/17 of 0.50% has been included).
- Borrowing costs include Minimum Revenue Provision based on asset life, external interest and loss of investment interest income.

[6] The Report to Audit Committee on 21 January 2014 identifies savings to date that have been reported to Cabinet on 29 July 2013 as £2.947m (these figures have subsequently been revised to £2.900m and these are used in the MTFS) plus the underspend on the Revenue Budget in 2012/13 of £0.657m, a total of £3.604m.

	2014-15 £	2015-16 £	2016-17 £	Total £
Budgeted External Borrowing Costs	163,000	160,000	159,000	482,000
Projected Borrowing Costs	163,000	203,000	357,000	723,000
Projected (Saving) / Cost	**0**	**43,000**	**198,000**	**241,000**
Capital Projects Revenue Implications	186,000	389,000	379,000	954,000
Total Revenue Implications	**£186,000**	**£432,000**	**£577,000**	**£1,195,000**

54. The Revenue Implications of the Capital Programme Bids total **£1.195m** over the period 2014-17 and include both costs and income for the bids together with additional financing costs for borrowing. Further details are provided below under the **Capital Strategy.**

55. The Localism Act also referred to has potential funding implications for the Indicative Capital Programme:

- **Community Infrastructure Levy (CIL)** - a tariff based developed contribution system, building on the principles of Section 106, bringing together funds that can be spent on community infrastructure. The tariff would be worked out by assessing the total costs of the infrastructure requirements of our Local Plan and applying a levy to each development. This may increase the amount of resources available to us.

56. For the MTFS (R&C) 2014-17 we have not estimated the value of any CIL funding to the Council for Capital Investment.

APPENDIX A

The Revenue Budget showing the Amount to be met from Government Grants and Local Tax Payers for the next 3 years

57. The Revenue Budget showing the Amount to be met from Government Grants and Local Tax Payers for the next **three** years, together with 2013/14 is set out in the table below:

GENERAL FUND TOTAL REQUIRMENT DISTRICT COUNCIL PURPOSES FOR FINANCIAL YEARS 2013/14 to 2016/17 ANALYSIS IN ACCORDANCE WITH THE AUTHORITY'S ORGANISATIONAL STRUCTURE					
BUDGET	**2013/14**		**2014/15**	**2015/16**	**2016/17**
	Approved Budget	**Revised Budget**	**Original Budget**	**Original Budget**	**Original Budget**
	£	**£**	**£**	**£**	**£**
Chief Executive	883,330	841,640	888,430	909,680	846,900
Finance, Revenues and Benefits	1,873,430	1,695,130	2,027,450	2,090,800	2,206,020
Leisure and Parks	2,977,680	3,099,580	3,256,140	3,198,150	3,368,610
Democratic, Development and Legal	1,605,110	1,981,900	572,300	665,300	806,860
Community, Health and Housing	2,313,260	2,209,850	2,251,740	2,282,690	2,369,400
Waste	0	0	1,606,350	1,646,570	1,739,040
Operational Services	1,525,580	1,602,760	0	0	0
Revenue Implications of the Capital Programme	0	0	186,000	432,000	577,000
Savings Required	0	0	0	(1,087,300)	(1,650,270)
Net Cost of Services	**11,178,390**	**11,430,860**	**10,788,410**	**10,137,890**	**10,263,560**
Net Treasury Position	63,460	(74,190)	62,470	59,110	57,440
Revenue Contributions to the Capital Programme	116,000	116,000	158,000	154,000	154,000
Net Operating Cost	**11,357,850**	**11,472,670**	**11,008,880**	**10,351,000**	**10,475,000**
Less : Transfer from General Reserve	(708,090)	(636,930)	(405,880)	0	0
Less : Transfer from Earmarked Reserves	(224,740)	(224,740)	(5,000)	0	0
Amount to be met from Government Grants and Local Taxpayers	**£10,425,020**	**£10,611,000**	**£10,598,000**	**£10,351,000**	**£10,475,000**
Retained Business Rates	(1,792,000)	(1,977,000)	(2,035,000)	(2,090,000)	(2,154,000)
Revenue Support Grant	(2,779,640)	(2,780,000)	(2,116,000)	(1,440,000)	(884,000)
Returned New Homes Bonus	(15,650)	(16,000)	(6,000)	(16,000)	(44,000)
Local Council Tax Support paid to Parishes	134,700	134,000	135,000	115,000	99,000
Council Tax Freeze Grant	0	0	(58,000)	(116,000)	(116,000)
New Homes Bonus	(716,360)	(716,000)	(1,196,000)	(1,504,000)	(1,959,000)
Collection Fund (Surplus) / Deficit	0	0	(63,000)	0	0
Council Tax Requirement	**(£5,256,070)**	**(£5,256,000)**	**(£5,259,000)**	**(£5,300,000)**	**(£5,417,000)**
Council Tax Base	**35,274**	**35,274**	**35,296**	**35,571**	**35,991**
Lichfield District Council Tax Requirement assuming a Council Tax Freeze in 2014/15 and 2015/16 and a 1% increase onwards	**£149.01**	**£149.01**	**£149.01**	**£149.01**	**£150.50**

58. The Operational Services Directorate has been restructured from 2014/15 onwards with waste becoming a separate Directorate and its remaining services being transferred to the following Directorates:

Directorate	**Most Significant Services Transferred**	**2014/15**	**2015/16**	**2016/17**
Leisure and Parks	Grounds Maintenance, Public Conveniences and Street Scene	508,120	528,570	574,970
Democratic, Development and Legal	Car Parks	(832,130)	(815,420)	(799,510)
Community, Health and Housing	CCTV and Emergency Planning	173,040	173,200	173,370

Resourcing our Investment Plans : the Capital Programme

59. The Capital Programme identifies all Capital projects approved by the Council in line with its Capital Strategy. The Capital Programme is updated either as a result of Cabinet approvals, or through delegation approved by the Council.

60. An indicative Capital Programme 2014-17 (including Revised Estimate 2013/14) is shown by top priority in **APPENDIX C** along with the schemes proposed to be funded from the Council's resources.

The Capital Strategy

Project Identification and Prioritisation

61. The Capital Programme is a rolling programme subject to change that identifies the Council's capital investment plans for both its assets and the wider community's needs to achieve its strategic aims and objectives.

62. Operationally, the Council manages its Capital Strategy through Service Managers and the Council's Leadership Team.

Project Prioritisation

- All new capital investment needs are identified using a standard Capital Investment needs document.
- These documents identified the project title, project director and directorate, project manager and Cabinet Member responsible for the project.
- They also included key project information such as reasons for the project, options considered and links to the corporate objectives together with the capital financial profile, revenue implications, project outputs and a risk assessment for the preferred option.
- The last Capital Programme review has been undertaken as part of this MTFS and both Cabinet and Leadership Team discussed all Capital Investment needs in a series of meetings, which also identified the impact on the Revenue Budget of the options under consideration.

Planning Obligations - Section 106

63. As part of the planning process in relation to planning obligations, the Council secures substantial financial contributions in relation to new developments. The vast majority is spent directly on infrastructure works, however there is an element of contributions, which afford an element of discretion on how they are allocated. These contributions towards social and community facilities are linked to the development proposed.

64. Whilst some of these financial contributions are very specific in terms of the projects on which they must be spent, a large proportion is to be allocated towards appropriate social and community schemes that result in time from the proposed development.

65. The Council's Capital Programme includes a number of projects that are to be funded by Section 106; this is a significant source of funding and there is a significant level of interest from the community in relation to the allocation of sums to projects.

66. The Council's Cabinet has approved a policy in relation to the allocation of these sums. This policy has improved the allocation process, making it more transparent and providing for a level of consistency in terms of allocation.

67. The introduction of the Community Infrastructure Levy (CIL) will mean that the current Section 106 processes will need to be updated to reflect this new source of capital investment funding.

The Disposal of Assets.

68. The Council has determined an asset disposal policy. This policy involves evaluating each asset that the Council owns against the following criteria to determine if ownership should be retained:

- The strategic aims that the ownership of the asset helps the Council to achieve
- The rate of return that the asset generates
- Whether disposal of the asset would further enhance the achievement of strategic aims

69. One example of this process was related to an area of land that the Council owned in the North Lichfield Area. The North Lichfield Action Plan identified in the area a shortage of health provision due to the size of the existing surgery. Therefore, the Council decided to sell this land for the provision of a new surgery with increased capacity.

70. Following the evaluation, an annual report is submitted to the Cabinet detailing the assets currently owned by the Council, the conclusions of the evaluation and assets that are recommended for disposal.

Project and Service Procurement

71. The Council has evaluated its procurement policies in line with best value requirements and the report 'Rethinking Construction'. The table below shows the five drivers of change identified within the report and the action the Council has taken or is taking to improve its procurement practices.

Driver for Change	**Lichfield District Council's Initiatives**
Committed leadership	• Clarity of decision making is provided through the roles of Cabinet being specified. • Committees have been set up to scrutinise the decisions of the Cabinet including the Capital Strategy.
A focus on the customer	• The design of major capital projects involves stakeholder participation at the design stage. • A number of major capital projects are or will be managed by a management board consisting of stakeholders.
Integrated processes and teams	• The Council requires the Projects in a Controlled Environment (PRINCE2) methodology be used to project manage all new major projects. • The Council engages in value engineering dialogue with appointed contractors to determine cost savings and quality enhancements in major capital contracts. • A risk management strategy to identify possible risks to successful outcomes and the ways these risks could be managed has been developed.
A quality driven agenda	• The Council has developed a procurement strategy.
Commitment to people	• The Council's Financial Regulations and Contract Standing Orders require within pre tender questionnaires a section for the evaluation of potential contractors' records on Health & Safety and environmental policies.

72. Increasingly, the design of a project and its objectives are determined in partnership with the future users of the project. This can be demonstrated in relation to the Lichfield Garrick:

- The project brief involved user organisations such as local arts groups.
- The chosen design has been based on the views of these focus groups and the public.
- This project has also been successful in securing demonstration project status under the Government's Movement for Innovation scheme, which aims to promote best practice in construction.

Project Implementation and Monitoring.

73. The project manager for each project is responsible for managing the project implementation and delivering its objectives. This monitoring is often in partnership with professional services such as architects and service users. Additionally, some projects are subject to external monitoring such as the Heritage Parks Project.

74. Project managers hold regular meetings with the parties involved in the procurement process, but increasingly, on larger projects such as Section 106 funded projects, meetings are held with the local community to inform them of progress, address any concerns and promote the project to potential users.

75. Member involvement in capital monitoring, in conformance with the requirements of the Local Government Act, consists of regular reporting on the Capital Programme, to Cabinet and Overview and Scrutiny Committees.

Performance Measurement.

76. The Council undertakes performance measurement in relation to capital investment in a number of different ways:

- ➢ As part of the project development, the project manager identifies the objectives that the success of the project will be measured against.
- ➢ Regular reports to Cabinet and the Overview and Scrutiny Committees in relation to the progress of major projects are undertaken.
- ➢ The Capital Programme and Funding Working Group undertake regular checking of project progress.

Post Project Appraisal.

