THE MEDIUM TERM FINANCIAL STRATEGY (REVENUE & CAPITAL) 2015-18 (MTFS(R&C)2015-18)

Lichfield district council
www.lichfielddc.gov.uk

Report of:	Cabinet Member for Finance, Democratic and Legal Services
Date:	17 February 2015
Agenda Item:	15(a)
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Key Decision?	**YES**
Local Ward Members	**Full Council**

COUNCIL

1. Executive Summary

1.1 **The MTFS (R & C) 2015-18**

1.2 **Funding our Plan for the District 2012-16 : The Three Year MTFS (R&C) 2015-18**

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 proposed that LDC makes appropriations from General Reserves for the first year, 2015/16, of the three year MTFS (R&C) 2015-18, 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) 2015-18 is set out in **APPENDIX A**.

1.3 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 (CFO) report on the robustness of the budget and the level of reserves is set out in **APPENDIX D**.

1.4 The total Funding Gap in the MTFS (R&C) 2015-18 is **£1,705,030** over the period 2015/16 to 2017/18. LDC is legally required to balance the budget in the first year of the three year MTFS (R&C) 2015-18 and to set out its proposals to balance the second two financial years - 2016/17 & 2017/18. The MTFS (R&C) 2015-18 proposes that LDC only uses its General Reserves for the first year of the MTFS (R&C) 2015-18 to balance the Revenue Budget 2015/16. The use of Reserves of (**£400,450)** in 2015/16, reduces the net Funding Gap that needs to be closed to **£1,304,580**. LDC's overall position is summarised in the table below :

	Financial Year				
	2014/15 £	**2015/16 £**	**2016/17 £**	**2017/18 £**	**3 year total (2015/16 to 2017/18) £**
Net Budget Requirement for all Services[1]	10,378,140	11,314,450	11,506,390	12,049,190	34,870,030
Total Funding Available	(10,469,780)	(10,914,000)	(11,020,000)	(11,231,000)	(33,165,000)
Funding Gap / (Surplus) prior to the use of Reserves	**(£91,640)**	**£400,450**	**£486,390**	**£818,190**	**£1,705,030**
Total Reserves Available to Fund Services[2]	(1,810,190)				
Contribution to / (Utilisation of) Reserves for Services	91,640	(400,450)	Nil	Nil	(400,450)
2016/17 savings/additional after the use of Reserves	Nil	Nil	(486,390)	(486,390)	(972,780)
2017/18 savings/additional after the use of Reserves	Nil	Nil	Nil	(331,800)	(331,800)
Total Savings/Additional Income	**£Nil**	**£Nil**	**(£486,390)**	**(£818,190)**	**(£1,304,580)**
General Reserves available after being used to Fund Services	(£1,901,830)	(£1,501,380)	(£1,501,380)	(£1,501,380)	(£1,501,380)

1.5 The main reasons for the net Funding Gap of **£1,304,580** in the MTFS (R&C) 2015-18 are set out below. LDC has a "starting" Funding Gap of **£2,945,650 (£1,554,190** up to 2016/17 and a further **£1,391,460** for 2017/18) and this reduced by a series of adjustments amounting to (**£1,641,070)**. These adjustments are explained in **APPENDIX A** and are summarised below :

[1] This after the transfer to Earmarked Reserves in 2014/15, 2015/16, 2016/17 and 2017/18 of £92,000.
[2] Reserves available to fund services exclude the £1m Minimum Level in 2014/15 and £1.2 million from 2015/16 onwards.

- **Council Tax Income** - the increase in the Council Tax Base due to a variety of reasons such as changes to discounts and exemptions and new properties results in additional income of **(£426,000)**.
- **Government Funding and Retained Business Rates** - consists of Revenue Support Grant (RSG), Retained Business Rates and Business Rate Cap Reimbursement. There has been a significant reduction in RSG and at the same time the local economy is such that we have seen an increase in income from Business Rates. There is an overall funding increase of **(£707,890)**.
- **Local Council Tax Support (LCTS) for Parishes** - increasing the support from 2016/17 onwards produces an additional cost of **£4,000**.
- **New Homes Bonus** (NHB) - additional Income of **(£181,000).**
- **Provision for Inflation, Investment Income and Other Variations** - a Budgetary Pressure of **£408,270.**
- **Use of Reserves to Balance the Budget in 2015/16 only** - reduces the Gap by **(£400,450)**.
- **Collection Fund** - a surplus is projected on both Council Tax and Business Rates Collection Funds in 2014/15 and LDC's share is **(£269,000)**. Both of these are legally required to be credited to the budget in the following Financial Year 2015/16.
- **Revenue Implications of the Capital Programme** - a Budgetary Saving of (**£69,000)** due to projected lower borrowing costs.

1.6 In 2013, in order to bridge LDC's net Funding Gap and to meet changes facing local government following the fundamental review of local government finances, LDC launched its programme called Fit for the Future (F4F). This is designed to manage the change that will be needed across LDC and its services in order to meet the changes and the predicted Revenue Budget Funding Gap. It brings together a series of projects that all aim to reduce the expenditure of LDC and also reshape and redesign LDC and its services into one that is fit for the future, with all the challenges that brings. In 2014/15, F4F savings of **£930,380** have been identified and are included in the MTFS. LDC is still required to continue working to achieve the balance of savings needed through the F4F projects to close the net Funding Gap for the MTFS (R&C) 2015-18 of **£1,304,580**.

<u>Treasury Management</u>

1.7 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."

1.8 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

1.9 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.

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

- Cash Flow forecast for 2015/16
- Balance Sheet Projections and Borrowing Requirement and Strategy for 2015/16
- Minimum Revenue Provision Statement 2015/16
- Treasury Management Policy Statement and Annual Investment Strategy
- Use of Specified and Non-Specified Investments
- Prudential Indicators 2015-18

1.11 All treasury activity will comply with relevant statute, guidance and accounting standards

2. Recommendations

That Cabinet recommend to Council for approval :

2.1 The 2015/16 Revenue Budget including the Amount to be met from Government Grants and Local Taxpayers of **£10,914,000,** forecasts a proposed level of Council Tax (the District Council element) for 2015/16 of **£154.99** for a Band D equivalent property.

2.2 The MTFS (R&C) 2015-18 set out in **APPENDIX A**.

2.3 The Capital Strategy, outlined in **APPENDICES B** & **C**.

2.4 Notes the requirements and duties the Local Government Act 2003 places 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 shown in **APPENDIX D**.

2.5 Balance Sheet Projections and Borrowing Requirement and Strategy 2015-18 contained within **APPENDIX E**.

2.6 The Minimum Revenue Provision Statement 2015/16 contained within **APPENDIX F**, which sets out the Council's policy of using the asset life method as the basis for making prudent provision for debt redemption.

2.7 Treasury Management Policy Statement and The Annual Investment Strategy 2015/16 **APPENDIX G** and the detailed criteria.

2.8 The use of Specified and Non-Specified Investments – **APPENDICES H & I.**

2.9 The addition of **Leeds Building Society** to the Approved List of Counterparties (**APPENDIX H**) with a counterparty limit of **£1.5m**.

2.10 The amendment of the following Specified Investment Limits (pending a full review of the Annual Investment Strategy to Cabinet on 7 April 2015):

- Money Market Funds - an increase from **£1.5m** per fund to **£2m** per fund.
- Banks and Building Societies (Term Deposits, Certificates of Deposit and Call Accounts) – a reduction from **£2m** per counterparty to **£1.5m** per counterparty.
- Group Limits – a reduction from **£3m** per Group to **£2m** per Group.

2.11 The Prudential Indicators and limits for 2015-18 contained within **APPENDIX J** of this report.

2.12 The Authorised Limit Prudential Indicator shown within **APPENDIX J**.

3. Statement of Reasons

<u>The Medium Term Financial Strategy (Revenue and Capital) 2015-18</u>

3.1 The Plan for the District 2012-16, sets out the opportunities and challenges we face, the community's needs, LDC'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 **MTFS**. This covers how we will use reserves, our investments, 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 R&C and **APPENDICES B** & **C** outline our indicative Capital Investment Plans.

3.3 LDC 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 CFO has a statutory duty to ensure that the figures provided for estimating and financial planning are robust and will stand up to audit scrutiny. LDC 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 CFO's report on the Robustness of the Budget and adequacy of Reserves as shown in **APPENDIX D.**

<u>Treasury Management</u>

3.5 **Cash Flow Forecast**

- Treasury Management includes the management of LDC's cash flows as a key responsibility. The planned monthly cash flow forecast for the 2015/16 financial year has been used to calculate the investment income budget. This has been estimated as (**£96,000**) (this equates to **3%** of LDC's income from Central Government grants and Retained Business Rates of **£3,555,000** in **2015/16**), interest payments of **£62,000** and Minimum Revenue Provision of **£79,000**.
- The Capital Programme assumes LDC externally borrows **£1,636,000** in 2015/16. This sum is included in our cash flow forecast and our Balance Sheet projections.
- The graph of cash flow trends for 2012-16 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 January 2016. 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 majority of Council Tax and Business Rate instalments end in January 2016.

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 four year Balance Sheet projections.
- These Balance Sheet projections (**APPENDIX E**) are significant in assessing the LDC's Treasury Management Position in terms of borrowing requirement, investment levels and our Investment Policy and Strategy.

3.7 **Minimum Revenue Provision Statement 2015/16**

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

3.8 **Treasury Management Advice and the Expected Movement in Interest Rates**

- The Official Bank Rate outlook provided by LDC's Treasury Advisor is shown in the table below :

Projection	Mar 2015	Jun 2015	Sep 2015	Dec 2015	Mar 2016	Jun 2016	Sep 2016	Dec 2016	Mar 2017	Jun 2017	Sep 2017	Dec 2017
Optimistic[3]				1.00	1.25	1.50	1.50	1.75	2.00	2.00	2.25	2.25
Central Case	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75

The Central Case rates have been used as the basis for preparation of the investment income budgets for 2015/16 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** & **I**.
- The investment climate has changed significantly with the possibility of Bank Bail-Ins[4] and this will necessitate the need for a fundamental review of the Annual Investment Strategy. Therefore, at this stage this report only updates the Counterparty Limits to reflect current projections for the level of funds to be invested in 2015/16.
- In the interim, to increase diversity, this report recommends adding **Leeds Building Society** to our approved Counterparties for 2015/16 with a limit of **£1.5m.** This is because they are the only Credit Rated Building Society (rated as A-) apart from the Nationwide Building Society (rated as A).
- A Report will be prepared for Cabinet on **7 April 2015** that will provide recommendations for the Annual Investment Strategy in light of the Bail-In risk.