77. When projects have been completed, the project manager completes a post project appraisal form or report (with larger projects, including those which benefit from external funding, having a report). The project appraisal form is reviewed by the officer group, with the larger projects being scrutinised by Members through Overview and Scrutiny. The lessons learned are applied either during project implementation or to future projects.

78. The outcome of projects is monitored through a number of mechanisms such as public consultation and customer feedback. However, in certain cases partners are actively involved in running the service via a Management Board and this enhances this monitoring.

APPENDIX C

Indicative Capital Programme 2014-17[7]

(Including Revised Estimate 2013/14)

Top Priority	2013/14		2014/15		2015/16		2016/17		Total
	Council Funded	Other Funding	Council Funded	Other Funding	Council Funded	Other Funding	Council Funded	Other Funding	
	£000		£000		£000		£000		
Theme 1 - We'll support local people	£184	£1,292	£0	£750	£151	£827	£152	£1,594	£4,950
Theme 2 - We'll shape local places	£79	£507	£0	£72	£0	£152	£0	£1,726	£2,536
Theme 3 - We'll boost local businesses	£534	£2,040	£0	£460	£0	£3,660	£0	£1,814	£8,508
How our core principals help us deliver	£146	£0	£866	£274	£5	£3	£4	£0	£1,298
TOTAL	**£943**	**£3,839**	**£866**	**£1,556**	**£156**	**£4,642**	**£156**	**£5,134**	**£17,292**
	£4,782		**£2,422**		**£4,798**		**£5,290**		
			£12,510						

Funding	2013/14	2014/15	2015/16	2016/17	Total
	£000	£000	£000	£000	£'000
Usable Capital Receipts	£827	£708	£2	£2	£1,539
Prudential Borrowing (including Finance Leases)	£1,981	£986	£2,909	£1,589	£7,465
Burntwood Leisure Centre Sinking Fund	£82	£45	£128	£80	£335
Other Sinking Funds	£0	£0	£0	£0	£0
Grants, Contributions and Section 106	£1,654	£475	£568	£2,882	£5,579
Revenue	£116	£158	£154	£154	£582
Earmarked Reserves etc.	£122	£50	£1,037	£583	£1,792
TOTAL	**£4,782**	**£2,422**	**£4,798**	**£5,290**	**£17,292**

SHORTFALL	**£0**	**£0**	**£0**	**£0**	**£0**

[7] Includes Council funded schemes, Grants, Contributions and Section 106 Funded Schemes, Sinking Funds and Earmarked Reserves. Council Funded schemes are from Usable Capital Receipts and the Revenue Budget.

Indicative Capital Programme 2014-17 by Theme[8]

(Including Revised Estimate 2013/14)

Capital Programme Expenditure	2013/14	2014/15	2015/16	2016/17	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
CL - Evolve Fitness Equipment (Friary Grange)	0	0	0	70	70
CHH - Accessible Homes (Disabled Facilities Grants)	148	0	151	82	381
CHH - Home Repair Assistance Grants	19	0	0	0	19
CHH - Energy Insulation Programme	8	0	0	0	8
DDL - Oakenfield Play Area Sinking Fund	9	0	0	0	9
Theme 1 - We'll support local people	**184**	**0**	**151**	**152**	**487**
LDV - Lichfield Parks Project (Stage 3)	-11	0	0	0	-11
DDL - Shortbutts Park, Lichfield	19	0	0	0	19
DDL - Capital Programme Management Costs	72	0	0	0	72
DDL - Burntwood Park	-1	0	0	0	-1
Theme 2 - We'll shape local places	**79**	**0**	**0**	**0**	**79**
LDV - Friarsgate Support	40	0	0	0	40
LDV - Lombard Street / Cross Keys Car Park	9	0	0	0	9
LDV - Friary Outer Development	266	0	0	0	266
LDV - Lichfield District Venture Project Management	75	0	0	0	75
LDV - City Centre - Enhancement of Public Areas	144	0	0	0	144
Theme 3 - We'll boost local businesses	**534**	**0**	**0**	**0**	**534**
OD - Information Technology Upgrades	128	866	5	4	1003
OS - Depot Sinking Fund	11	0	0	0	11
DDL - Asset Management - Health & Safety Issues	7	0	0	0	7
How our core principles help us deliver	**146**	**866**	**5**	**4**	**1,021**
TOTAL PROGRAMME	**943**	**866**	**156**	**156**	**2,121**

[8] Only includes Council funded schemes.

Indicative Capital Programme 2014-17 by Category[9]

(Including Revised Estimate 2013/14)

Capital Programme Expenditure	Director	Theme	2013/14			2014/15	2015/16	2016/17	Total 2014/17
			Spend to Date	Committed Spend	Budget £'000	Budget £'000	Budget £'000	Budget £'000	Budget £'000
LDV - Friary Outer Development	Richard King	We'll boost local businesses	252	0	266	0	0	0	0
DDL - Oakenfield Play Area Sinking Fund	Richard King	We'll support local people	0	0	9	0	0	0	0
LDV - Lichfield Parks Project (Stage 3)	Richard King	We'll shape local places	0	0	-11	0	0	0	0
LDV - City Centre - Enhancement of Public Areas	Richard King	We'll boost local businesses	1	1	144	0	0	0	0
OD - Information Technology Upgrades	Jane Kitchen	How our core principles help us deliver	77	10	128	866	5	4	875
Sub Total - contracts or legal agreements in place			**330**	**11**	**536**	**866**	**5**	**4**	**875**
CHH - Accessible Homes (Disabled Facilities Grants)	Helen Spearey	We'll support local people	143	0	148	0	151	82	233
Sub Total - statutory duty			**143**	**0**	**148**	**0**	**151**	**82**	**233**
CL - Evolve Fitness Equipment (Friary Grange)	Neil Turner	We'll support local people	0	0	0	0	0	70	70
DDL - Shortbutts Park, Lichfield	Richard King	We'll shape local places	4	0	19	0	0	0	0
DDL - Capital Programme Management Costs	Richard King	We'll shape local places	39	33	72	0	0	0	0
DDL - Burntwood Park	Richard King	We'll shape local places	0	0	-1	0	0	0	0
CHH - Home Repair Assistance Grants	Helen Spearey	We'll support local people	5	7	19	0	0	0	0
CHH - Energy Insulation Programme	Helen Spearey	We'll support local people	7	0	8	0	0	0	0
LDV - Friarsgate Support	Richard King	We'll boost local businesses	27	0	40	0	0	0	0
LDV - Lombard Street / Cross Keys Car Park	Richard King	We'll boost local businesses	0	0	9	0	0	0	0
LDV - Lichfield District Venture Project Management	Richard King	We'll boost local businesses	69	6	75	0	0	0	0
OS - Depot Sinking Fund	Neil Turner	How our core principles help us deliver	0	0	11	0	0	0	0
DDL - Asset Management - Health & Safety Issues	Richard King	How our core principles help us deliver	0	0	7	0	0	0	0
Sub Total - other projects			**151**	**46**	**259**	**0**	**0**	**70**	**70**
TOTAL PROGRAMME			**624**	**57**	**943**	**866**	**156**	**156**	**1,178**

[9] Only includes Council funded schemes.

APPENDIX C

Capital Programme 2014-17
Capital Programme Bids[10]

Evolve Fitness Equipment (Friary Grange)

To replace the fitness equipment at Friary Grange Leisure Centre. The Evolve : Fitness suite generates over £100,000 of membership income per year, and people join to use the fitness equipment. The suite was refurbished in 2005 and was kitted out with brand new Cybex equipment. This equipment will need replacing in the medium term.

Details	2014/15	2015/16	2016/17	Total
Total Spend			£70,000	£70,000

Funding	2014/15	2015/16	2016/17	Total
Other Funding Sources				
Council Funding Required			£70,000	£70,000

Details	2014/15	2015/16	2016/17	Total
Additional Revenue Implications	0	0	(£25,000)	(£25,000)

And what if we don't undertake this project?
If we don't replace the kit we lose customers, and it becomes more expensive to maintain.

Housing Investment

Housing investment consists of three projects in relation to Disabled Facilities Grants, Home Repair Assistance Grants and the Energy Programme "Warmer Homes Greener District".

Housing Investment - Disabled Facilities Grants (DFGs)

DFG's are used to fund adaptations in a person's home (eg. ramps, stair/vertical lifts, level access showers) to allow a disabled person to live in their home as an able-bodied person would; i.e. get in, out and around their home and use the facilities such as the bedroom, bathroom and kitchen.

The grants are means tested which means that only applicants in receipt of income-based benefits (job seekers allowance, income support etc) or where the disabled person is a child have the cost of the adaptation met in full. On average, 88% of applicants are not required to contribute towards the cost of the adaptation and others have to make a contribution themselves which averages at £1,230 per applicant.

We have a service level agreement with Metropolitan Care and Repair (MCR) Home Improvement Agency to deliver DFG's on our behalf.

1. **Statutory duty -** the District Council has a statutory duty to approve DFG's and if an application is properly made (ie. ownership of the property verified, confirmation by an Occupational Therapist (OT) that the works are appropriate and necessary to meet the needs of the disabled person, proof of means test, plans and estimates), the council cannot refuse the application and must proceed with practical delivery of the adaptation no later than 6 months after all of the necessary documentation and approvals have been obtained. In deciding whether to make a grant, an Authority is not permitted to have regard to their own financial resources *(case law R v Bham City Council, 1999).* Failure to comply with this statutory duty may result in legal action against the council for the cost of the works and damages, together with a detrimental impact on the council's reputation.
2. **Quality of life** - typically, someone in need of a DFG finds it difficult to get into and around their home or use the facilities within it. They may need to be carried into their home and unable to use the stairs. They may have a bed downstairs, be unable to use the bath (so rely on a strip wash in the kitchen), be unable to use their toilet and rely on a chemical toilet and if in a wheelchair may struggle to cook or access the power sockets or heating controls. For disabled children there is the additional issue that the use of the home by other family members may impact on the type of adaptation that is appropriate and there is often the need to build an extension for an additional bedroom.

[10] Only includes Council Funded Schemes.

3. **Demographics -** people are living longer and there are a growing number of elderly people becoming frail and needing help to live safely at home. Within Lichfield District, the population profile when compared to the West Midlands average shows a higher proportion of older working people and older retired people[11] at the same time, life expectancy for Lichfield residents is good so more people will be living for longer but at the same time become physically frailer. However, DFGs are available to disabled people of all ages, young and old.
4. **Cost -** the economics of ageing means that there will be inadequate resources to accommodate frail, elderly people in residential and nursing homes and consequently more people will need to be supported to stay living within their own homes. Both national and county policy recognizes the need to reform the adult social care system and develop a single community based approach; providing accessible and appropriate 'lifetime' housing is a key element of this. It costs 3 times more to raise a disabled child[12] on top of the difficulty in combining caring and working, which if their home is unsuitable makes life even more difficult for the family which could result in family breakdown and/or the need for residential care for the child.

5. **Current Activity Level –** The following table details the current situation in 2013/14 at 4 November 2013.

	Case Status	Number of Cases	Value
	SSOTPT[13] Adult OT Waiting List	216	£1,469,000[14]
	SCC[15] Children's OT Waiting List	32	£266,000[16]
	Total waiting list	**248**	£1,735,000
	Pending[17]	7	£126,000
	In Preparation[18]	15	£161,000
	Approved / Works in Progress	22	£242,000
	Completed	45	£279,000
	Total in progress and completed	**89**	£808,000
	OVERALL TOTAL	**337**	**£2,543,000**

Adult cases are initially assessed by an OT Assistant (OTA) to consider whether their needs can be met through equipment (eg bath lift/hoist), or minor adaptations costing less than a £1000 (eg grab rails, hand rails, half steps, small ramps) which are funded through SSOTPT & SCC. There are currently **110** people awaiting assessment by an OTA and past experience has shown that an average of 60% will be assisted through this route and the remaining 40% (ie **44** of the 216 cases) will result in a DFG application after being assessed by an OT.

There are currently **129** adults waiting assessment by an OT, together with **100** adults that have already been allocated and in the process of being assessed. Experience shows that 75% of these will result in a DFG application (ie **172** people of the 216).

For children, the whole assessment process is done by an OT. There are currently **42** cases being assessed and from experience 75% (**32**) of these will result in a DFG application.

There is therefore currently a total **248** people either in the process of being assessed or waiting for an assessment with SSOTPT & SCC who are likely to be eligible for a DFG. It should be noted that these numbers do not include people who live in Fazeley & Mile Oak who are covered by the OT team for the Tamworth area and while their waiting list is of a similar size they are unable to determine the exact number of Lichfield residents on their list.

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[11] Source: Southern Staffordshire Districts Housing Needs Study & SHMA Update 2012 - NLP
[12] Source: Counting the costs 2012 by the charity Contact a Family which offers support for families with disabled children.
[13] Staffordshire and Stoke on Trent Partnership Trust
[14] Based on an average grant of £6,800 over the last 2 ½ years
[15] SCC – Staffordshire County Council
[16] Based on an average grant of £8,300 over the last 2 ½ years
[17] Pending cases are new enquiries that have not yet been assigned to a project worker for preparation.

[18] These are cases those that are at design stage or are out to tender and it is likely that all of these will result in applications.

The waiting list of **248** compares to only **70** cases on the waiting list a year prior to this at October 2012. Feedback from SSOTPT and SCC is that they are seeing an increase in the number of people enquiring about adaptations which they expect to continue in the next 12 months.

We receive an average of **110** DFG referrals a year from the adults & children's OT teams and complete an average of **88** DFG's per year[19].

Cases that do not proceed to practical delivery are usually due to the means test (where the applicant is unable to make their contribution to the cost) or due to a change in the client's circumstances meaning that the adaptation is no longer appropriate or required. Some cases may be placed into 'pending' on a temporary basis for example whilst alternative sources of funding are sought when an applicant can't afford their assessed contribution, where there is a change in the person's health condition or where an applicant is pursuing their own preferred part-funded scheme, however most of these cases will proceed to completion over time.

This financial year, there are a total of 89 grant applications that have been either completed or are in progress with a total value of £808,000. The budget available for 2012-13 (LDC capital plus government grant) is **£584,000** and currently (as at November 2013) **£521,000** has already been committed (see 5 and 6 in the table above).

It is expected that the budget for 2013-14 will be fully allocated by the end of November 2013, meaning that no further grants can be approved for practical delivery until the next financial year which means a waiting-time of 4-5 months for some of the 22 applications in rows 3 and 4 of the table.

By April 2014, there is the potential financial commitment of **£287,000** if all of the 22 cases proceed to an application being made. In addition to this there will be referrals received from the OT's between November 2013 and March 2014, which, based upon previous years and average grant values, is likely to be 45 cases with a potential additional financial commitment for 2014-15 of **£306,000.**

Details	**2014/15**	**2015/16**	**2016/17**	**Total**
Total Spend	£612,000	£800,000	£800,000	£2,212,000

Funding	**2014/15**	**2015/16**	**2016/17**	**Total**
Other Funding Sources (Disabled Facilities Grant)	£343,000	£421,000	£421,000	£1,185,000
Council Funding Required	£269,000	£379,000	£379,000	£1,027,000

Details	**2014/15**	**2015/16**	**2016/17**	**Total**
Additional Revenue Implications	£0	£0	£0	£0

And what if we don't undertake this project?
It is considered very unlikely that the District Council would decide to completely stop delivering adaptations via DFG's given that this is a statutory duty. However, the amount we invest dictates the size of the programme and the lower the investment, the more people will wait for a longer period of time before their needs can be met. A significant reduction in investment could mean that the Council is no longer able to meet its statutory duty to approve disabled facilities grant funding within 6 months of the date of application, leaving LDC open to legal challenge. Based on an annual LDC contribution of £218,000 and an assumed Government Grant of £327,000, we would be able to provide approximately 80 adaptations per year[20]. The Council has no dedicated officer to support the DFG programme since 2009 when the grant officer post was removed as a result of that years expenditure review. Increases in the waiting list will inevitably result in more enquiries and complaints/MP letters which we will need to respond to which will impact upon officer time as well as the need to manage the approvals waiting list more pro-actively. In addition to this from 2014 the Council will use a county procured service with a new provider which will run the service across the whole county. We anticipate that this will take up additional staff time in monitoring the new service until it becomes more established.

[19] Based upon the average of 2010-2013
[20] Based upon an average grant of £6,800

APPENDIX C

Home Repair Assistance Grants

Home Repair Assistance (HRA) grants are used to make urgent repairs to a property which is in such poor condition that it is a dangerous place to live and prejudicial to health. The maximum grant available is £5k and applicants are means tested so that only those in receipt of income-based benefits (job seekers allowance, council tax benefit etc) or disability benefits are eligible to receive a grant. All HRA grant awards are placed as a land charge against the property for a 10 year period following completion of works, meaning that if the property is sold within that period the money is re-paid. The project is delivered through a SLA with Metropolitan Care & Repair (MCR), with any chargeable fee funded from the HRA grant.

1. **Statutory duties** - (a) the Council has a duty to implement the Housing Health and Safety Rating System which means that when a property comes to our attention which presents a serious (category 1) hazard to the occupier or visitors, we have a duty to take enforcement action to remedy the identified problem(s). If the owner cannot afford to make the necessary repairs, the District Council is required to do so 'in default'. The HRA grants help to fund carrying out works in these circumstances.

(b) if the hazard cannot be remedied and the property becomes uninhabitable, the occupier could become homeless and the council's duty under homelessness legislation would be activated.

2. **Risk to life / health** - typically, a person in need of a HRA grant is an owner occupier and is on a very low income and is usually elderly or vulnerable. Their property has not been maintained and now represents a serious risk to their health (e.g. it is letting in rain through the roof, the ceiling is collapsing, the floor is rotten, the wiring[21] is in a dangerous condition, the toilet is broken etc).

3. **Demographics -** there is a growing number of elderly people in the district, some of whom are vulnerable and living on very limited means. Many find it difficult to adequately maintain their property, and so there will always continue to be the need for a 'safety net' for those who require urgent assistance.

Details	**2014/15**	**2015/16**	**2016/17**	**Total**
Total Spend	£20,000	£20,000	£20,000	£60,000

Funding	**2014/15**	**2015/16**	**2016/17**	**Total**
Other Funding Sources				
Council Funding Required	£20,000	£20,000	£20,000	£60,000

Details	**2014/15**	**2015/16**	**2016/17**	**Total**
Additional Revenue Implications	£0	£0	£0	£0

And what if we don't undertake this project?
1. There will be older, vulnerable people living in dangerous conditions at serious risk of accident and injury that we cannot assist. 2. There is a greater likelihood of homelessness for occupiers of dangerous properties; we are likely to have a statutory responsibility to rehouse (and a potential revenue liability for bed and breakfast accommodation).

Energy Insulation Programme "Warmer Homes Greener District"

This programme provides a strategic approach to help all householders to improve the energy efficiency of their homes with a particular emphasis on helping those families on low incomes and living in fuel poverty[22]. The Programme, 'Warmer Homes, Greener District', was established in 2007 following a successful bid to DEFRA's Community Energy Efficiency Fund (CEEF). It is currently delivered in partnership with a charity called Beat the Cold and a social enterprise called Marches Energy Agency.

[21] Many homes in Lichfield District were built in the 1950s and 1960s and therefore require rewiring.
[22] The definition of fuel poverty used is when a household has to spend 10%+ of their income on fuel

1. **Fuel poverty -** based on 7000 benefit claimants within the district, it is estimated[23] that there are approximately 2660 private sector households living in fuel poverty; it is anticipated that this number will increase due to the recession and pressure on fuel prices.

2. **Fuel prices -** increases in fuel prices combined with the impact of the recession and welfare reforms mean that all households are facing rising fuel bills which puts additional pressure on household incomes
3. **Inward investment** - the WHGD Programme has increased in the uptake of energy efficiency measures, and brought in additional funding from energy suppliers through their Carbon Emission Reduction Target (CERT). Over the lifetime of CERT (from March 2008 to December 2012) at least £200k of inward investment has been achieved which has funded over 2,000 loft and cavity wall insulations. This positive outcome was a direct result of the WHGD marketing campaign. The ending of CERT in 2012 and the introduction of the Green Deal and Energy Company Obligation (ECO) means that a change in emphasis to supporting vulnerable people to access the new funding streams is needed for the programme moving forward.
4. **CO2 / carbon reduction** - we are committed to reducing carbon emissions and this programme contributes towards the achievement of this objective

5. **Let's Work Together** – this project is a District Board priority to deliver a joined up approach across a number of agencies to enable the risk assessment of vulnerable people including those at risk of fuel poverty and the WHGD programme is a key part of this.

Details	**2014/15**	**2015/16**	**2016/17**	**Total**
Total Spend	£30,000	£30,000	£30,000	£90,000

Funding	**2014/15**	**2015/16**	**2016/17**	**Total**
Other Funding Sources	£20,000	£20,000	£20,000	£60,000
Council Funding Required	£10,000	£10,000	£10,000	£30,000

Details	**2014/15**	**2015/16**	**2016/17**	**Total**
Additional Revenue Implications	£0	£0	£0	£0

And what if we don't undertake this project?
If the programme is discontinued, the number of people in fuel poverty will continue to increase and target reductions in CO2 won't be achieved.

APPENDIX C

[23] Taking account of national averages and the results of LDC's 2010 Stock Condition Survey

Canal Culvert at Huddlesford

The refurbishment of an 18th Century symphonic culvert underneath the canal at Huddlesford. The Canals and River Trust have provided evidence of an historic agreement with LDC which requires us to maintain the culvert. The agreement was made in the 1980s at the time of the Boley Park construction. LDC records have confirmed the existence of this agreement, but no funds were set aside for this. Minor works have already been carried out to maintain the flow of water, but a visual inspection has identified substantial deterioration of the brick work from which the culvert is constructed.