[3] This is a scenario where Interest Rates increases earlier that the central case projection.

[4] A bail-in is the tool we expect regulators to use to resolve failing banks from now on in most developed countries. In the past, governments had only two options – to place a bank into insolvency, ceasing essential services immediately and possibly risking financial stability (as the US did with Lehman Brothers); or to conduct a taxpayer funded bail-out, either by buying new shares (e.g. RBS and Lloyds) or by subsidising a takeover (e.g. Bradford & Bingley and Dunfermline Building Society). The bail-in is a third option, which allows customers to retain access to their bank accounts, and passes the banks losses onto its investors instead of taxpayers.

3.10 **Prudential Indicators (PIs)**

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

PI	Description	2014/15 Revised	2015/16 Original	2016/17 Original	2017/18 Original
1	Capital Expenditure (£m)	£3.171m	£5.051m	£5.314m	£3.134m
2	Ratio of Financing Costs to Net Revenue Stream (%)	2%	6%	5%	4%
3	Capital Financing Requirement (£m)	£3.335m	£5.116m	£5.194m	£5.098m
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)	(£0.293m)	(£3.460m)	(£3.391m)	(£3.180m)
5	Incremental impact of capital investment decisions on Band D Council Tax (£)	(£2.18)	(£0.58)	(£0.57)	(£0.72)
6	Authorised Limit (Maximum) (£m)	£12.004m	£13.557m	£13.564m	£13.597m
7	Operational Boundary (Maximum) (£m)	£2.995m	£4.550m	£4.469m	£4.404m
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
	<u>Interest Rate Exposures (%)</u>				
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%
	<u>Maturity Structure of Fixed Rate Borrowing (Upper Limit) (%)</u>	**<u>Lower Limit</u>**	**<u>Upper Limit</u>**		
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)	£1,900m	£2,300m	£1,700m	£1,300m
14	Credit Risk	We consider security; liquidity and yield, in that order, when making investment decisions			

Community Benefits	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.
Views of Overview & Scrutiny	The Medium Term Financial Strategy (Revenue and Capital) 2015-18 was scrutinised by Strategic (Overview and Scrutiny) Committee on 21 January 2015. The outcome of the scrutiny will be reported to Cabinet.
Alternative Options	There are no alternative options.
Consultation	These areas are addressed as part of the specific areas of activity prior to being included in the Plan for the District 2012-16.
Financial Implications	See the Statement of Reasons Section together with the Appendices.

Plan for Lichfield District Implications	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 under Action Plan 2015/16 and the Corporate Risk Register.

Equality & Diversity Implications	These areas are addressed as part of the specific areas of activity prior to being included in the Plan for the District 2012-16.

Crime & Safety Issues	These areas are addressed as part of the specific areas of activity prior to being included in the Plan for the District 2012-16.

Human Rights Issues	These areas are addressed as part of the specific areas of activity prior to being included in the Plan for the District 2012-16.

4. Risk Management

	Risk Description	Likelihood / Impact	Status	Countermeasure
A	Council Tax is not set by the Statutory Date of **11 March 2015**	Low/ High	Financial/ Reputational	Full Council is set with reference to when major preceptors and Parishes have Approved their Council Tax requirements.
B	The General Election in 2015	High/ High	Economic/ Financial/ Social	To monitor the policies of the new Government following the General Election result.
C	Government will carry out a review of the future structure of Business Rates and this will report by the Budget 2016	High/ Medium	Financial	LDC will need to respond to any consultation and will need to continue to monitor the process to identify any implications for LDC.
D	Planned Capital receipts are not received related to the Asset Strategy Review.	Medium/ High	Financial	The budget for Capital receipts will be monitored as part of the LDC's normal budget monitoring procedures.
E	Achievement of LDC'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	The Provisional Local Government Finance Settlement 2015/16 published on 18 December 2014

Relevant web links	https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2015-to-2016

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 proposed that the Council makes appropriations from General Reserves to finance the Net Operating Expenditure in 2015/16 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 3 December 2014, the Chancellor of the Exchequer presented his Autumn Statement to the House of Commons. (Further details can be accessed via HM Treasury website - https://www.gov.uk/government/publications/autumn-statement-documents).
5. LDC was advised of its Funding Settlement for one year only covering 2015/16 on 18 December 2014. In previous years, LDC has been advised of its Funding Settlement for a two year period. This is most likely due to the pending General Election.

   Revenue Spending Power

6. The Settlement Funding Assessments (SFA) for Councils in 2014/15 is **£23.8bn.** This will be funded by **£11.1bn** from retained Business Rates and **£12.7bn** from Revenue Support Grant (RSG).
7. The Settlement Funding Assessments (SFA) for Councils in 2015/16 has been confirmed in 2015/16 as **£20.8bn**.This will be funded by **£11.3bn** from retained Business Rates and **£9.5bn** from Revenue Support Grant.
8. **Government's Assessment of Lichfield's Revenue Spending Power**
   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 LDC's main income streams such as Council Tax, Settlement Funding Assessments (consisting of RSG and Retained Business Rates) and New Homes Bonus (HNB). The figures provided for LDC are shown in the following table:

Income Stream	**2014/15 Adjusted £m**	**2015/16 £m**
Council Tax	5.36	5.38
Settlement Funding Assessments:		
Revenue Support Grant (43% in 2015/16)	2.11	1.45
Retained Business Rates (57% in 2015/16)	1.89	1.92
Sub Total : Settlement Funding Assessment	**4.00**	**3.37**
Section 31 Business Rates Cap	0.02	0.03
Council Tax Support Funding to Parishes	(0.13)	(0.13)
Council Tax Freeze Grant	0.00	0.06
New Homes Bonus Returned Funding	0.01	0.01
New Homes Bonus	1.20	1.54
Sub Total : Total Funding Available	**10.46**	**10.26**
Other Grants	0.02	0.00
Housing Benefit Administration Subsidy		
Local Council Tax Support and Housing Benefit Administration Subsidy	0.42	0.37
Council Tax Support New Burdens Funding	0.06	0.01
Sub Total : Specific Grants	**0.50**	**0.38**
Revenue Spending Power	**£10.96m**	**£10.64m**

% Reduction 2015/16 to 2014/15	(2.9%)
Average % Reduction 2015/16 to 2014/15 England (excluding the GLA)	(1.8%)

Using these *notional* spending power figures, the equivalent Settlement Funding Assessment percentage reduction is **15.75%** in 2015/16 in comparison with adjusted spending power 2014/15.

Revenue Support Grant (RSG) for 2015/16 represents **43%** (53% in 2014/15) of the Settlement Funding Assessment for LDC. RSG Funding for 2014/15 is **£2,116,000** and is reduced by **£666,000** or **31.5%** to **£1,450,000** for 2015/16 in comparison with 2014/15.

9. **The MTFS2015-18 Total Funding Available**

LDC's MTFS 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, NHB projections and Council Tax. The levels of Total Funding Available in the Approved Three Year MTFS (R&C) 2014-17 and the proposed MTFS (R&C) 2015-18 are shown in the table below :

Income Stream	**2015/16**		**2016/17**		**2017/18**	
	2014-17 Approved £m	**2015-18 Proposed £m**	**2014-17 Approved £m**	**2015-18 Proposed £m**	**2014-17 Projected £m**	**2015-18 Proposed £m**
Council Tax	5.513	5.621	5.690	5.799	5.794	6.009
Collection Fund Surplus		0.269				
Settlement Funding Assessments:						
Revenue Support Grant	1.440	1.450	0.884	1.025	0.468	0.687
Retained Business Rates	2.070	2.105	2.044	2.285	1.526	2.260
Sub Total : Settlement Funding Assessment	**3,510**	**3.555**	**2.928**	**3.310**	**1.994**	**2.947**
Section 31 Business Rates Cap	0.020	0.029	0.020		0.020	
New Homes Bonus Returned Funding	0.016	0.016	0.044	0.026	0.035	0.017
Council Tax Support Funding to Parishes	(0.115)	(0.115)	(0.099)	(0.107)	(0.099)	(0.095)
New Homes Bonus	1.503	1.539	1.957	1.992	2.119	2.353
Total Funding Available	**£10.447m**	**£10.914m**	**£10.540m**	**£11.020m**	**£9.863m**	**£11.231m**

Starting Funding Gap for the MTFS (R&C) 2015-18: £2,945,650

10. The MTFS (R&C) 2014-17 identified savings of **£2,484,570** and F4F reviews during 2014/15 have identified savings of **(£930,380)** for 2015/16 and 2016/17. The remaining savings to be identified based on the MTFS (R & C) 2014-17 are **£1,554,190**[5]**.**

11. In addition to 2014/15, 2015/16 and 2016/17, included in the MTFS (R&C) 2014- 17 a further set of projections for 2017/18 were prepared and these projections (after incorporating savings identified) have identified a further **£1,391,460** of savings for this financial year.

12. Therefore the Starting Funding Gap before any other adjustments including Council Tax income, Government Funding and retained Business Rates, NHB, Inflation, Collection Fund, other variations and revenue implications of the Capital Programme detailed below for the MTFS (R&C) 2015-18 is **£2,945,650**.

The Level of Council Tax

Council Tax : Additional Income of (£426,000)

Council Tax Base

13. 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) 2015-18. In terms of the calculation, the following key assumptions have been made and the additional income is related to an increase in the Council Tax Base:

[5] This figure is shown in the Money Matters: 2014/15 Review of Financial Performance for eight months on this Agenda.

APPENDIX A

	Medium Term Financial Strategy 2015-18			
	2014/15	2015/16	2016/17	2017/18
Provision for Growth				
Housing Completions per Annual Monitoring Report H4, November 2014		390	851	1,181
Risk Allowance for Non-Completions and timing differences		62%	50%	50%
Housing Completions Projection	**0**	**239.85**	**425.5**	**590.0**
Council Tax Base (per CTB 1 Return)				
Band A Disabled Relief Reduction		19.0	19.0	19.0
Band A		4,921.0	4,921.0	4,921.0
Band B		9,165.3	9,165.3	9,165.3
Band C		9,385.0	9,385.0	9,385.0
Band D		5,981.5	5,981.5	5,981.5
Band E		4,388.3	4,388.3	4,388.3
Band F		3,252.0	3,252.0	3,252.0
Band G		2,341.5	2,341.5	2,341.5
Band H		366.5	366.5	366.5
Reduction in Council Tax Base due to Family Annex Discount				
Band A		(3.0)	(3.0)	(3.0)
Band E		(1.0)	(1.0)	(1.0)
Reduction in the Council Tax Base to reflect the Local Council Tax Support Scheme				
Band A Disabled Relief Reduction		(5.6)	(5.6)	(5.6)
Band A		(1,401.5)	(1,401.5)	(1,401.5)
Band B		(1,493.4)	(1,493.4)	(1,493.4)
Band C		(787.6)	(787.6)	(787.6)
Band D		(207.0)	(207.0)	(207.0)
Band E		(78.3)	(78.3)	(78.3)
Band F		(21.7)	(21.7)	(21.7)
Band G		(21.4)	(21.4)	(21.4)
Band H		(2.8)	(2.8)	(2.8)
Total Equivalent Dwellings after Discounts and Reliefs	**0.0**	**35,796.8**	**39,816.1**	**39,816.1**
Band D Equivalents	**35,296.0**	**36,262.2**	**36,262.2**	**36,262.2**
Provision for Growth				
2015/16		239.9	239.9	239.9
2016/17			425.5	425.5
2017/18				590.0
Revised Council Tax Base Assuming 100% Collection	**35,296.0**	**36,502.1**	**36,927.6**	**37,517.6**
Less : 1% provision for non-collection		(365.0)	(369.3)	(375.2)
Add : Contribution in lieu for MOD dwellings		127.3	127.3	127.3
Revised Council Tax Base for Council Tax Setting	**35,296**	**36,264**	**36,686**	**37,270**
Council Tax Band D (assumes an annual increase of 1.99%)	£151.97	£154.99	£158.08	£161.22
Council Tax Income	**(£5,364,000)**	**(£5,621,000)**	**(£5,799,000)**	**(£6,009,000)**
Council Tax (surplus) / deficit	**(£63,000)**	**(£131,000)**	**£0**	**£0**

Council Tax Increase

14. The Approved MTFS (R&C) 2014-17 is based on a year-on-year increase of **1.99%** and this assumption continues for the MTFS (R&C) 2015-18.

15. Under the Localism Act 2011, local communities have the power to decide on Council Tax rises. The Local Government Minister announced, as part of the Finance Settlement on 18 December 2014, that the limit determined for Council Tax increases for 2015/16 will be **2**% or above. Any increases proposed of **2%** and above will require a local referendum.

Government Funding and Retained Business Rates:	**Additional Funding of (£707,890)**

16. The Government Funding consists of the Settlement Funding Assessment (Retained Business Rates and RSG), reimbursement for the capping of the Business Rates increase in 2014/15 and 2015/16 to **2%** as announced in the Autumn Statements 2013 and 2014 plus the return of NHB budget that has not been spent.

17. Latest RSG projections indicate higher levels than previously budgeted of (**£370,000)** and additional income from returned NHB will total (**£58,000)** over the period 2015-18.

18. Retained Business Rates is projected to increase by **(£310,890)** and the Government's reimbursement for the Business Rate cap is lower than we budgeted by **£31,000** over the period 2015-18.

19. We have to provide a three year budget and we have therefore had to predict the reduction in funding for 2016/17 and 2017/18. Realistically, although we are technically in a consultation period, the Settlement figures announced on 18 December 2014, are unlikely to change significantly.

20. The Chancellor also announced that a Spending Review 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. We have used the latest information available to estimate the reduction in funding for 2016/17 and 2017/18 and the reduction for 2017/18 would be **33%** equating to **£338,000**.

21. The process LDC uses for estimating retained Business Rates and the detailed estimates are shown in the flowchart and table overleaf. There are a number of key risks to these figures :

    - Performance of the National Economy and its impact at a local level.
    - Plans following the General Election for reliefs such as Small Business Rate Relief. Any reliefs that are discontinued or reformed would mean the Council having to collect this income from business ratepayers and this could impact on collection rates.
    - Projected level of the Retail Price Index.
    - Level and timing of current and future Business Rate Appeals.
    - Impact of any future changes to the timing and design of the Friarsgate project.
    - The Government has promised to look at reforming the Business Rate system and there have been a number of calls for reform from various Business Groups.

22. Business Rate Appeals continue to be a major risk to the level of Retained Business Rates for LDC primarily because LDC has no influence over the result of an Appeal submitted by businesses.

23. The history of the level of Appeals Outstanding and the Appeals Provision calculated using the Externally Audited methodology, plus information using a new Business Rates analysis package from Analyse Local (in the Mid-Point modelling we have used) given the level of risk and volatility the latest figure of **£600,270**) are shown in the table below:

	Outstanding Appeals £	**Potential Liability Losses £**	**Percentage of Outstanding Appeals %**	**Change to 31/03/2014 £**
31/03/2014 - LDC	27,096,190	1,604,403	5.92	0
30/06/2014 - LDC	26,984,840	2,258,496	8.37	654,093
31/08/2014 - LDC	24,460,640	1,962,668	8.02	358,265
30/09/2014 - LDC	23,573,700	1,890,789	8.02	286,386
30/09/2014 - Analyse Local	23,573,700	2,204,674	9.35	600,271

24. Historic data is used to assess the potential liability of losses from successful appeals. Therefore, the more data that is available, the more robust the estimates. The level of the potential loss from successful appeals fluctuates based on:

- Number and value of appeals and their business classification.
- Historic probability of a successful appeal in each business classification.
- Historic average saving resulting from a successful appeal by business classification.

APPENDIX A

Retained Business Rates Budget Process

<table>
<tr><td colspan="2">Retained Business Rates</td></tr>
<tr><td colspan="2">Current level of Rateable Value</td></tr>
<tr><td colspan="2">Add/Less</td></tr>
<tr><td colspan="2">Provision for new business premises, business closures or demolitions</td></tr>
<tr><td colspan="2">Multiplied by</td></tr>
<tr><td colspan="2">Business Rate pence in the Pound (increased by September's RPI)</td></tr>
<tr><td colspan="2">Equals</td></tr>
<tr><td colspan="2">Gross Business Rates Income</td></tr>
<tr><td colspan="2">Less</td></tr>
<tr><td colspan="2">Mandatory, Discretionary and Section 31 Reliefs</td></tr>
<tr><td colspan="2">Less</td></tr>
<tr><td colspan="2">Cost of Collection Allowance, Provision for Appeals, Allowance for Write Offs and Impairment</td></tr>
<tr><td colspan="2">Equals</td></tr>
<tr><td colspan="2">Net Business Rates Income</td></tr>
<tr><td colspan="2">Multiplied by</td></tr>
<tr><td colspan="2">District Council Share of Business Rates 40%</td></tr>
<tr><td colspan="2">Add</td></tr>
<tr><td colspan="2">District Council Section 31 Grants</td></tr>
<tr><td colspan="2">Less</td></tr>
<tr><td colspan="2">Tariff</td></tr>
<tr><td colspan="2">Equals</td></tr>
<tr><td colspan="2">Pre Levy or Safety Net Income</td></tr>
<tr><td>Growth - Less</td><td>Decline - Add</td></tr>
<tr><td>Levy Payment to GBS Pool @ 50% of growth in excess of the Baseline</td><td>Safety Net Payment from GBS Pool up to 92.5% of Baseline</td></tr>
<tr><td colspan="2">Less</td></tr>
<tr><td colspan="2">50% Business Rate Growth Volatility Allowance</td></tr>
<tr><td colspan="2">Add</td></tr>
<tr><td>Returned Levy from GBS Pool for 3 years @ 32.5% of 50%</td><td></td></tr>
<tr><td colspan="2">Equals</td></tr>
<tr><td colspan="2">Post Levy or Safety Net Retained Business Rates</td></tr>
<tr><td colspan="2">Add or deduct</td></tr>
<tr><td colspan="2">Collection Fund Surplus or Deficit from the Previous Financial Year</td></tr>
</table>

Retained Business Rate Estimates (Mid-Point)

Retained Business Rates	Financial Year			
	2014/15	2015/16	2016/17	2017/18
OBR Projected Level of the Retail Price Index (RPI)	3.20%	2.10%	2.90%	3.40%
Level of RPI used in Projections	2.00%	2.00%	2.90%	3.40%
Friarsgate Implications?	No	No	Yes	Yes
Real Growth in the Tax Base including Friarsgate	0.08%	(0.11%)	0.44%	0.44%
Business Rates Volatility Allowance	0.00%	50.00%	50.00%	50.00%
Business Rates Baseline (for Levy Calculation)	£1,885,000	£1,921,000	£1,977,000	£2,044,000
Safety Net Level @ 92.5%	£1,744,000	£1,777,000	£1,829,000	£1,891,000
Levy Rate	50.00%	50.00%	50.00%	50.00%
Level of Levy Reimbursed by the GBS Pool	32.50%	32.50%	32.50%	0.00%

Retained Business Rates	Financial Year			
	2014/15	2015/16	2016/17	2017/18
Estimated Current Level of Rateable Value	(£82,200,000)	(£82,200,000)	(£82,200,000)	(£82,200,000)
Provision for new business premises, business closures or demolitions	£67,941	(£90,059)	£361,891	£361,891
Business Rate Pence in the Pound	0.47	0.48	0.49	0.51
Gross Business Rates Income	**(£38,684,200)**	**(£39,533,790)**	**(£40,456,848)**	**(£41,832,381)**
Transitional Relief	(£171,132)	£0	£0	£0
Mandatory Reliefs (inc Small Business Rate Relief partly funded by Section 31 grant)	£5.110,926	£5,228,477	£5,380,103	£5,563,026
Discretionary Reliefs	£79,511	£81,340	£83,698	£86,544
Section 31 Reliefs	£407,467	£620,927	£638,934	£660,658
Net Rates Payable	**(£33,257,429)**	**(£33,603,046)**	**(£34,354,112)**	**(£35,522,152)**
Transitional Relief Reimbursement	£171,132	£0	£0	£0
Cost of Collection	£124,697	£124,697	£124,697	£124,697
Provision for Appeals	£600,270	£600,270	£600,270	£600,270
Allowance for Write Offs and Impairment	£374,141	£321,000	£321,000	£321,000
Net Business Rate Income	**(£31,987,188)**	**(£32,557,079)**	**(£33,308,145)**	**(£34,476,185)**
District Council Share (2014/15 = NNDR 1)	(£12,516,063)	(£13,022,832)	(£13,323,258)	(£13,790,474)
Section 31 Grants	(£525,000)	(£619,000)	(£637,000)	(£659,000)
Tariff	£10,967,000	£11,176,270	£11,500,382	£11,891,395
Pre Levy or Safety Net Income	**(£2,074,063)**	**(£2,465,562)**	**(£2,459,876)**	**(£2,558,079)**
Levy payable to GBS Pool	£234,000	£272,000	£242,000	£257,000
Business Rates Volatility Allowance	(£180,000)	£176,690	£12,499	£41,446
Returned Levy from the GBS Pool	(£76,050)	(£88,400)	(£78,650)	£0
Post Levy of Safety Net Income	**(£2,096,113)**	**(£2,105,271)**	**(£2,284,027)**	**(£2,259,633)**
Collection Fund (Surplus) or Deficit	£256,159	(£137,719)	£0	£0

Local Council Tax Support (LCTS) for Parishes: A Cost Pressure of £4,000

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

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

27. The Revenue Spending Power calculations Government has provided, assumes Council Tax Support to Parishes will remain constant at **£134,700**.