Details	2014/15	2015/16	2016/17	Total
Total Spend		£100,000		£100,000

Funding	2014/15	2015/16	2016/17	Total
Other Funding Sources				
Council Funding Required		£100,000		£100,000

Details	2014/15	2015/16	2016/17	Total
Additional Revenue Implications	£0	£0	£0	£0

And what if we don't undertake this project?
We will be increasing the potential flood risk and exposing the Authority to possible claims resulting from negligence. A total collapse is unlikely, but if this did occur it could cause major disruption to the canal network.

Stowe Pool and Fields Restoration

To restore and improve Stowe Pool and Fields to the standard of the other historic parks.
Stowe Pool and Fields were excluded from the scope of the historic parks project, even though they form an integral part of the linear parks and open spaces of Lichfield city centre.
There has been no major works to this area for many years and the environment looks tired, the infrastructure is dated and nearing the end of its useful life.
In consequence, despite its wonderful location betwixt the Cathedral and St Chads it is underused and has more to offer as part of our tourism and leisure mix.
The project has secured £45,000 from S106 which can be used as matched funding for lottery money. This sum would help us potentially attract up to £950,000 from the Lottery.
Works could include; resurfacing of paths; new benches, signs and bins; better play equipment; interpretation; restoration of the boat house; the provision of new landing stages; landscaping; reservoir works; and works to the bridge.

Details	2014/15	2015/16	2016/17	Total
Total Spend		£50,000	£500,000	£550,000

Funding	2014/15	2015/16	2016/17	Total
Other Funding Sources (Section 106 and Heritage Lottery)		£45,000	£500,000	£545,000
Council Funding Required		£5,000		£5,000

Details	2014/15	2015/16	2016/17	Total
Additional Revenue Implications	£0	£0	£0	£0

And what if we don't undertake this project?
If we don't submit the bid to the lottery we can use the S106 to make some modest improvements to the area.

APPENDIX C

Friarsgate

The financial implications related to the implementation of the Friarsgate scheme.
The Friarsgate scheme would generate additional commercial (214,000 sq ft) and residential (27,220 sq ft) content together with a new multi deck car park.

Details	2014/15	2015/16	2016/17	Total
Total Spend	£413,000	£1,290,000	£1,340,000	£3,043,000

Funding	2014/15	2015/16	2016/17	Total
Other Funding Sources (Multi Storey Reserve)		£1,000,000	£500,000	£1,500,000
Council Funding Required	£413,000	£290,000	£840,000	£1,543,000

Details	2014/15	2015/16	2016/17	Total
Additional Revenue Implications	£93,000	£301,000	£314,000	£708,000

And what if we don't undertake this project?
The main alternative option is not to continue with the delivery of Friarsgate and to terminate the development agreement. This will mean that delivery of a retail/leisure development on this site is unlikely to come forward in the medium/long term. The mothballing of the scheme will also give the Council a number of issues to deal with. Most notably this includes the issue of the structural condition of the multi storey car park which underwent repair work to retain the structure until at least 2015. If the Friarsgate development did not go ahead, and it was found that additional repair works were required to the structure, this could have a significant cost to the Council, not only in terms of monies to fund repair works (for which the sinking fund would be utilised) but also on car parking within the city. There is a legal agreement with Orchard Street to provide the car parking spaces either in the existing Multi Storey Car Park or through a new car park.

Fazeley : Townscape Heritage

To facilitate the regeneration of part of the Fazeley Town Centre Conservation Area.
The aim of a Townscape Heritage project is to promote and encourage investment in under-used and neglected historic buildings. There is a clear conservation need within Fazeley Town Centre. Fazeley & Bonehill Conservation Area was deemed at risk in 2009 and reported to English Heritage. This is the only Conservation Area within the District at risk. In 2013 six buildings were identified at risk and one was identified as vulnerable this is the greatest concentration within the District. The conservation need has a direct impact on the economic viability and vitality of the Town Centre.
This project will encourage investment in under-used and neglected historic buildings. The completion of the works will help increase investor confidence in the economic vitality of the area. There will be investment in the skill base of local businesses and the community and there will be a reduction of the number of buildings at risk within the District.

The project will fulfill the general duties to preserve and enhance as outlined within Section 71 and 72 of the Planning (Listed Buildings and Conservation Areas) Act 1990.

Policy Faz1 of the emerging Local Plan, states;

Initiatives to improve the local environment will be supported, in particular enhancement of the physical environment; bringing derelict buildings back into re-use; improvements to traffic and pedestrian safety: physical improvements to the town centre emanating from Fazeley crossroads and especially Coleshill Street.

The project requests the use of the reserves of the Historic Building Grant budget £34,000 which can be used as matched funding for lottery money. This sum would help us potentially attract up to £950,000 from the Lottery.

Note: Mechanisms for Delivering Townscape Heritage Funding

Building owners can apply to the project partnership for funding to improve their properties. Depending on the scope of the works a percentage of the costs are provided for the TH funding, the remaining funding gap is met by the owner.

Details	2014/15	2015/16	2016/17	Total
Total Spend	£72,000	£2,000	£1,226,000	£1,300,000

Funding	2014/15	2015/16	2016/17	Total
Other Funding Sources (Heritage Lottery Fund)	£69,000	£2,000	£1,195,000	£1,266,000
Council Funding Required (Historic Building Grant)	£3,000		£31,000	£34,000

Details	2014/15	2015/16	2016/17	Total
Additional Revenue Implications	£0	£0	£0	£0

And what if we don't undertake this project?
Continued degradation of the Fazeley Town centre infrastructure, restricting its ability to remain economically viable. The Conservation Area will remain at risk and it is likely that the number of listed buildings at risk would increase (August 2013 six buildings were classed at risk with one identified as vulnerable).

Information, Communications and Technology Investment

The Council is experiencing a number of core challenges in relation to its use of Information Technology (IT) that need to be addressed. The core challenges are:

- The end of support by Microsoft for Windows XP and Office 2003.
- The threat of disconnection from Central Government networks by the Cabinet Office.

Details	2014/15	2015/16	2016/17	Total
Total Spend	£1,140,000	£8,000	£4,000	£1,152,000

Funding	2014/15	2015/16	2016/17	Total
Other Funding Sources				
Council Funding Required	£1,140,000	£8,000	£4,000	£1,152,000

Details	2014/15	2015/16	2016/17	Total
Additional Revenue Implications	£92,000	£92,000	£94,000	£278,000

The Report related to **ICT – Looking to the Future** on this Agenda has some slightly lower figures than the ones included above in the MTFS (R&C) 2014-17. This difference is due to some late changes to the proposed programme that is not sufficiently material to necessitate any changes to the MTFS (R&C) 2014-17 being made at this stage.

ICT - Looking to the Future	2014/15	2015/16	2016/17	Total
Total Spend	£1,122,000	£27,000	£4,000	£1,153,000
Additional Revenue Implications	£68,000	£69,000	£70,000	£207,000

And what if we don't undertake this project?
Security updates to Windows XP and Office 2003 will cease on 8 April 2014 meaning that from that date the council is vulnerable to viruses and malware that utilise any security holes that emerge after that date. If personal data is stolen then the Council will risk being fined by the Information Commissioner. The Cabinet Office has also said they will disconnect Council's that are still running these systems in September 2014. The removal of the link to Central Government will prevent the Benefits team from getting the information they need to complete residents' benefits applications. The Council will also not be able to connect to the Electoral Commissions Individual Elector Register, causing problems with future elections.

APPENDIX C

Refurbishment of Bird Street Car Park Surface

To refurbish the car park to ensure continuing usability of the facility because the current surface is thought to be at least 25 years old and shows advanced signs of coming to the end of its useful life.

Details	2014/15	2015/16	2016/17	Total
Total Spend		£153,000		£153,000

Funding	2014/15	2015/16	2016/17	Total
Other Funding Sources				
Council Funding Required		£153,000		£153,000

Details	2014/15	2015/16	2016/17	Total
Additional Revenue Implications	£1,000	(£4,000)	(£4,000)	(£7,000)

And what if we don't undertake this project?
We will be exposing the Authority to the risk of personal injury claims and also damage our relationship with our partners in Town Team, etc.

Capital Programme Bids Summary

Project	2014/15 £	2015/16 £	2016/17 £
Total Spend	£2,287,000	£2,453,000	£3,990,000
Other Funding Sources	(£432,000)	(£1,488,000)	(£2,636,000)
Total Council Funding Required	£1,855,000	£965,000	£1,354,000
Total Revenue Implications	£186,000	£389,000	£379,000

APPENDIX D

Chief Financial Officer (CFO) Report on Robustness of the Budget and Adequacy of Reserves - Supporting Information

Context

1. In accordance with the Local Government Act 2003 (Sections 25-27) and to comply with CIPFA Guidance on Local Authority Reserves and Balances, the CFO is required to formally report to Members on the robustness of the Budget and the adequacy of Reserves. The CFO is appropriately qualified under the terms of Section 113 of the Local Government Finance Act 1988.

Adequacy of Reserves

2. The CFO assesses and determines the appropriate level of Reserves and Provisions using a variety of mechanisms, including :
   - Being significantly involved in the Budget setting process, the annual financial cycle, and engaged in the strategic leadership of the organisation as a member of the Leadership Team including wider corporate roles beyond that of finance;
   - Leading and writing on the annual revision of the Medium Term Financial Strategy (MTFS);
   - Challenging the budget at various stages of preparation, including the reasonableness of the key budget assumptions and sensitivities such as estimates for inflation and corporate financial pressures, realism of income targets and the extent to which known trends and liabilities are provided for;
   - Meetings with specific colleagues to examine particular areas or issues;
   - An in-depth review of the financial risks assessment;
   - Review of the movements, trends and availability of contingency, provisions and earmarked reserves to meet unforeseen cost pressures in the context of future pressures and issues;
   - The use of professional experience and best professional judgement;
   - The use of appropriate professional, technical guidance and local frameworks;
   - Knowledge of the colleagues involved in the process, particularly finance professionals, including their degree of experience and qualifications;
   - Review of the strength of financial management and reporting arrangements, including internal control and governance arrangements.

   This is undertaken in consultation with relevant colleagues and Members of the Cabinet.

3. It is prudent for Councils to maintain an adequate "working balance", that is part of General Reserves. A risk assessment approach is used to determine the required level of General Reserves and Provisions.

4. The Council's aim is to have a prudent level of General Reserves available for unforeseen financial risks. The Council has established opening General Reserves of **£2,953,930**; the precise level is determined by risk assessment. The minimum level of Reserves for 2014/15 onwards is **£1,000,000.** This is **9.6%** of the amount to be met from Government Grants and Local Taxpayers[24].

5. In recommending an adequate level of Reserves, the CFO considers and monitors the opportunity costs of maintaining particular levels of Reserves and Balances and compares these to the benefits accrued from having such Reserves. The opportunity cost of maintaining a specific level of Reserves is the 'lost' opportunity for example, of investing elsewhere to generate additional investment income, or using the funds to invest in service improvements.

6. In assessing this, it is important to consider that Reserves can only be used once and are therefore potentially only "one off" sources of funding. Therefore, any use of General Reserves above the lower minimum threshold is only ever used on one-off items of expenditure. The level of Reserves is also determined by use of a comprehensive risk assessment to ensure they represent an appropriately robust "safety net" that adequately protects the Council against potential unbudgeted costs.

24 Cabinet 8 February 2013. The Medium Term Financial Strategy (Revenue and Capital) 2013-16 (Revenue and Capital).

APPENDIX D

Use of General Revenue Reserves

7. The above assessment demonstrates that General Revenue Reserves are at an appropriate level as determined in accordance with the Medium Term Financial Strategy and the CFO's professional advice. The Medium Term Financial Strategy allows any Reserves above the level required by the Strategy to be used to fund one-off items of expenditure. No General Revenue Reserves below the minimum threshold are being used to support the 2014/15 budget and beyond.

8. CIPFA guidance (LAAP 55) provides two methods of determining the minimum level of Reserves. Lichfield District Council uses the method based on risk assessment. The approach to the risk assessment of Reserves has taken into account CIPFA guidance (LAAP 77) (Guidance note on Local Authority Reserves and Balances).

9. The table below shows the financial risk assessment made for **2014/15**:

Activity Area	Explanation of Risk/ Justification of Balances	Level of Risk : Impact/Likelihood	2014/15 Reserve Amounts £
Bad Debts	Increase in Council Tax & Business Rates Arrears due to the changes in Local Government Finance	Significant/Medium	270,000
Other Income	Risk of Unexpected Income Losses	Significant/Medium	130,000
Car Parking Fees	Reduction in Customer Demand	Significant/Medium	100,000
Leisure Centres	Reduction in Customer Demand	Significant/Medium	140,000
Commercial Rents	Reduction in Income	Significant/Medium	340,000
Civil Contingency	To meet any Civil Contingency that may arise	Significant/Medium	20,000
Total Minimum Reserves			**£1,000,000**

Earmarked Reserves (Usable Reserves)

10. A review of the level of Earmarked Reserves has been undertaken as part of the annual budget preparation. For each Reserve established, the purpose, usage and basis of transactions has been identified. Earmarked Reserves have been set aside for specific policy purposes :

Reserve	**Reason for Reserve**	**Balance as at 1 April 2013 £**	**Commitment / (Contribution)as at 30 November 2013 £m**	**Remaining Balance £m**
Revenue				
Specific Projects	To finance specific capital and revenue projects	**(1,684,261)**	**322,261**	**(1,362,000)**
Grant Aid	To provide assistance to Historic Buildings, Nature Conservation and Biodiversity projects	**(55,569)**	**-**	**(55,569)**
District Council Elections	This reserve is required to ensure sufficient resources are available to meet the District Council Elections	**(97,779)**	**-**	**(97,779)**
Public Open Spaces	To fund the cost of equipment in public open spaces	**(5,534)**	**-**	**(5,534)**
Capital				
Birmingham Road Car Park	Provides for future capital works to the car park.	**(1,245,393)**	**(120,607)**	**(1,366,000)**
Lombard Street Car Park	Provides for future asset maintenance works	**(34,000)**	**-**	**(34,000)**
Capital Grants Unapplied	The Capital grants reserve is to meet specific capital grant expenditure in future years	**(1,247,555)**	**-**	**(1,247,555)**
Capital Receipts Reserve	The usable capital receipts reserve represents capital receipts available to finance capital expenditure in future years in accordance with best practice	**(1,882,107)**	**-**	**(1,882,107)**
Revenue and Capital Earmarked Reserves Total		**(£6,252,198)**	**£201,654**	**(£6,050,544)**

APPENDIX D

11. The Council also holds other Unusable Reserves that arise out of the interaction of legislation and proper accounting practice :

Legislation and Proper Accounting Reserves				
Unusable Reserve	**Reason for Reserve**	**Balance as at 1 April 2013 £**	**Commitment (Contribution) as at 30 November 2013 £**	**Remaining Balance £**
The Pension Reserve	This is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with the scheme requirements and the net change in the authority's recognised liability under IAS19 (FRS 17).	**31,246,000**	**-**	**31,246.000**
The Revaluation Reserve	This is a reserve that records unrealised gains in the value of fixed assets including available for sale reserve	**(5,614,228)**	**-**	**(5,614,228)**
The Capital Adjustment Account	This provides a balancing mechanism between the different rates at which assets are depreciated under the Statement of Recommended practice(SORP) and are refinanced through the capital control system	**(41,144,366)**	**-**	**(41,144,366)**
Differed Capital Reserve	This item consists of principal outstanding on the sale of council houses properties sold on a mortgage.	**(69,777)**	**-**	**(69,777)**
Collection Fund Adjustment Account	This is requires under the Statement of Recommended practice (SORP) for Council Tax & Non Domestic rates accrued income.	**(5,338)**	**-**	**(5,338)**
Accumulated Absences Account	This is a specific accounting mechanism used to reconcile employee benefits (accrued holiday entitlements) under IAS 19	**220,417**	**-**	**220,417**
Legislation and Proper Accounting Reserves Total		**(£15,367,292)**	**-**	**(£15,367,292)**

Further details are provided in the Statement of Accounts 2012/13 : see web link http//www.lichfielddc.gov.uk/downloads/file/5479/2013_statement_of_accounts

The **CFO** has been involved throughout the entire budget process, including revising the Medium Term Financial Strategy, input to the drafting of the Budget, the ongoing financial monitoring and reporting process, evaluation of investments and savings, engagement with Members of the Cabinet and Scrutiny, advising colleagues, the strategic choices activities, the public consultation process, challenge and evaluation activities, and scrutiny of the budget. The following sections of this statement outline particular activities and documents.

Process - a robust Budget process has been used within the overall context of the Medium Term Financial Strategy. The process, timetable and the overall Budget framework were approved by Cabinet.

Timetable - the process started in June 2013 and the draft Budget was completed in December 2013 prior to the Provisional Financial Settlement for Local Government 2014/15. This enabled formal scrutiny of the budget making process in January 2014. The final Budget is due to be set at Council on 4 February 2014, well within the statutory deadline.[25]

Member involvement and Scrutiny - formal Member involvement has been extensive, particularly through the Cabinet in conjunction with Leadership Team. Scrutiny panels have met and have reported in their recommendations and comments to Strategic Overview & Scrutiny Committee, which has fed upwards to Cabinet.

Consultation - internally and externally, has been comprehensive.

[25] Statutory deadline date for setting Council Tax is by 11 March 2014.

APPENDIX D

Challenge - there are various points of challenge at various stages of the Budget, meetings of Leadership Team, various Directorate Management Teams, Cabinet and the Scrutiny process itself.

Budget monitoring - reports continue to be submitted to Cabinet, Leadership Team and Directorate Management Teams across the Council throughout the year.

Localism Act - Right to approve or veto excessive Council Tax rises - The Secretary of State will determine a limit for Council Tax increases for 2014/15 when the Final Settlement is debated in Parliament in February 2014. If an Authority proposes to raise taxes above the limit they will have to hold a referendum to get approval for this from the local voters who will be asked to approve or veto the rises.

Ownership and accountability - the Budget has progressed through various stages including review by management within services and Leadership Team. Budget holders were sent copies of budget estimate working papers for their respective areas of service responsibility.

Current financial position - the Budget is a statement of financial intent, reflecting the Council's vision, plans and priorities. It also sets the financial spending parameters for each financial year and as such, the CFO assessment of the adequacy of Reserves, also includes the risk of services overspending and/or under-spending their budgets and the impact of this on the financial health of the Council and its level of Reserves. The current financial position has been reported on consistently throughout the year.

Key assumptions - The pay and prices used in the Budget are derived from current intelligence, are considered appropriate and compare with those used by other Councils. Fees and charges have been reviewed and changes are reflected in the overall budget. The Capital Receipts to be used for the Capital Programme are based on estimates of both timing and value.

Financial risks - the Council continue to use an embedded good practice risk assessment approach both when setting the Budget and in validating estimated outturns. This continues for the 2013/14 outturn and 2014/15 plus Budget. The minimum level of General Reserves is considered to be adequate to cover all but the most unusual and serious combination of risks.

Summary

Opinion of Chief Financial Officer on the Adequacy of Reserves and the Robustness of the Estimates

I am of the opinion that, for a Council of this size and with our recent record of prudent spending, effective Risk Management, robust budgeting and effective Budget monitoring and control, a General Minimum Reserve level of **£1,000,000** is adequate.

APPENDIX E

Cash Flow Forecast for 2014/15

Investments at 31 December 2013

The table below shows a breakdown of our investments as at the end of the 3rd Quarter using the lowest acceptable credit rating as a guide to the quality of the investment counterparty.

Counterparty	Principal £m	Matures	Days to Maturity	Rate %	Credit Rating	Foreign Parent
Money Market Funds						
Ignis	1.50	01-Jan-2014	1	0.40%	AAA	
BNP Paribas	1.50	01-Jan-2014	1	0.39%	AAA	
Federated Prime Rate	0.15	01-Jan-2014	1	0.36%	AAA	
Other Counterparties						
Barclays Bank	2.00	30-Oct-2014	303	0.84%	A	
NatWest	1.50	01-Jan-2014	1	0.50%	A-	
Northumberland County Council	1.20	24-Sep-2014	267	0.90%	AAA	
Lloyds Bank	2.00	13-Mar-2014	72	0.80%	A	
Nationwide	2.00	02-Apr-2014	92	0.72%	A	
Santander	2.00	01-Jan-2014	1	0.40%	A	Yes
Standard Chartered	2.00	19-Mar-2014	78	0.52%	A+	
Total	**15.85**					

The aim for the risk status of our portfolio is **A-** or a higher credit rating. This reflects our current investment approach with the main focus on security and the safe return of our investments. Our risk rating at 31 December 2013 had a more secure risk status of **AA-** based on the length of the investment and **AA-** based on the value of the investment.