28. 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.

29. The table below shows LDC's estimates of Settlement Funding Assessment figures for 2014/1,; the provisional settlement for 2015/16 together with estimates for 2016/17 and 2017/18 :

Settlement Funding Assessment	Financial Year				
	2014/15	2015/16	2016/17	2017/18	Total (3 Years 2015/16 to 2017/18)
Revenue Support Grant	(£2,116,000)	(£1,450,000)	(£1,025,000)	(£687,000)	**(£3,162,000)**
Retained Business Rates (excluding Collection Fund)	(£2,096,000)	(£2,105,000)	(£2,285,000)	(£2,260,000)	**(£6,650,000)**
Settlement Funding Assessment	**(£4,212,000)**	**(£3,555,000)**	**(£3,310,000)**	**(£2,947,000)**	**(£9,812,000)**
% Annual Change		(15.60%)	(6.89%)	(10.97%)	
Approved Budget	**(£4,131,000)**	**(£3,510,000)**	**(£2,928,000)**		

30. The use of the District Council's Settlement Funding Assessment based figures provides a basis to determine the percentage change in funding allocated to parishes for LCTS. An alternative would be to use the Government's Revenue Spending Power which includes Council Tax and NHB, however, this would mean smaller reductions.

31. In 2014/15 it was agreed that the allocation remained the same as for 2013/14 at **£134,700** and for 2015/16 a **15%** reduction will apply reducing Funding Allocation to **£114,700.**

32. It is proposed that for 2016/17, a **7%** reduction will apply to reduce the Funding Allocation to **£106,800**. The Approved MTFS (R&C) 2014-17 assumed allocations of **£98,700** for both 2016/17 and 2017/18. The table below summarises the agreed funding for 2014/15 and 2015/16 together with the proposed funding for the two years 2016/17 and 2017/18 based on the changes to the District Council's Settlement Funding Assessment figures :

Allocation to Parish Councils	Financial Year				
	2014/15	2015/16	2016/17	2017/18	Total (3 Years 2015/16 to 2017/18)
Settlement Funding Assessment Change			(6.89%)	(10.97%)	
Government Allocation published November 2012	£134,700				
Approved Allocation	£134,700	£114,700			£114,700
Projected Allocation			**£106,800**	**£95,100**	**£201,900**
% Annual Change			**(6.89%)**	**(10.96%)**	
Approved MTFS (R&C) 2014-17	**£135,000**	**£115,000**	**£99,000**		

New Homes Bonus: **Additional Income of (£181,000)**

33. 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 LDC 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 **(£1,468** for 2015/16) is paid to LDC 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, LDC retains **80%** of NHB, with the remaining **20%** being paid to Staffordshire County Council.

34. In 2015/16 Government will fund **£250m** of NHB and the balance estimated to be **£0.917m** is funded from a deduction from RSG. For 2015/16 NHB funding amounts to **£1.167bn** nationally.

35. The process LDC uses for estimating the Council Tax Base and NHB is shown on the flow chart below :

Council Tax Base and New Homes Bonus Budget Process

Council Tax Base	New Homes Bonus	
	Non-Affordable Housing	Affordable Housing
Council Tax Base Return Properties		
Less		
Family Annex and Local Council Tax Support Discounts		
Multiplied by		
Ratio to Convert to Band D Equivalents		
Equals		
Band D Equivalents		
Add		
Provision for Growth using the Housing completions from Annual Monitoring Report H4		Affordable Housing Completions provided by the Housing Team
Multiplied by		
Risk Allowance for Non-Completions and Timing Differences, 62% in 2015/16 and 50% in later years		
Equals	**Add**	
Revised Council Tax Base assuming 100% collection	Empty Homes brought back into use	
Less	**Multiplied by**	
1% provision for non- collection	Ratio to Convert to Band D Equivalents	
Add	**Equals**	
Contribution in lieu of MOD dwellings	Band D Equivalents	
Equals	**Multiplied by**	**Multiplied by**
Council Tax Base	Assumed National Band D Council Tax - £1,456 in 2014/15 and £1,468 in later years	Affordable Housing Rate of £350 per Completion
Multiplied by	**Multiplied by**	
LDC Band D Council Tax Rate	District Council Share of 80%	
Equals	**Equals**	
Council Tax Income	New Homes Bonus Income	
Add or deduct		
Collection Fund Surplus or Deficit from the Previous Financial Year		

36. The estimates of NHB and the key assumptions used for 2015-18 are shown in the table below :

	Medium Term Financial Strategy 2015-18			
	2014/15	**2015/16**	**2016/17**	**2017/18**
Provision for Growth				
Housing Completions per Annual Monitoring Report H4, November 2014		390	851	1,181
Risk Allowance for Non-Completions and timing differences		62%	50%	50%
Housing Completions Projection		**240**	**426**	**590**
Housing Completions Projection	330	240	426	590
Empty Homes brought back into Use	94	58	0	0
Total Projected New Housing Supply	**424**	**298**	**426**	**590**
Ratio applied to calculate Band D Equivalents	0.9	0.9	0.9	0.9
Band D Equivalents Projected New Housing Supply	**398**	**273**	**367**	**503**
Assumed National Band D Council Tax	(1,456)	(1,468)	(1,468)	(1,468)
District Council's 80% Share	**(464,000)**	**(321,000)**	**(431,000)**	**(591,000)**
Affordable Housing Completions	57	78	84	113
Affordable Housing Supplement	(350)	(350)	(350)	(350)
District Council's 80% Share	**(16,000)**	**(22,000)**	**(24,000)**	**(32,000)**
Total District Council's 80% Share	**(480,000)**	**(343,000)**	**(455,000)**	**(623,000)**
Year 1 Payment 2011/12	(261,000)	(261,000)	(261,000)	0
Year 2 Payment 2012/13	(224,000)	(224,000)	(224,000)	(224,000)
Year 3 Payment 2013/14	(231,000)	(231,000)	(231,000)	(231,000)
Year 4 Payment 2014/15	(480,000)	(480,000)	(480,000)	(480,000)
Year 5 Payment 2015/16		(343,000)	(343,000)	(343,000)
Year 6 Payment 2016/17			(455,000)	(455,000)
Year 7 Payment 2017/18				(623,000)
Revenue Implications of the Capital Programme (Friarsgate)			2,000	3,000
Budgeted New Homes Bonus	**(£1,196,000)**	**(£1,539,000)**	**(£1,992,000)**	**(£2,353,000)**

Other Factors:

37. The level of Government funding and retained Business Rates are significant contributors to our net 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:	**A Budgetary Pressure of £225,350**

38. **Pay Award 2014/15** was agreed in November 2014; this is made up of an increase of **2.2%** from January 2015, plus a lump sum payment dependant on grade. The impact of this pay award has been included in the MTFS (R&C) 2015-18. It has yet to be confirmed if this pay award will also apply to CFO Grades (five posts in LDC).

39. **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 **2.30%** from 1 April 2016. This is already included in the Approved Budget.

40. **Employer's Pension Contributions** will increase by **1%** per annum on a cumulative basis from 2014/15 onwards following the triennial revaluation of Staffordshire Pension Fund 2013 this is already included in the Approved Budget.

41. These costs are treated as inflation as they are not as a result in growth of service provision. The table below shows the changes in assumptions compared to the MTFS (R&C) 2014-17 (shown in brackets) as a result of these assumptions :

Pay Award and Employer Costs	**Financial Year**			
	2014/15	**2015/16**	**2016/17**	**2017/18**
	%	**%**	**%**	**%**
Pay Award (exc lump sum)	0.6% (1%)	1.6% (1%)	2% (2%)	2.0%
Employers National Insurance (average)	6.9% (7.0%)	7.0% (7.0%)	9.3% (9.5%)	9.4%
Employers Pension	19.6% (19.6%)	20.6% (20.6%)	21.6% (21.6%)	22.6%

General Inflation

42. 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.

43. The MTFS (R&C) 2015-18 assumes that there is an annual inflationary increase to our income targets. Prices for activities in our leisure centres and parks are reviewed annually in the autumn and as such we are not in a position to say what the total price rises will be beyond 2015. In 2015, consumer price inflation is relatively low and in the leisure industry in particular there are deflationary pressures. In consequence, most prices for activities in our leisure centres and park have been held at 2014 levels.

44. 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) 2015-18 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 nine financial years from 2009/10 to 2017/18. A comprehensive review of LDC's car parking strategy is underway and will report in 2015/16.

Investment Income: No Change

45. **Interest on Balances**

The level of the base rate remains at **0.5%** and projections indicate that interest rates will potentially not rise until 2016. The level of investment returns included in the budget is shown below (the figures for the Approved MTFS (R&C) 2014-17 are shown in brackets):

Treasury Management	**Financial Year**			
	2014/15	**2015/16**	**2016/17**	**2017/18**
	%	**%**	**%**	**%**
Investment Returns	0.57% (0.77%)	0.70% (0.77%)	1.27% (0.76%)	1.72%

Other Variations: Budgetary Pressure of £182,920

46. Other variations will result in a net budgetary pressure of **£182,920** over three years. The main variations are due to :

- Additional Election Staff **£108,150**
- Microsoft Software Contract **£105,000**
- Non-achievement of staff turnover savings in Community, Housing and Health **£65,790**
- Housing Benefit Grant Reduction **£57,900**
- All other Minor Variations **£43,680**
- Loss of Rental Income from APCOA vacating Plant Lane Depot **£30,900**
- Street lighting Darwin Park - Reserve exhausted **£23,400**
- Loss of Income due to sunbed removal from Burntwood Leisure Centre **£19,890**
- Revenue implications of Asset Management District Council House **£14,250**

- Net Treasury position **£10,510**
- Insurance Premium Cover increase no longer required **(£126,720**)
- Joint Waste Savings due to new operating processes **(£121,710**)
- Additional Rental Income for Civic Amenity site **(£48,000**)

No Planned Use of General Reserves post 2015/16:	**A Reduction in Savings of (£400,450)**

47. The MTFS (R&C) 2015-18 makes the assumption that General Reserves are used to balance the Budget for 2015/16 only. The reason for this is that the use of reserves does not create a financially sustainable budget over the Medium Term as all the reserves in excess of the Minimum Level of **£1,200,000** for 2015/16 would at some point all be spent creating a financial 'cliff edge'.