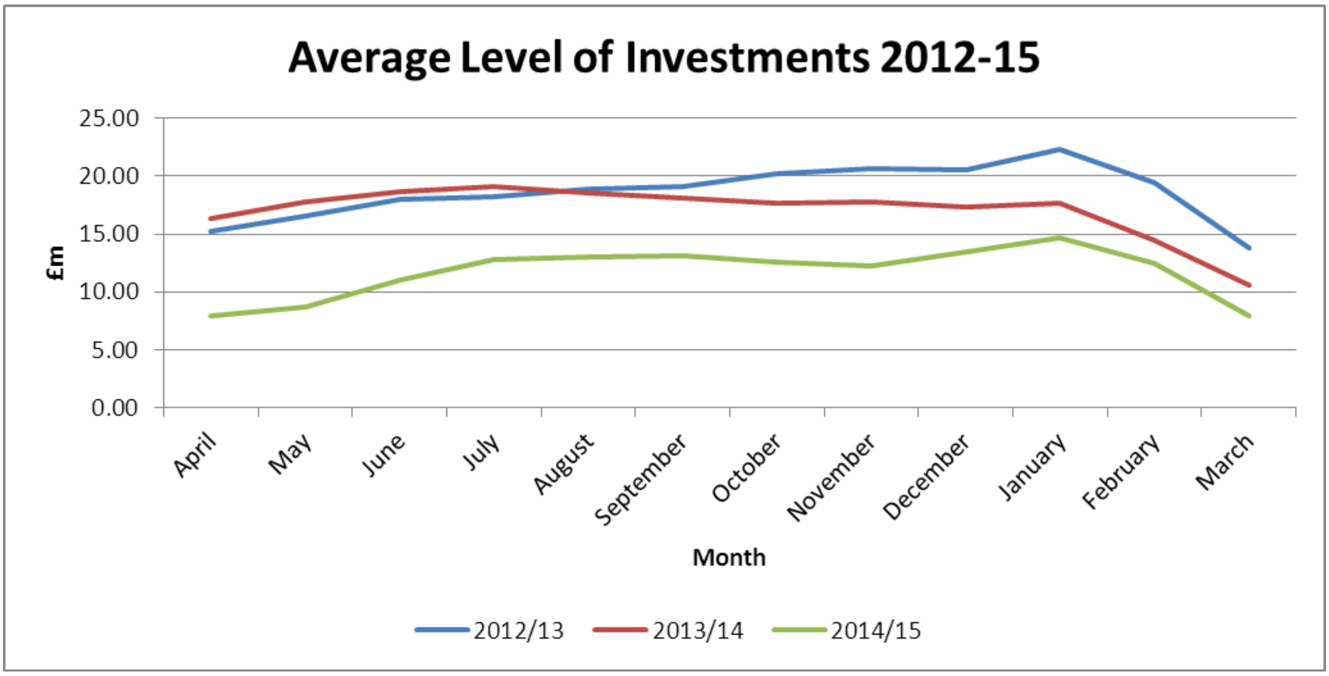
Detailed Cash flow for 2014/15 (figures may not sum due to rounding)

	2014/15 (£m)												
Detail	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Total**
Income													
Council Tax Collected	-£5.34	-£5.15	-£4.87	-£4.99	-£4.97	-£4.99	-£5.02	-£5.01	-£4.98	-£4.73	-£0.61	-£0.65	**-£51.29**
Business Rates Collected	-£3.04	-£3.95	-£2.96	-£3.11	-£4.11	-£2.99	-£2.93	-£2.94	-£2.80	-£2.73	-£0.71	-£0.54	**-£32.81**
Rent Allowance Grant	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	**-£20.22**
New Homes Bonus	-£0.10	-£0.10	-£0.10	-£0.10	-£0.10	-£0.10	-£0.10	-£0.10	-£0.10	-£0.10	-£0.10	-£0.10	**-£1.20**
Net Revenue Income	-£0.13	-£0.23	-£0.23	-£0.23	-£0.23	-£0.19	-£0.23	-£0.23	-£0.23	-£0.23	-£0.23	-£0.23	**-£2.60**
Revenue Support Grant	-£1.22	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	-£0.71	-£0.19	**-£2.12**
Capital Income	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	**-£0.33**
New Borrowing	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	**£0.00**
Spend													
Capital Programme	£0.20	£0.20	£0.20	£0.20	£0.20	£0.20	£0.20	£0.20	£0.20	£0.20	£0.20	£0.20	**£2.42**
Other Spend	£0.02	£0.02	£0.02	£0.02	£0.02	£0.02	£0.02	£0.02	£0.02	£0.02	£0.02	£0.02	**£0.24**
Rent Allowance Payments	£1.62	£1.54	£1.56	£1.78	£1.55	£1.60	£1.55	£1.55	£2.75	£1.55	£1.55	£1.62	**£20.22**
Employees	£1.07	£1.07	£1.07	£1.07	£1.07	£1.07	£1.07	£1.07	£1.07	£1.07	£1.07	£1.07	**£12.80**
Business Rate Payments	£2.28	£3.16	£3.00	£3.00	£3.00	£3.00	£3.00	£3.00	£3.00	£2.57	£0.93	£0.93	**£30.83**
Precepts	£5.46	£4.47	£0.00	£4.47	£4.47	£4.79	£4.47	£4.47	£0.00	£4.47	£4.47	£4.47	**£46.02**
Cash Flow	-£0.89	-£0.68	-£4.02	£0.40	-£0.81	£0.68	£0.32	£0.32	-£2.78	£0.38	£4.17	£4.88	**£1.98**
Average Level of Investments	£7.88	£8.66	£11.01	£12.82	£13.03	£13.09	£12.59	£12.27	£13.50	£14.70	£12.43	£7.90	

APPENDIX E

Average Level of Investments 2012-15

The graph below shows the actual trend of average investment levels in 2012/13 together with projected levels for 2013/14 and 2014/15. The level of our investments is reducing due to the use of reserves to support our Revenue Budget together with the funding of our Capital Programme.



Investment Income and Borrowing Cost Budgets for 2014/15

Based on the cash flow forecast on the previous page and the revenue implication of the Capital Programme, the estimate for interest payments in 2014/15 is **£12,500,** Minimum Revenue Provision is **£80,000** and for interest receipts is **£81,000**.

In terms of interest receipts, there are two key risks / sensitivities:

a) The interest rate receivable.
b) The amount of money we have available to invest.

What if

Interest Rates Change	We have more cash available to invest £000s				
	+£1m	**+£2m**	**+£3m**	**+£4m**	**+£5m**
Current Estimate	122	132	141	151	161
+0.50%	185	200	215	229	244

APPENDIX E

Balance Sheet Projections 2014-17

(Figures may not sum due to rounding)

	Type	2012/13 Actual £000s	2013/14 Budget £000s	2014/15 Budget £000s	2015/16 Budget £000s	2016/17 Budget £000s
Property, Plant and Equipment	CFR	41,652	43,339	43,662	45,984	47,030
Investment Property	CFR	6,440	6,440	6,440	6,440	6,440
Intangible Assets	CFR	131	124	118	118	118
Investments	INV	12,300	7,433	5,455	3,591	3,622
Borrowing	BOR	0	(60)	(48)	(36)	(2,441)
Finance Leases	LEA	(690)	(560)	(324)	(1,780)	(1,597)
Working Capital	CRED	(4,013)	(2,735)	(2,719)	(2,640)	(2,641)
Pensions	PEN	(31,246)	(31,246)	(31,246)	(31,246)	(31,246)
TOTAL ASSETS LESS LIABILITIES		**24,574**	**22,735**	**21,338**	**20,431**	**19,285**

Unusable Reserves						
Revaluation Reserve	CFR	(5,613)	(5,613)	(5,613)	(5,613)	(5,613)
Capital Adjustment Account	CFR	(41,144)	(41,133)	(40,867)	(41,006)	(41,150)
Deferred Credits	CRED	(70)	(68)	(66)	(64)	(62)
Pension Scheme	PEN	31,246	31,246	31,246	31,246	31,246
Benefits Payable During Employment Adjustment Account	CRED	220	259	259	259	259
Collection Fund	BAL	(5)	(5)	(5)	(5)	(5)
Usable Reserves						
Unapplied Grants and Contributions - General	BAL	(832)	(751)	(751)	(751)	(5)
Unapplied Grants and Contributions - Section 106	BAL	(416)	(187)	(144)	(144)	(144)
Usable Capital Receipts	BAL	(1,263)	(706)	0	0	0
Usable Capital Receipts - Arts Statue	BAL	(129)	(129)	(129)	(129)	(129)
Burntwood Leisure Centre Sinking Fund	BAL	(420)	(338)	(293)	(165)	(85)
Burntwood Leisure Centre Synthetic Pitch Sinking Fund	BAL	(29)	(29)	(29)	(29)	(29)
City Centre Redevelopment Sinking Fund	BAL	(25)	(25)	(25)	(25)	(25)
King Edwards Leisure Centre Sinking Fund	BAL	(17)	(17)	(17)	(17)	(17)
Lombard Street Car Park Sinking Fund	BAL	(34)	(34)	(34)	(34)	(34)
Elections	BAL	(98)	(98)	(98)	(98)	(98)
Promotion of District	BAL	0	0	0	0	0
Public Open Spaces	BAL	(6)	(6)	(6)	(6)	(6)
Three Spires Multi Storey	BAL	(1,245)	(1,366)	(1,487)	(608)	(229)
Building Regulations	BAL	0	0	0	0	0
Other Earmarked Reserves	BAL	(1,684)	(1,362)	(1,312)	(1,275)	(1,192)
Grant Aid - Development	BAL	(56)	(56)	(56)	(56)	(56)
Depot Sinking Fund	BAL	0	0	0	0	0
General Fund Balance	BAL	(2,954)	(2,317)	(1,911)	(1,911)	(1,911)
TOTAL EQUITY		**(24,574)**	**(22,735)**	**(21,338)**	**(20,431)**	**(19,285)**

Borrowing Requirement and Strategy

We finance our capital spend from a variety of sources including capital receipts, revenue and grants and contributions. Any capital spend we do not fund from these sources increases our underlying need to borrow for capital purposes (the Capital Financing Requirement (CFR)).

The Capital Financing Requirement together with the level of our Balances and Reserves (B&R) are the core drivers of Treasury Management Activity. A summary of our Balance Sheet Projections detailed on the previous page showing the estimated level of our Working Capital, Pensions, Balances and Reserves, Capital Financing Requirement, External Debt including Finance Leases and Investments is provided in the table below:

		2012-13 Actual £000s	2013-14 Budget £000s	2014-15 Budget £000s	2015-16 Budget £000s	2016-17 Budget £000s
Working Capital	CRED	(3,863)	(2,544)	(2,526)	(2,445)	(2,444)
Pensions	PEN	0	0	0	0	0
Balances and Reserves	BAL	(9,213)	(7,426)	(6,297)	(5,253)	(3,965)
Total Cash Available		**(13,076)**	**(9,970)**	**(8,823)**	**(7,698)**	**(6,409)**

This cash available is planned to be used for:

Capital Financing Requirement	CFR	1,466	3,157	3,740	5,923	6,825
Less : Other Debt Liabilities (Finance Leases)	LEA	(690)	(560)	(324)	(1,780)	(1,597)
Less : External Borrowing	BOR	0	(60)	(48)	(36)	(2,441)
Equals : Internal Borrowing		**776**	**2,537**	**3,368**	**4,107**	**2,787**
Investments	INV	12,300	7,433	5,455	3,591	3,622
Total		**13,076**	**9,970**	**8,823**	**7,698**	**6,409**

We can use the capital financing related elements of these projections to assess when the Council would need to borrow to fund its Capital Programme, and these estimates are shown in the table below:

	2012-13 Actual £000s	2013-14 Budget £000s	2014-15 Budget £000s	2015-16 Budget £000s	2016-17 Budget £000s
Capital Financing Requirement	1,466	3,157	3,740	5,923	6,825
Less : Current Funding provided by Finance Leases and Long Term Borrowing (excluding any new borrowing)	(690)	(620)	(372)	(1,816)	(1,621)
Projected Borrowing Need	**776**	**2,537**	**3,368**	**4,107**	**5,204**
Less : the Projected Level of Balances and Reserves	(9,213)	(7,426)	(6,297)	(5,253)	(3,965)
Less : Working Capital	(3,863)	(2,544)	(2,526)	(2,445)	(2,444)
Our Net Borrowing Need (Investments)	**(12,300)**	**(7,433)**	**(5,455)**	**(3,591)**	**(1,205)**

What if

Our Balances and Reserves and Working Capital were £1m lower than planned		(6,433)	(4,455)	(2,591)	(205)
Our Balances and Reserves and Working Capital were £2m lower than planned		(5,433)	(3,455)	(1,591)	795

Minimum Revenue Provision Statement 2014/15

The level of our Capital Financing Requirement measures our underlying need to borrow for a capital purpose. To ensure that this expenditure will ultimately be financed, we are required to make a Minimum Revenue Provision for Debt Redemption (MRP) from within the Revenue budget each year. Capital Expenditure that is not financed from capital receipts, revenue or grants and contributions will increase the Capital Financing Requirement and this will in turn produce an increased requirement to charge Minimum Revenue Provision in the Revenue Account.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (Statutory Instrument 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. The Secretary of State has issued guidance on Minimum Revenue Provision and local authorities are required to "have regard" to such Guidance under Section 21(1A) of the Local Government Act 2003.