Collection Fund:	**Additional Income of (£269,000)**

48. The Council Tax Collection Fund is projected to be in surplus in 2014/15 and LDC's share of the surplus receivable under Statute in 2015/16 will be **(£131,000).**

49. The Business Rate Collection Fund is projected to be in surplus in 2014/15 and LDC's share of the surplus receivable under Statute in 2015/16 will be **(£138,000).**

Capital Programme

Revenue Implications of the Capital Programme:	**A Budgetary Saving of (£69,000)**

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 Capital Programme 2015-18 totals **£13,499,000**. It is funded from eight sources of funding :

Total Indicative Capital Programme 2015-18	**£m**
Capital Receipts	2.617
Revenue Contributions	0.462
Section 106 Funds	0.746
Sinking Funds	0.250
Grants and Contributions	4.386
Earmarked Reserves	1.563
Internal/External Borrowing	0.673
Finance Leases	2.802
Total Sources of Funding	**£13.499m**

52. LDC's resources available to fund the Capital Programme consists of Capital Receipts amounting to **£2,617,000** and Revenue Contributions of **£462,000**.

53. A projection of the Revenue implications of both externally borrowing **£1,636,000** (to fund the Borrowing Requirement from 2013/14) and funding the remainder from internal borrowing is shown in the table below:

£1,636,000 borrowed 1 April 2015 using a repayment loan over **25** years at **3.04%.**

Borrowing costs include Minimum Revenue Provision based on asset life, external interest and loss of investment interest income.

	2015/16 **£**	**2016/17** **£**	**2017/18** **£**	**Total** **£**
Budgeted Borrowing Costs	161,000	169,000	183,000	513,000
Projected Borrowing Costs	140,000	148,000	156,000	444,000
Projected (Saving)/Cost	**(£21,000)**	**(£21,000)**	**(£27,000)**	**(£69,000)**

54. Revenue Implications of the Capital Programme included in the MTFS (R&C) 2015-18 include **£1.368m** of direct implications plus **£0.462m** of Revenue Contributions. The total including **£0.444m** of projected borrowing costs is **£2.274m** over the period 2015-18. This compares to the Approved MTFS (R&C) 2014-17 of **£2.343m**. Further details are provided below under **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. However, the scheme is not yet agreed and any scheme cannot be put into operation until the Local Plan is adopted.

56. For the MTFS (R&C) 2015-18 we have not estimated the value of any CIL funding to LDC for Capital Investment.

57. The Revenue Budget showing the Amount to be met from Government Grants and Local Tax Payers for the next **three** years, together with 2014/15 is set out in the table below:

GENERAL FUND TOTAL REQUIREMENT DISTRICT COUNCIL PURPOSES

FOR FINANCIAL YEARS 2014/15 to 2017/18 ANALYSIS IN ACCORDANCE WITH THE AUTHORITY'S ORGANISATIONAL STRUCTURE

BUDGET	2014/15		2015/16	2016/17	2017/18
	Approved Budget	Revised Budget	Original Budget	Original Budget	Original Budget
	£	£	£	£	£
Chief Executive	753,490	886,980	889,230	917,000	937,950
Finance, Revenues and Benefits	2,230,380	2,152,640	2,311,520	2,341,630	2,565,470
Leisure and Parks	3,203,560	3,135,250	3,167,270	3,179,800	3,327,000
Democratic, Development and Legal[6]	510,160	280,250	1,097,170	1,136,620	1,253,090
Community, Health and Housing	2,250,320	2,165,330	2,217,360	2,294,190	2,344,420
Waste	1,596,490	1,494,990	1,311,000	1,320,750	1,352,360
Savings Required	0	0	0	(486,390)	(818,190)
Net Cost of Services	**10,544,400**	**10,115,440**	**10,993,550**	**10,703,600**	**10,962,100**
Net Treasury Position	79,670	1,700	74,900	70,400	22,900
Revenue Contributions to the Capital Programme	169,000	169,000	154,000	154,000	154,000
Net Operating Cost	**10,793,070**	**10,286,140**	**11,222,450**	**10,928,000**	**11,139,000**
Less : Transfer (from) / to General Reserve	(240,290)	91,640	(400,450)	0	0
Less : Transfer to Earmarked Reserves	92,000	92,000	92,000	92,000	92,000
Amount to be met from Government Grants and Local Taxpayers	**£10,644,780**	**£10,469,780**	**£10,914,000**	**£11,020,000**	**£11,231,000**

Retained Business Rates	(2,015,000)	(2,096,000)	(2,105,000)	(2,285,000)	(2,260,000)
Revenue Support Grant	(2,116,000)	(2,116,000)	(1,450,000)	(1,025,000)	(687,000)
Returned New Homes Bonus	(6,000)	(6,000)	(16,000)	(26,000)	(17,000)
Business Rates Cap (2014/15)	(20,000)	(20,000)	(20,000)	0	0
Business Rates Cap (2015/16)	0	0	(9,000)	0	0
Parish Local Council Tax Support	135,000	135,000	115,000	107,000	95,000
New Homes Bonus	(1,196,000)	(1,196,000)	(1,539,000)	(1,992,000)	(2,353,000)
Council Tax Collection Fund (surplus) / deficit	(63,000)	(63,000)	(131,000)	0	0
Business Rates Collection Fund (surplus) / deficit	0	256,000	(138,000)	0	0
Council Tax Requirement	(5,363,780)	(5,363,780)	(5,621,000)	(5,799,000)	(6,009,000)
Council Tax Base	**35,296**	**35,296**	**36,264**	**36,686**	**37,270**
Lichfield District Council Tax Requirement assuming a 1.99% annual increase	**£151.97**	**£151.97**	**£154.99**	**£158.08**	**£161.23**

[6] The increase in the Original Budget 2015/16 compared to the Revised Budget 2014/15 for Democratic, Development and Legal is related to a number of one off occurrences in 2014/15. These include the loss of income from the proposed sale of the Industrial Units and Bore Street Shops, staffing vacancies, additional one off income sums for Planning Applications and Car Parking together with new resources to support Elections and Electoral Registration in 2015/16.

Resourcing our Investment Plans : The Capital Programme

58. 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.

59. The Capital Programme 2015-18 (including Revised Estimate 2014/15) is shown by top priority in **APPENDIX C**, along with the schemes proposed to be funded from LDC's resources.

The Capital Strategy

Project Identification and Prioritisation

60. 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.

61. Operationally, LDC manages its Capital Strategy through Service Managers and LDCs 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.

Planning Obligations - Section 106

62. As part of the planning process in relation to planning obligations, LDC 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.

63. 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.

64. LDC'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.

65. LDC'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.

66. The introduction of the CIL will mean that the current Section 106 processes will need to be updated to reflect this additional new source of capital investment funding (see paragraphs 55 and 56).

The Disposal of Assets.

67. LDC has determined an Asset Disposal policy. This policy involves evaluating each asset that LDC owns against the following criteria to determine if ownership should be retained:

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

68. LDC reviews its assets on an annual basis. As a consequence of the review in 2014, LDC made the decision to market some of its investment properties[7.] LDC also considers carefully expressions of interest to purchase or lease land it owns.

[7] Council meeting held 30 September 2014.

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

Project and Service Procurement

70. LDC has evaluated its procurement policies in line with best practice . 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	• LDC requires the Projects in a Controlled Environment (PRINCE2) methodology be used to project manage all new major projects. • LDC 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	• LDC has developed a procurement strategy. This is due to be reviewed in 2015/16.
Commitment to people	• LDC'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.

Project Implementation and Monitoring

71. 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, particularly when projects are using grant funding, such as the refurbishment of Friary Grange Leisure Centre.

72. Project managers hold regular meetings with 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.

73. 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

74. LDC 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 Infrastructure Officer Working Group undertakes regular checking of project progress that is funded by Section 106.

APPENDIX C

Capital Programme 2015-18[8]

(Including Revised Estimate 2014/15)

Top Priority	2014/15		2015/16		2016/17		2017/18		Total
	Council Funded	Other Funding	Council Funded	Other Funding	Council Funded	Other Funding	Council Funded	Other Funding	
	£000		£000		£000		£000		£'000
Theme 1 - We'll support local people	£314	£822	£409	£1,135	£409	£1,267	£409	£483	£5,248
Theme 2 - We'll shape local places	£44	£194	£121	£2,266	£0	£2,215	£0	£750	£5,590
Theme 3 - We'll boost local businesses	£581	£269	£320	£265	£286	£1,000	£836	£500	£4,057
How our core principals help us deliver	£935	£13	£535	£0	£137	£0	£156	£0	£1,776
TOTAL	**£1,874**	**£1,297**	**£1,385**	**£3,666**	**£832**	**£4,482**	**£1,401**	**£1,733**	**£16,670**
	£3,171		**£5,051**		**£5,314**		**£3,134**		
			£13,499						

Funding	2014/15	2015/16	2016/17	2017/18	Total
	£000	£000	£000	£000	£'000
Usable Capital Receipts	£1,101	£985	£541	£1,091	£3,718
Prudential Borrowing (including Finance Leases)	£626	£2,393	£626	£456	£4,101
Burntwood Leisure Centre Sinking Fund	£101	£128	£80	£42	£351
Other Sinking Funds	£0	£0	£0	£0	£0
Grants, Contributions and Section 106	£992	£1,359	£2,882	£891	£6,124
Revenue	£169	£154	£154	£154	£631
Earmarked Reserves etc.	£183	£32	£1,031	£500	£1,746
TOTAL	**£3,171**	**£5,051**	**£5,314**	**£3,134**	**£16,670**

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

[8] 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.

APPENDIX C

Capital Programme 2015-18 by Theme[9]
(Including Revised Estimate 2014/15)

Project	2014/15 £000	Draft Budget 2015/16 £000	2016/17 £000	2017/18 £000	3 Years £000
Evolve Fitness Equipment	10				
Accessible Homes (Disabled Facilities Grants)	269	379	379	379	1,137
Home Repair Assistance Grants	15	20	20	20	60
Energy Insulation Programme	11	10	10	10	30
Oakenfield Play Area (Sinking Fund)	9				
We'll Help Local People	**314**	**409**	**409**	**409**	**1,227**
Invest to Save Toro GM360 Mowers	44				0
Shortbutts Park, Lichfield		20			20
Stowe Pool Improvements		5			5
Canal Culvert at Huddlesford		96			96
We'll Shape Local Places	**44**	**121**	**0**	**0**	**121**
Friarsgate Support	410	286	286	836	1,408
City Centre - Enhancement of Public Areas	143				0
Lichfield Garrick Lift	6				0
Lombard Street/Cross Keys Car Park	14				0
Friary Outer Car Park Development	8				0
Refurbishment of Bird Street Car Park Surface		34			34
We'll Boost Local Business	**581**	**320**	**286**	**836**	**1,442**
Depot Sinking Fund	11				0
Asset Management - Health & Safety Issues	7				0
Asset Management - District Council House		57	2	1	60
IT Investment - Phase 1	917	108			108
IT Investment - Phase 2		370	135	155	660
How Our Core Principles Help Us Deliver	**935**	**535**	**137**	**156**	**828**
TOTAL	**£1,874**	**£1,385**	**£832**	**£1,401**	**£3,618**

[9] Only includes Council funded schemes.