The four Minimum Revenue Provision options available are:

Option 1: Regulatory Method
Option 2: Capital Financing Requirement Method
Option 3: Asset Life Method
Option 4: Depreciation Method

The changes due to the 2009 Statement of Recommended Practice and International Financial Reporting Standards have resulted in new assets and leases being brought onto the Balance Sheet. Therefore, the Capital Financing Requirement has increased, and has led to an increase in the Minimum Revenue Provision charge to revenue. Minimum Revenue Provision for these items will match the annual principal repayment for the associated deferred liability.

Minimum Revenue Provision in 2013/14: Options 1 and 2 may be used only for supported expenditure (where the Government provides financial support to offset the borrowing costs through the Revenue Support Grant mechanism). Methods of making prudent provision for self-financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses).

The Minimum Revenue Provision Statement will be submitted to Council before the start of the 2013/14 financial year. If it is ever proposed to vary the terms of the original Minimum Revenue Provision Statement during the year, a revised statement should be put to Council at that time.

The Council will apply Option 3 in respect of supported and unsupported capital expenditure and Minimum Revenue Provision in respect of leases brought on Balance Sheet and will match the annual principal repayment for the associated Finance Lease liability.

Treasury Management Policy Statement

Introduction and Background

The Council adopts the key recommendations of Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

Accordingly, the 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

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

The Council (i.e. full 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 (this Report), a mid-year review and an annual report after its close, in the form prescribed in its Treasury Management Practices.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Director of Finance, Revenues & Benefits, who will act in accordance with the organisation's policy statement and Treasury Management Practices and Chartered Institute of Public Finance and Accountancy's (CIPFA) Standard of Professional Practice on Treasury Management.

The Council nominates Strategic (Overview and Scrutiny) Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Policies and Objectives of Treasury Management Activities

The Council defines its treasury management activities as:

"The management of the Council'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."

This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement.

The Council currently does not plan to borrow to fund its capital expenditure. However, should this situation change and Council approve borrowing for a capital purpose, the Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

Annual Investment Strategy

Background

Guidance from Communities and Local Government (CLG) on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set. In accordance with Investment Guidance issued by the CLG and best practice this Authority's primary objective in relation to the investment of public funds remains the **security of capital**. The liquidity or accessibility of the Authority's investments followed by the yields earned on investments is important but are secondary considerations[26].

The CLG Investment Guidance states that a specified investment is one made with a body or scheme of "high credit quality". Non Specified Investments are, effectively, everything else.

We will continue to maintain a counterparty list based on these criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include credit ratings and other alternative assessments of credit strength such as:-

- Credit Default Swaps (where quoted)
- Share Prices (where quoted)
- Gross Domestic Product (GDP); Net debt as a Percentage of Gross Domestic Product.
- Sovereign Support Mechanisms / Potential Support from well-resourced parent institutions.
- Macroeconomic indicators
- Corporate developments and information in the general and financial media

Maximum Periods for which Funds can be Committed

The maximum sums that could be invested for a period of greater than 364 days are based on our Balance Sheet position with the limit being set in Prudential Indicator 13 – Upper Limit for total principal sums invested over 364 days.

Borrowing in Advance of Need[27]

We are planning to borrow on a long term basis to fund capital expenditure however it is likely this borrowing will not take place in advance of the capital expenditure.

Investments managed in-house

Our investments are made with reference to our cash flow forecast shown at **APPENDIX E** and the level of projected interest rates shown at Section 3.4. In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office.

Currently the Council has restricted its investment activity to:

- The Debt Management Agency Deposit Facility (The rates of interest from the DMADF are below equivalent money market rates. However, the returns are an acceptable trade-off for the guarantee that the Council's capital is secure)
- AAA-rated Money Market Funds with a Constant Net Asset Value (CNAV)
- Deposits with other local authorities
- Treasury Bills
- Business reserve accounts, Certificates of Deposit (CDs) and term deposits. *These have been primarily restricted to UK institutions that are considered systemically important.*

The Director of Finance, Revenues and Benefits, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to future Cabinet meetings.

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[26] The speculative procedure of borrowing purely in order to invest is unlawful.
[27] This is a practice where you borrow early and then invest the money until the capital spend takes place.

The Use of Financial Instruments for the Management of Risks

Currently, Local Authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Bill is not sufficiently explicit. Consequently, the authority does not intend to use derivatives. Should this position change, we may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require full Council approval.

Balanced Budget Requirement

We comply with the provisions of Section 32 of the Local Government Finance Act 1992 to set a Balanced Budget.

Monitoring and Reporting on the Treasury Outturn and Prudential Indicators

Treasury activity is monitored daily and reported internally to the Financial Services Manager. The Financial Services Manager will monitor the Prudential Indicators through the year. The Director of Finance, Revenues and Benefits will report to the Cabinet on treasury management activity / performance as follows:

(a) Quarterly investment and borrowing activity as part of the Performance against the Financial Strategy.

(b) Half yearly against the Treasury Management Strategy approved for the year.

(c) An outturn report on its treasury activity no later than 30th September after the financial year-end.

In addition, Strategic (Overview and Scrutiny) Committee will be responsible for the Scrutiny of treasury management activity and practices.

Member Training

Our approach is:

- To identify Members who require training.
- To assess the level of training required and to procure training from an external organisation with expertise in this area.
- To monitor the ongoing training needs of Members based on legislative, regulatory and best practice requirements.

As part of the ongoing training approach which included training all new Members, we invited all Members to a training event on 27th July 2011 in relation to the principles of Treasury Management.

Investment Consultants

Our approach to the use of investment consultants is:

- To use external advisors to provide advice and guidance in relation to the areas covered within the Treasury Management Strategy Statement such as capital spend and funding, Balance Sheet projections, Prudential Indicators, Investment Guidance and assistance in assessing the impact of Legislative and Regulatory changes on the Council's budgets and policies.
- The quality of this service is controlled through a regular market testing exercise (recently undertaken in June 2012) and through regular meetings with the advisors.

Publication

Our Treasury Management Statement is published on the Council's website.

APPENDIX H

Use of Specified and Non Specified Investments

Specified Investments identified for use by the Council

Specified Investments will be those that meet the criteria in the CLG Guidance, i.e. the investment

- is sterling denominated
- has a maximum maturity of 1 year
- meets the "high" credit criteria as determined by the Council or is made with the UK government or is made with a Local Authority in England, Wales and Scotland.
- the making of which is not defined as Capital Expenditure under Section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

"Specified" Investments identified for the Council's use are:

- Deposits in the Debt Management Office's (DMO) Debt Management Account Deposit Facility
- Treasury Bills
- Deposits with UK local authorities
- Call accounts, deposits in term investments or certificates of deposit with banks and building societies
- AAA-rated Money Market Funds (MMF) with a Constant Net Asset Value (CNAV)
- Other money market and collective investment schemes

For credit rated Bank and Building Society counterparties, the minimum criteria will be the long-term ratings assigned by various agencies which may include Moody's Investors Services, Standard & Poor's, Fitch Ratings.

Agency	***Minimum Long Term Rating***
Fitch	*A-*
Moody's	*A3*
Standard and Poor's (S&P)	*A-*

For Money Market Fund counterparties, the highest rating assigned by the agency of Constant Net Asset Value (CNAV) funds is:

Agency	***Highest Rating***
Fitch	*AAAmmf (this is Fitch's revised rating scale and corresponds to the Agency's previous AAA/V1+ rating)*
Moody's	*Aaa/MR1+*
Standard and Poors (S&P)	*AAAm*

The Council will also take into account information on corporate developments and market sentiment towards investment counterparties.

Within the categories above, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies, which will be invested in these bodies. This criteria is:

- No more than **£3m** (Current Limit is **£3m**) with one counterparty group, including any subsidiaries, at the time the investment is undertaken known as the "group limit".
- The Sovereign Limit for the UK will be **100%**. This means that up to **100%** of investments can be placed with UK Domiciled banks and building societies.
- The Sovereign Limits for Canadian financial institutions will be **25%** of total investments, for Australian financial institutions will be **25%** of total investments and for Singapore financial institutions will be **25%**.

APPENDIX H

New specified investments will be made within the following limits (and subject to our Treasury Management Advisors guidance):

Instrument	Country	Counterparty	Current Limit £m	Recommended Limit £m
Term Deposits	UK	Debt Management Office (DMO)	No limit	No limit
Treasury Bills	UK	Debt Management Office (DMO)	No limit	No limit
Term Deposits	UK	Other UK Local Authorities	No limit	No limit
Money Market Funds (each Fund)	UK/Ireland/ Luxembourg	CNAV MMFs	£1.5m	£1.5m
Term Deposits / Certificates of Deposit / Call Accounts	UK	Santander UK Plc	£2m	£2m
	UK	Bank of Scotland/Lloyds	£2m	£2m
	UK	Barclays	£2m	£2m
	UK	Clydesdale	£2m	£2m
	UK	HSBC	£2m	£2m
	UK	Nationwide	£2m	£2m
	UK	Royal Bank of Scotland	£2m	£2m
	UK	National Westminster Bank	£2m	£2m
	UK	Standard Chartered Bank	£2m	£2m
	Australia	Australia and New Zealand Banking Group	£2m	£2m
	Australia	Commonwealth Bank of Australia	£2m	£2m
	Australia	National Australia Bank Ltd (National Australia Bank Group)	£2m	£2m
	Australia	Westpac Banking Corp	£2m	£2m
	Canada	Bank of Montreal	£2m	£2m
	Canada	Bank of Nova Scotia	£2m	£2m
	Canada	Canadian Imperial Bank of Commerce	£2m	£2m
	Canada	Royal Bank of Canada	£2m	£2m
	Canada	Toronto-Dominion Bank	£2m	£2m
	Singapore	DBS Bank Ltd	New	£2m
	Singapore	Overseas Chinese Banking Corporation Ltd	New	£2m
	Singapore	United Overseas Bank Ltd	New	£2m

Authority's Banker – The Authority banks with National Westminster Bank. At the current time, it does meet the minimum credit criteria of A- (or equivalent) long term. However, Even if the credit rating falls below the Authority's minimum criteria National Westminster Bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

APPENDIX I

Non-Specified Investments determined for use by the Council

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the Council's use:

	Maximum maturity[28]	**Current Limit £m**	**Recommended Limit £m**
▪ Deposits with individual banks and building societies	2 yrs	£2.0m	£1.5m
▪ Certificates of deposit with individual banks and building societies	5 yrs	£2.0m	£1.5m

For credit rated counterparties, the minimum criteria will be the long-term ratings assigned by various agencies which may include Moody's Investors Services, Standard & Poor's, Fitch Ratings for investments between 1 and 2 years are:

Agency	***Minimum Long Term Rating***
Fitch	*A-*
Moody's	*A3*
Standard and Poor's (S&P)	*A-*

Within the categories above, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies, which will be invested in these bodies. These criteria are:

- No more than **£3m** (Current Limit is £3m) with one counterparty group, including any subsidiaries, at the time the investment is undertaken known as the "group limit".
- The Sovereign Limit for the UK will be **100%.** At present we do not plan to make any investments with Non UK banks and Building Societies.
- The Sovereign Limits for Canadian financial institutions will be **25%** of total investments, for Australian financial institutions will be **25%** of total investments and for Singapore financial institutions will be **25%.**

[28] In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

APPENDIX J

Prudential Indicators 2014-17

1 Background:

There is a requirement under the Local Government Act 2003 for Local Authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. Gross Borrowing and the Capital Financing Requirement:

This is a key indicator of prudence. In order to ensure that over the medium term gross borrowing will only be for a capital purpose, the Local Authority should ensure that the gross external borrowing does not, except in the short term, exceed the total of Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for the current and next two financial years.