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. LDC's aim is to have a prudent level of General Reserves available for unforeseen financial risks. LDC has established opening General Reserves of **£2,810,190**; the precise level is determined by risk assessment. The minimum level of Reserves for 2015/16 onwards is **£1,200,000.** This is **11%** of the amount to be met from Government Grants and Local Taxpayers in 2015/16 of **£10,914,000**.

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

7. 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 LDC against potential unbudgeted costs.

Use of General Revenue Reserves

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 provides guidance for determining the minimum level of Reserves. LDC uses the method based on risk assessment. The approach to the risk assessment of Reserves has taken into account CIPFA guidance (LAAP 99) (Guidance note on Local Authority Reserves and Balances).

9. The table below shows the financial risk assessment made for **2015/16** :

Activity Area	Explanation of Risk/ Justification of Balances	Level of Risk : Impact/Likelihood	2015/16 Reserve Amounts £
Friarsgate	The Financial Implications of Friarsgate are higher than the Approved Budget.	Significant/ Medium	79,000
IT Systems are no longer Fit for Purpose and the Public Sector Network	The Financial Implications are higher than the Approved Budget.	Significant/ Medium	108,000
Financial Resilience:			
Savings Targets	Savings targets are not achieved.	Significant / Medium	24,000
Business Rates	LDC's share of Business Rates reduces due to performance of the national economy and/or local factors such as business closure.	Significant/ Medium	328,000
High Risk streams of Income including Fees and Charges	Reduction in customer demand.	Significant/ Medium	179,000
Inflation Assumptions	Inflation increases at a higher rate than assumed for items such as Pay Awards, Utilities and Supplies and Service Costs.	Significant/ Medium	161,000
Collection of Income Performance	There is a reduction in Collection Performance for example for Council Tax, Business Rates and Sundry Debtors.	Significant/ Medium	160,000
Partnerships and Outsourcing	LDC is now working with the Locality Commissioning Board and VAT could be deducted from Clinical Commissioning Group and Office of Police and Crime Commissioner funding unlike Council funding[10.]	Significant/ Medium	23,000
Civil Contingency	To meet any Civil Contingency that may arise.	Significant/ Medium	127,000
Other	Other small risks.	Low / Low	11,000
Total Minimum Reserves			**£1,200,000**

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 and Balance Sheet projections are shown overleaf :

[10] Councils are classed as Section 33 bodies and this enables them to reclaim all of their VAT (subject to remaining with a partial exemption limit however other bodies, such as the National Health Service are not able to reclaim all of their VAT. The status of these two bodies and the VAT treatment are currently being assessed.

APPENDIX D

Usable Reserve	Reason for the Reserve	2013/14 Actual £000	2014/15 Budget £000	2015/16 Budget £000	2016/17 Budget £000	2017/18 Budget £000
Revenue						
Other Earmarked Reserves	To finance specific capital and revenue projects	(2,345)	(1,963)	(1,931)	(1,900)	(1,900)
Grant Aid - Development	To provide assistance to Historic Buildings, Nature Conservation and Biodiversity projects	(52)	(52)	(52)	(52)	(52)
Elections	This reserve is required to ensure sufficient resources are available to meet the District Council Elections	(117)	(117)	(117)	(117)	(117)
Public Open Spaces	To fund the cost of equipment in public open spaces	(104)	(104)	(104)	(104)	(104)
Building Regulations	To manage the risks related to the Building Control Function	(61)	(61)	(61)	(61)	(61)
Capital						
Three Spires Multi Storey	Provides for future capital works to the car park.	(1,402)	(1,523)	(1,644)	(765)	(386)
Capital Grants Unapplied	The Capital grants reserve is to meet specific capital grant expenditure in future years	(1,328)	(1,351)	(760)	(14)	(14)
Capital Receipts Reserve	The usable capital receipts reserve represents capital receipts available to finance capital expenditure in future years in accordance with best practice	(996)	(229)	(1,762)	(1,223)	(134)
Sinking Funds	These have been setup for Burntwood Leisure Centre including the synthetic pitch and King Edwards Leisure Centre synthetic pitch	(467)	(366)	(238)	(158)	(116)
Revenue and Capital Earmarked Reserves Total		**(£6,872)**	**(£5,766)**	**(£6,669)**	**(£4,394)**	**(£2,884)**

11. LDC also holds other Unusable Reserves that arise out of the interaction of legislation and proper accounting practice and the Balance Sheet projections are shown in the table below :

Unusable Reserve	Reason for the Reserve	2013/14 Actual £000s	2014/15 Budget £000s	2015/16 Budget £000s	2016/17 Budget £000s	2017/18 Budget £000s
Revaluation Reserve	This is a reserve that records unrealised gains in the value of non-current assets	(3,474)	(3,474)	(3,474)	(3,474)	(3,474)
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	(37,734)	(39,346)	(38,051)	(40,465)	(42,845)
Deferred Credits	This item consists of principal outstanding on the sale of council houses properties sold on a mortgage.	(69)	(67)	(65)	(63)	(61)
Pension Scheme	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).	34,017	34,017	34,017	34,017	34,017
Benefits Payable During Employment Adjustment Account	This is a specific accounting mechanism used to reconcile employee benefits (accrued holiday entitlements) under IAS 19	222	222	222	222	222
Collection Fund	This is required under the Statement of Recommended practice (SORP) for Council Tax & Non Domestic rates accrued income.	336	336	336	336	336
Legislation and Proper Accounting Reserves Total		**(£6,702)**	**(£8,312)**	**(£7,015)**	**(£9,427)**	**(£11,805)**

The **CFO** has been involved throughout the entire budget process, including revising the MTFS, 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 Overview and Scrutiny Committees, 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 MTFS. The process, timetable and the overall budget framework were approved by Cabinet.

Timetable - the process started in June 2014 and the draft budget was completed in December 2014 prior to the Provisional Financial Settlement for Local Government 2015/16. This enabled formal scrutiny of the budget making process in January 2015. The final budget is due to be set at Council on 17 February 2015, well within the statutory deadline.[11]

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 - In summer 2014, we carried out a survey '*Your View*' to find out what people who live in the District think about the services we provide.

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 has determined a **2%** limit for Council Tax increases for 2015/16. 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 LDC'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 LDC 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 - LDC continues to use an embedded good practice risk assessment approach both when setting the budget and in validating estimated outturns. This continues for the 2014/15 outturn and 2015/16 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 CFO 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 **£1,200,000** is adequate.

[11] Statutory deadline date for setting Council Tax is by 11 March 2015.

APPENDIX E

Treasury Management Strategy Statement

Cash Flow Forecast for 2015/16

Investments at 31 December 2014

The table below shows a breakdown of our investments as at the end of the third 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						
Deutsche Bank	0.69	01-Jan-15	1	0.37%	AAA	
Invesco	1	01-Jan-15	1	0.39%	AAA	
Goldman Sachs	1	01-Jan-15	1	0.42%	AAA	
Blackrock	1	01-Jan-15	1	0.41%	AAA	
Ignis	1	01-Jan-15	1	0.42%	AAA	
Legal & General	1	01-Jan-15	1	0.44%	AAA	
Insight	1	01-Jan-15	1	0.38%	AAA	
Aberdeen	0.54	01-Jan-15	1	0.41%	AAA	
BNP Paribas	1	01-Jan-15	1	0.46%	AAA	
Federated Prime Rate	1	01-Jan-15	1	0.38%	AAA	
Other Counterparties						
Nationwide	1	01-Apr-15	90	0.81%	A	
Nationwide	0.5	01-Apr-15	90	0.73%	A	
Lloyds Bank	1	01-Apr-15	90	0.95%	A	
Lloyds Bank	0.5	01-Apr-15	90	0.76%	A	
Santander	1.5	26-Aug-15	237	0.90%	A	Yes
HSBC	1.5	14-Jul-15	194	0.50%	AA-	
Close Bros	1.5	23-Jan-15	22	0.60%	A-	
Barclays Bank	1.5	06-Feb-15	36	0.48%	A	
DMO	2	08-Jan-15	7	0.25%	AAA	
Standard Chartered	1.5	23-Mar-15	81	0.66%	A+	
Total	**£21.73m**					

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 2014 had a more secure risk status of **A+** based on the length of the investment and **AA** based on the value of the investment.

APPENDIX E

Detailed Cash flow for 2015/16 (figures may not sum due to rounding)

2015/16 (£m)													
Detail	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Total**
Income													
Council Tax Collected	-£5.24	-£5.05	-£4.77	-£4.89	-£4.87	-£4.89	-£4.92	-£4.91	-£4.88	-£4.64	-£0.60	-£0.64	**-£50.29**
Business Rates Collected	-£3.13	-£4.07	-£3.05	-£3.21	-£4.23	-£3.08	-£3.01	-£3.03	-£2.89	-£2.81	-£0.73	-£0.56	**-£33.80**
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	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	**-£0.85**
Net Revenue Income	-£0.41	-£0.52	-£0.52	-£0.52	-£0.52	-£0.48	-£0.52	-£0.52	-£0.52	-£0.52	-£0.52	-£0.52	**-£6.07**
Revenue Support Grant	-£0.82	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	-£0.48	-£0.13	**-£1.42**
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	-£1.64	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	**-£1.64**
Spend													
Capital Programme	£0.42	£0.42	£0.42	£0.42	£0.42	£0.42	£0.42	£0.42	£0.42	£0.42	£0.42	£0.42	**£5.05**
Other Spend	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	**£0.49**
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	£2.33	£3.41	£3.06	£3.06	£3.06	£3.06	£3.06	£3.06	£3.06	£2.63	£0.95	£0.95	**£31.70**
Precepts	£5.36	£4.37	£0.00	£4.37	£4.37	£4.69	£4.37	£4.37	£0.00	£4.37	£4.37	£4.37	**£45.03**
Cash Flow	-£2.17	-£0.57	-£3.97	£0.35	-£0.89	£0.64	£0.28	£0.28	-£2.73	£0.33	£4.30	£4.85	**£0.69**
Average Level of Investments	£8.64	£10.01	£12.28	£14.09	£14.37	£14.49	£14.03	£13.76	£14.98	£16.18	£13.87	£9.29	

Investment Income and Borrowing Cost Budgets for 2015/16

Based on the cash flow forecast on the previous page and the revenue implication of the Capital Programme, the estimate for interest payments in 2015/16 is **£61,500,** Minimum Revenue Provision is **£79,200** and for interest receipts is (**£96,000)**.

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 £000**				
	+£1m	**+£2m**	**+£3m**	**+£4m**	**+£5m**
Current Estimate	116	124	132	140	149
+0.50%	186	199	212	226	239

APPENDIX E

Balance Sheet Projections 2015-18

(Figures may not sum due to rounding)

	Type	2013/14 Actual £000s	2014/15 Budget £000s	2015/16 Budget £000s	2016/17 Budget £000s	2017/18 Budget £000s
Property, Plant and Equipment	CFR	37,624	39,536	42,989	45,481	47,765
Heritage Assets	CFR	515	515	515	515	515
Investment Property	CFR	5,928	5,928	2,961	2,961	2,961
Intangible Assets	CFR	177	177	177	177	177
Investments	INV	9,725	7,554	9,287	6,865	5,240
Borrowing	BOR	(63)	(47)	(1,602)	(1,521)	(1,440)
Finance Leases	LEA	(457)	(246)	(1,858)	(1,870)	(1,740)
Working Capital	CRED	(3,048)	(2,419)	(2,266)	(2,268)	(2,270)
Pensions	PEN	(34,017)	(34,017)	(34,017)	(34,017)	(34,017)
TOTAL ASSETS LESS LIABILITIES		**£16,384**	**£16,980**	**£16,185**	**£16,322**	**£17,190**

Unusable Reserves						
Revaluation Reserve	CFR	(3,474)	(3,474)	(3,474)	(3,474)	(3,474)
Capital Adjustment Account	CFR	(37,734)	(39,346)	(38,051)	(40,465)	(42,845)
Deferred Credits	CRED	(69)	(67)	(65)	(63)	(61)
Pension Scheme	PEN	34,017	34,017	34,017	34,017	34,017
Benefits Payable During Employment Adjustment Account	CRED	222	222	222	222	222
Collection Fund	BAL	336	336	336	336	336
Usable Reserves						
Unapplied Grants and Contributions - General	BAL	(767)	(746)	(746)	(0)	(0)
Unapplied Grants and Contributions - Affordable Housing	BAL	0	0	0	0	0
Unapplied Grants and Contributions - Section 106	BAL	(561)	(605)	(14)	(14)	(14)
Unapplied Grants and Contributions - Revenue	BAL	0	0	0	0	0
Usable Capital Receipts	BAL	(862)	(95)	(1,628)	(1,089)	0
Usable Capital Receipts - Arts Statue	BAL	(134)	(134)	(134)	(134)	(134)
Burntwood Leisure Centre Sinking Fund	BAL	(396)	(295)	(167)	(87)	(45)
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	0	0	0	0	0
Elections	BAL	(117)	(117)	(117)	(117)	(117)
Promotion of District	BAL	0	0	0	0	0
Public Open Spaces	BAL	(104)	(104)	(104)	(104)	(104)
Three Spires Multi Storey	BAL	(1,402)	(1,523)	(1,644)	(765)	(386)
Building Regulations	BAL	(61)	(61)	(61)	(61)	(61)
Other Earmarked Reserves	BAL	(2,345)	(1,963)	(1,931)	(1,900)	(1,900)
Grant Aid - Development	BAL	(52)	(52)	(52)	(52)	(52)
Depot Sinking Fund	BAL	0	0	0	0	0
General Fund Balance	BAL	(2,810)	(2,902)	(2,501)	(2,501)	(2,501)
TOTAL EQUITY		**(£16,384)**	**(£16,980)**	**(£16,185)**	**(£16,322)**	**(£17,190)**

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 :

		2013/14 Actual £000s	2014/15 Budget £000s	2015/16 Budget £000s	2016/17 Budget £000s	2017/18 Budget £000s
Working Capital	CRED	(2,895)	(2,264)	(2,109)	(2,109)	(2,109)
Pensions	PEN	0	0	0	0	0
Usable Reserves	BAL	(9,346)	(8,332)	(8,834)	(6,559)	(5,049)
Total Cash Available		**(£12,242)**	**(£10,596)**	**(£10,943)**	**(£8,668)**	**(£7,158)**

This cash available is planned to be used for :

Capital Financing Requirement	CFR	3,036	3,336	5,116	5,194	5,098
Less : Other Debt Liabilities (Finance Leases)	LEA	(457)	(246)	(1,858)	(1,870)	(1,740)
Less : New External Borrowing	BOR	0	0	(1,571)	(1,505)	(1,440)
Less : Existing External Borrowing	BOR	(63)	(47)	(31)	(16)	0
Equals : Internal Borrowing		**2,516**	**3,043**	**1,657**	**1,803**	**1,919**
Investments	INV	9,726	7,553	9,286	6,864	5,239
Total		**£12,242**	**£10,596**	**£10,943**	**£8,668**	**£7,158**

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

	2013/14 Actual £000s	2014/15 Budget £000s	2015/16 Budget £000s	2016/17 Budget £000s	2017/18 Budget £000s
Capital Financing Requirement	3,036	3,336	5,116	5,194	5,098
Less : Current Funding provided by Finance Leases and Long Term Borrowing (excluding any new borrowing)	(520)	(293)	(1,889)	(1,886)	(1,740)
Projected Borrowing Need	**2,516**	**3,043**	**3,227**	**3,308**	**3,358**
Less : the Projected Level of Balances and Reserves we hold as Investments	(9,346)	(8,332)	(8,834)	(6,559)	(5,049)
Less : Working Capital	(2,895)	(2,264)	(2,109)	(2,109)	(2,109)
Our Net Borrowing Need (or Investments)	**(£9,726)**	**(£7,554)**	**(£7,716)**	**(£5,360)**	**(£3,800)**

What if

Our Balances and Reserves and Working Capital were £1m lower than planned		(6,554)	(6,716)	(4,360)	(2,800)
Our Balances and Reserves and Working Capital were £2m lower than planned		(5,554)	(5,716)	(3,360)	(1,800)

Minimum Level of Investments to manage the risk of unplanned changes in Balances and Reserves and Working Capital	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)

APPENDIX F

Minimum Revenue Provision Statement 2015/16

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 2015/16: Options 1 and 2 may be used only for supported expenditure (where the Government provides financial support to offset the borrowing costs through the RSG mechanism). Methods of making prudent provision for self-financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if LDC chooses).

The Minimum Revenue Provision Statement will be submitted to Council before the start of the 2015/16 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.

APPENDIX G

Treasury Management

Introduction and Background

LDC 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, LDC 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 LDC will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The Council (ie 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.
LDC 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.
LDC nominates the Strategic (Overview and Scrutiny) Committee be responsible for ensuring effective scrutiny of the Treasury Management strategy and policies.

Policies and Objectives of Treasury Management Activities

LDC 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."
LDC 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.
LDC 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.
LDC currently does not plan to borrow to fund its capital expenditure. However, should this situation change and LDC approve borrowing for a capital purpose, LDC'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 LDC transparency and control over its debt.
LDC'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.

Borrowing Strategy

The Authority currently holds **£0.063** million of loans from Salix for lighting in the Friary Outer Car Park which was a new loan in 2013/14, as part of its strategy for funding previous years' capital programmes. The Balance Sheet projections show that the Authority expects to borrow up to **£1.636m** in 2015/16.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

Sources: The approved sources of long-term and short-term borrowing are :
- Public Works Loan Board (PWLB)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Staffordshire County Council Pension Fund)
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues
- Salix.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities :
- operating and finance leases
- hire purchase
- sale and leaseback

The Authority plans to raise its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

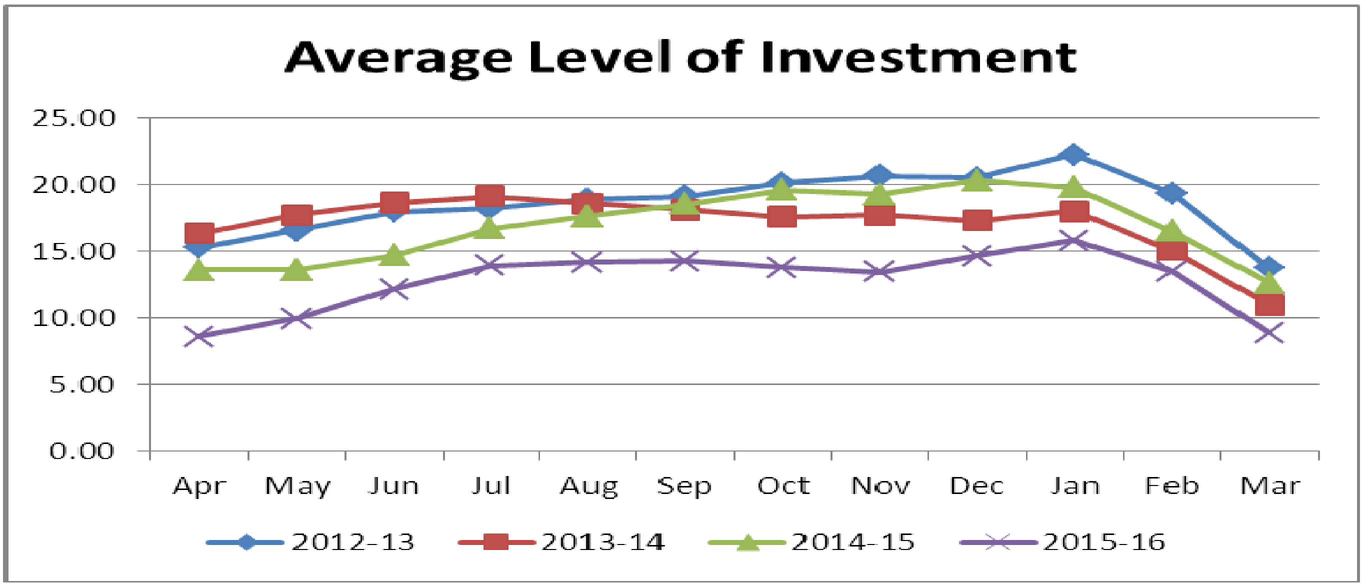
LGA Bond Agency: Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report to Full Council.