The Director of Finance, Revenues and Benefits reports that the Authority had no difficulty meeting this requirement in 2014/15, and there are no difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. Estimates of Capital Expenditure:

3.1 This indicator is set to ensure that the level of proposed Capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

No. 1 Capital Financing	2013/14 Original £m	2013/14 Approved £m	2013/14 Revised £m	2014-15 Original £m	2015-16 Original £m	2016-17 Original £m
Non-Current Assets	0.600	3.108	3.166	1.645	3.766	2.468
Revenue Expenditure funded from Capital under Statute	1.084	1.564	1.616	0.777	1.032	2.822
Total	**£1.684**	**£4.672**	**£4.782**	**£2.422**	**£4.798**	**£5.290**

3.2 Capital expenditure will be financed as follows:

No. 1 Capital Financing	2013/14 Original £m	2013/14 Approved £m	2013/14 Revised £m	2014-15 Original £m	2015-16 Original £m	2016-17 Original £m
Capital Receipts	0.521	0.685	0.827	0.708	0.002	0.002
Burntwood Sinking Fund	0.058	0.082	0.082	0.045	0.128	0.080
Other Sinking Funds	0.060	0.000	0.000	0.000	0.000	0.000
Capital Grants and Contributions	0.698	1.671	1.654	0.475	0.568	2.882
Earmarked Reserves	0.034	0.132	0.122	0.050	1.037	0.583
Revenue Contributions	0.116	0.116	0.116	0.158	0.154	0.154
Finance Leases / Borrowing	0.197	1.986	1.981	0.986	2.909	1.589
Total	**£1.684**	**£4.672**	**£4.782**	**£2.422**	**£4.798**	**£5.290**

Note: the element to be financed from borrowing and finance leases impacts on the movement in the Capital Financing Requirement.

4. Ratio of Financing Costs to Net Revenue Stream:

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The definition of financing costs is set out in the Prudential Code.

4.2 The ratio is based on costs net of investment income (where investment income exceeds the costs of borrowing, the indicator will be negative).

No. 2 Ratio of Financing Costs to Net Revenue Stream	2013/14 Original %	2013/14 Approved %	2013/14 Revised %	2014-15 Original %	2015-16 Original %	2016-17 Original %
%	**5%**	**4%**	**2%**	**3%**	**7%**	**7%**

5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the Capital Financing Requirement is taken from the amounts held in the Balance Sheet relating to capital expenditure and it's financing. It is an aggregation of the amounts shown for Non-Current Assets, the Revaluation Reserve, the Capital Adjustment Account and any other balances treated as capital expenditure.

No.3 **Capital Financing Requirement**	**2013/14 Original £m**	**2013/14 Approved £m**	**2013/14 Revised £m**	**2014-15 Original £m**	**2015-16 Original £m**	**2016-17 Original £m**
Balance Brought Forward	3.669	1.466	1.466	3.157	3.740	5.923
Capital Expenditure financed from borrowing	0.197	1.986	1.981	0.986	2.909	1.589
Minimum Revenue Provision	-0.424	-0.360	-0.290	-0.403	-0.726	-0.687
Balance Carried Forward	**£3.442**	**£3.092**	**£3.157**	**£3.740**	**£5.923**	**£6.825**

6. Actual External Debt:

6.1 This indicator is obtained directly from the Council's Balance Sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

No. 4 **Actual External Debt as at 31/03/13**	**£m**
LT Borrowing	0.000
Short Term Element of Long Term Borrowing	0.000
Short Term Element of Long Term Liabilities	0.229
Other Long Term Liabilities	0.461
Total	**£0.690**

7. Incremental Impact of Capital Investment Decisions:

7.1 This is an indicator of affordability that shows the impact of Capital investment decisions on Council Tax levels. The incremental impact is calculated by comparing the total Revenue Budget requirement of the current approved Capital Programme with an equivalent calculation of the Revenue Budget requirement arising from the proposed Capital Programme.

No.5 **Incremental Impact of Capital investment Decisions**	**2013/14 Original £m**	**2013/14 Approved £m**	**2013/14 Revised £m**	**2014-15 Original £m**	**2015-16 Original £m**	**2016-17 Original £m**
Band D Equivalent	**£4.05**	**£0.00**	**-£3.91**	**£5.27**	**£12.14**	**£16.03**

7.2 The estimate of procurements made by Finance Leases which are included in the Capital Programme mainly for the replacement of current assets is shown in the table below:

	2013/14 Original £m	**2013/14 Approved £m**	**2013/14 Revised £m**	**2014-15 Original £m**	**2015-16 Original £m**	**2016-17 Original £m**
New Vehicle and Plant Procurements	£0.173	£0.124	£0.124	£0.000	£2.100	£0.422

8. Authorised Limit and Operational Boundary for External Debt:

8.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the Capital Financing Requirement.

8.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external-borrowing items on the Balance Sheet (i.e. long and short-term borrowing, overdrawn bank balances and long-term liabilities. This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved Treasury Management Policy statement and practices.

8.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

8.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

No. 6 **Authorised Limit for External Debt**	**2013/14 Original £m**	**2013/14 Approved £m**	**2013/14 Revised £m**	**2014-15 Original £m**	**2015-16 Original £m**	**2016-17 Original £m**
Borrowing	10.147	7.482	7.343	7.331	7.518	9.923
Finance Leases - New	4.448	4.448	4.448	4.448	4.448	4.448
Total	**£14.595**	**£11.930**	**£11.791**	**£11.779**	**£11.966**	**£14.371**

8.5 The **Operational Boundary** links directly to the Council's estimates of the Capital Financing Requirement and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

8.6 The Director of Finance, Revenues and Benefits has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Full Council.

No. 7 **Operational Boundary for External Debt**	**2013/14 Original £m**	**2013/14 Approved £m**	**2013/14 Revised £m**	**2014-15 Original £m**	**2015-16 Original £m**	**2016-17 Original £m**
Borrowing	3.165	0.500	0.560	0.548	0.536	2.941
Finance Leases	2.448	2.448	2.448	2.448	2.448	2.448
Total	**£5.613**	**£2.948**	**£3.008**	**£2.996**	**£2.984**	**£5.389**

9 Adoption of the CIPFA Treasury Management Code:

9.1 This indicator demonstrates that the Council has adopted the principles of best practice.

No. 8	**Adoption of the CIPFA Code of Practice in Treasury Management**
	The Council approved the adoption of the CIPFA Treasury Management Code at its Full Council meeting on 25 February 2003. The Council has incorporated any changes resulting from the revisions to the CIPFA Treasury Management Code within its treasury policies, practices and procedures.

10. Gross Debt[29]

10.1 The purpose of this treasury indicator is to highlight a situation where the Council is planning to borrow in advance of need.

Details	**2013/14 Original £m**	**2013/14 Approved £m**	**2013/14 Revised £m**	**2014-15 Original £m**	**2015-16 Original £m**	**2016-17 Original £m**
Outstanding Borrowing	-2.665	-0.060	-0.060	-0.048	-0.036	-2.441
Other Long Term Liabilities	-0.709	-0.560	-0.560	-0.324	-1.780	-1.597
Gross Debt	**-£3.374**	**-£0.620**	**-£0.620**	**-£0.372**	**-£1.816**	**-£4.038**
Capital Financing Requirement	**£3.442**	**£3.092**	**£3.157**	**£3.740**	**£5.923**	**£6.825**
Is our Gross Debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need ?	**No**	**No**	**No**	**No**	**No**	**No**

[29] At nominal value.

11. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

11.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The Council calculates these limits on net principal outstanding sums (i.e. fixed rate debt net of fixed rate investments).

11.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises, which could adversely impact on the revenue budget.

No. 10 and 11	2013/14 Original %	2013/14 Approved %	2013/14 Revised %	2014-15 Original %	2015-16 Original %	2016-17 Original %
Fixed Interest Rates						
Upper Limit on Fixed Interest Rate Exposure on Investments	-100%	-100%	-100%	-100%	-100%	-100%
Upper Limit on Fixed Interest Rate Exposure on Debt	100%	100%	100%	100%	100%	100%
Net Fixed Exposure (No. 10)	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Variable Interest Rates						
Upper Limit for Variable Rate Exposure on Investments	-100%	-100%	-100%	-100%	-100%	-100%
Upper Limit for Variable Rate Exposure on Debt	30%	30%	30%	30%	30%	30%
Net Variable Exposure (No. 11)	**-70%**	**-70%**	**-70%**	**-70%**	**-70%**	**-70%**

12. Maturity Structure of Fixed Rate borrowing:

12.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

12.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

No. 12 Maturity Structure of Fixed Rate Borrowing	£	%	Lower Limit	Upper Limit
Under 12 months	8,102	12.50%	0%	100%
12 months and within 24 months	16,203	25.00%	0%	100%
24 months and within 5 years	40,508	62.50%	0%	100%
5 years and within 10 years		0.00%	0%	100%
10 years and within 20 years		0.00%	0%	100%
20 years and within 30 years		0.00%	0%	100%
30 years and within 40 years		0.00%	0%	100%
40 years and within 50 years		0.00%	0%	100%
50 years and above		0.00%	0%	100%

13. Upper Limit for total principal sums invested over 364 days:

13.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

No 13 Upper Limit for total principal sums invested over 364 days	2013/14 Original £m	2013/14 Approved £m	2013/14 Revised £m	2014-15 Original £m	2015-16 Original £m	2016-17 Original £m
Upper Limit	**£2.000**	**£2.000**	**£2.000**	**£1.500**	**£0.800**	**£0.700**

14. Credit Risk:

14.1 We consider security, liquidity and yield, in that order, when making investment decisions.

14.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in our assessment of counterparty credit risk.

14.3 We also consider alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

14.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.