Short-term and Variable Rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Investment Strategy

Background
The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In 2013/14, the Authority's investment balance has ranged between **£9.080m** and **£23.200 million**, and similar trends are expected to be maintained in the forthcoming year.

The graph overleaf shows the actual trend of average investment levels in 2012/13, 2013/14 and 2014/15 together with projected levels for 2015/16. 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.



Objectives: Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

Strategy: Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and/or higher yielding asset classes during 2015/16. This is especially the case for the estimated £5 million that is available for longer-term investment. All of the Authorities surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds. This diversification will therefore represent a substantial change in strategy over the coming year.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then :

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

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[12]
The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of **£13.557** million in 2015/16. The maximum period between borrowing and expenditure is expected to be one years, although the Authority is not required to link particular loans with particular items of expenditure.

We are planning to borrow on a long term basis to fund capital expenditure in 2015/16 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 and the level of projected interest rates shown at Section 4.8. In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office.

Currently LDC 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)
- 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.

Policy on Use of Financial Derivatives
Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

[12] This is a practice where you borrow early and then invest the money until the capital spend takes place.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

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 IBSS Executive. The IBSS Executive 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 (including a Half Year) investment and borrowing activity as part of the Money Matters Report.
(b) A Money Matters outturn report including its treasury activity no later than 30 September after the financial year-end.

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

Investment Training
The needs of the Authority's treasury management staff for training in investment management are assessed every half yearly as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Our Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

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 27 July 2011 in relation to the principles of Treasury Management.

Investment Consultants
The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on 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 contact with the advisors.

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

APPENDIX H

<u>Specified and Non-Specified Investments</u>

Specified Investments identified for use by LDC

Specified Investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:

  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations and securities as those having a credit rating of **A-** or higher that are domiciled in the UK or a foreign country with a sovereign rating of **AA+** or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of **A-** or higher.

Specified Investments identified for LDC’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
- Rated Money Market Funds (MMF) with a Constant Net Asset Value (CNAV)
- Other money market and collective investment schemes

LDC 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, LDC has developed additional criteria to set the overall amount of monies, which will be invested in these bodies. These criteria are:

- No more than **£2m** (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) (MMF)	UK/Ireland/ Luxembourg	Constant Net Asset Value (CNAV) MMFs	£1.5m	£2m
	UK	Santander UK Plc	£2m	£1.5m
	UK	Bank of Scotland/Lloyds	£2m	£1.5m
	UK	Barclays	£2m	£1.5m
	UK	HSBC	£2m	£1.5m
	UK	Nationwide	£2m	£1.5m
	UK	Royal Bank of Scotland	£2m	£1.5m
	UK	National Westminster Bank	£2m	£1.5m
	UK	Standard Chartered Bank	£2m	£1.5m
	UK	Close Brothers	£2m	£1.5m
	UK	Leeds Building Society	New	£1.5m
	Australia	Australia and New Zealand Banking Group	£2m	£1.5m
Term Deposits / Certificates of Deposit / Call Accounts	Australia	Commonwealth Bank of Australia	£2m	£1.5m
	Australia	National Australia Bank Ltd (National Australia Bank Group)	£2m	£1.5m
	Australia	Westpac Banking Corp	£2m	£1.5m
	Canada	Bank of Montreal	£2m	£1.5m
	Canada	Bank of Nova Scotia	£2m	£1.5m
	Canada	Canadian Imperial Bank of Commerce	£2m	£1.5m
	Canada	Royal Bank of Canada	£2m	£1.5m
	Canada	Toronto-Dominion Bank	£2m	£1.5m
	Singapore	DBS Bank Ltd	£2m	£1.5m
	Singapore	Overseas Chinese Banking Corporation Ltd	£2m	£1.5m
	Singapore	United Overseas Bank Ltd	£2m	£1.5m

Authority's Banker – The Authority banks with National Westminster Bank. At the current time, it does not 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.

Non-Specified Investments determined for use by LDC

Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in the table below.

	Maximum maturity[13]	**Current Limit £m**	**Recommended Limit £m**
▪ Deposits with individual banks and building societies	2 years	£1.5m	£1.5m
▪ Certificates of deposit with individual banks and building societies	5 years	£1.5m	£1.5m

The Authority defines “high credit quality” organisations and securities as those having a credit rating of **A-** or higher that are domiciled in the UK or a foreign country with a sovereign rating of **AA+** or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of **A-** or higher.

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 **£2m** (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%**.

Liquidity Management: The Authority uses excel based cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority’s medium term financial plan and cash flow forecast.

Treasury Management Strategy

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance, Revenues and Benefits, having consulted the Cabinet Member for Finance, Democratic and Legal Services, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

[13] 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.

Prudential Indicators 2015-18

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: 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.

Number 1 **Capital Financing**	**2014/15 Original £m**	**2014/15 Approved £m**	**2014/15 Revised £m**	**2015/16 Original £m**	**2016/17 Original £m**	**2017/18 Original £m**
Non-Current Assets	1.645	1.912	1.912	3.453	2.492	2.284
Revenue Expenditure funded from Capital under Statute	0.777	1.260	1.260	1.598	2.822	0.850
Total	**£2.422**	**£3.171**	**£3.171**	**£5.051**	**£5.314**	**£3.134**

Number 1 **Capital Financing**	**2014/15 Original £m**	**2014/15 Approved £m**	**2014/15 Revised £m**	**2015/16 Original £m**	**2016/17 Original £m**	**2017/18 Original £m**
Capital Receipts	0.708	0.785	1.101	0.985	0.541	1.091
Burntwood Sinking Fund	0.045	0.101	0.101	0.128	0.080	0.042
Other Sinking Funds	0.000	0.000	0.000	0.000	0.000	0.000
Capital Grants and Contributions	0.475	0.992	0.992	1.359	2.882	0.891
Earmarked Reserves	0.050	0.182	0.183	0.032	1.031	0.500
Revenue Contributions	0.158	0.169	0.169	0.154	0.154	0.154
Finance Leases, Invest to Save and Borrowing	0.986	0.942	0.626	2.393	0.626	0.456
Total	**£2.422**	**£3.171**	**£3.171**	**£5.051**	**£5.314**	**£3.134**

Note: the element to be financed from borrowing, Invest to Save 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).

Number 2 **Ratio of Financing Costs to Net Revenue Stream**	**2014/15 Original £m**	**2014/15 Approved £m**	**2014/15 Revised £m**	**2015/16 Original £m**	**2016/17 Original £m**	**2017/18 Original £m**
%	**3%**	**3%**	**2%**	**6%**	**5%**	**4%**

5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures LDC'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.

Number 3 Capital Financing Requirement	2014/15 Original £m	2014/15 Approved £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
Balance Brought Forward	3.157	3.036	3.036	3.335	5.116	5.194
Capital Expenditure financed from borrowing and Invest to Save and Leases	0.986	0.942	0.626	2.393	0.626	0.456
Minimum Revenue Provision Including Invest to Save and Leases)	-0.403	-0.403	-0.326	-0.613	-0.548	-0.552
Balance Carried Forward	**£3.740**	**£3.575**	**£3.335**	**£5.116**	**£5.194**	**£5.098**

6. Actual External Debt:

6.1 This indicator is obtained directly from LDC’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.

6.2 Net external borrowing does not exceed the CFR in any of the financial years 2014/15, 2015/16, 2016/17 and 2017/18.

Number 4	£m 31/03/14 £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
Long Term Borrowing	0.047	0.031	1.520	1.440	1.358
Short Term Element of LT Borrowing	0.016	0.016	0.081	0.081	0.081
Short Term Element of LT Liabilities	0.209	0.211	0.488	0.410	0.410
Other Long Term Liabilities	0.248	0.035	1.370	1.460	1.330
Total	**£0.520**	**£0.293**	**£3.460**	**£3.391**	**£3.180**

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.

Number 5 Incremental Impact of Capital investment Decisions	2014/15 Original £m	2014/15 Approved £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
Band D Equivalent	£5.27	£5.27	-£2.18	-£0.58	-£0.57	-£0.72

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:

	2014/15 Original £m	2014/15 Approved £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
New Vehicle and Plant Procurements	£0.000	£0.000	£0.000	£2.100	£0.422	£0.280

8. Authorised Limit and Operational Boundary for External Debt:

8.1 LDC 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) :

Number 6 Authorised Limit for External Debt	2014/15 Original £m	2014/15 Approved £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
Borrowing	7.331	7.331	7.556	9.109	9.116	9.149
Finance Leases - New	4.448	4.448	4.448	4.448	4.448	4.448
Total	**£11.779**	**£11.779**	**£12.004**	**£13.557**	**£13.564**	**£13.597**

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.

Number 7 Operational Boundary for External Debt	2014/15 Original £m	2014/15 Approved £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
Borrowing	0.548	0.548	0.547	2.102	2.021	1.956
Finance Leases	2.448	2.448	2.448	2.448	2.448	2.448
Total	**£2.996**	**£2.996**	**£2.995**	**£4.550**	**£4.469**	**£4.404**

9 Adoption of the CIPFA Treasury Management Code:

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

Number 8	**Adoption of the CIPFA Code of Practice in Treasury Management** LDC approved the adoption of the CIPFA Treasury Management Code at its Full Council meeting on 25 February 2003. LDC has incorporated any changes resulting from the revisions to the CIPFA Treasury Management Code within its treasury policies, practices and procedures.

10. Gross Debt[14]

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

Number 9	2014/15 Original £m	2014/15 Approved £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
Outstanding Borrowing	-2.665	-0.047	-0.047	-1.602	-1.521	-1.440
Other Long Term Liabilities	-0.709	-0.246	-0.246	-1.857	-1.869	-1.739
Gross Debt	**-£3.374**	**-£0.293**	**-£0.293**	**-£3.459**	**-£3.390**	**-£3.179**
Capital Financing Requirement	**£3.740**	**£3.575**	**£3.335**	**£5.116**	**£5.194**	**£5.098**
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**

[14] 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 :

Numbers 10 and 11	2014/15 Original £m	2014/15 Approved £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
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 (Number 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 (Number 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.

Number 12 **Maturity Structure of Fixed Rate Borrowing**	£	%	Lower Limit	Upper Limit
Under 12 months	16,203	25.53%	0%	100%
12 months and within 24 months	16,203	25.53%	0%	100%
24 months and within 5 years	31,056	48.94%	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%
Total	**£63,462**			

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 LDC having to seek early repayment of the sums invested.

Number 13 Upper Limit for total principal sums invested over 364 days	2014/15 Original £m	2014/15 Approved £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
Upper Limit	**£1.500**	**£1.500**	**£1.900**	**£2.300**	**£1.700**	**£1.300**