

Part A

Report to: Cabinet
Date of meeting: 19 January 2015
Report of: Director of Finance Shared Services
Title: Financial Planning - Draft Revenue and Capital Estimates 2015-18 and the Treasury Management Strategy 2015-18

1.0 SUMMARY

1.1 The purpose of this report is to enable the Cabinet to consider service level expenditure, funding and council tax levels for the medium term 2015/16 to 2018/19, including consideration of the use of reserves and balances. This budget is a component part of the 2015/16 Council Tax calculations.

1.2 The report sets out:

- the draft revenue estimates for the period 2015-18, including a revised budget for 2014/15
- the draft capital programme for the period 2015-18
- the Treasury Management Strategy 2015-18

1.3 The Cabinet is recommended to agree the Council Tax Base to apply for 2015/16.

1.4 The report includes advice from the Director of Finance on the adequacy of general reserves and balances in the context of the three year planning horizon 2015-18 (see paragraph 7.8).

2.0 RECOMMENDATIONS

That Cabinet;

2.1 Resolves in accordance with the *Local Authorities (Calculation of Tax Base) Regulations 1992*, the amount calculated by Watford Borough Council as its Council Tax Base for the year 2015/16 is 30,804.58 as outlined in paragraph 7.5 and summarised at Appendix 7.

2.2 Approves the estimate of surplus and deficit position on the Collection Fund.

2.3 Approves the 2015/16 savings of £869,650 as detailed at Appendix 1.

2.4 Approves the 2015/16 growth of £581,260 and as detailed at Appendix 2A, 2B and 2C.

2.5 Approves the proposed fees and charges for 2015/16, which are included in the base estimates and detailed at Appendix 4.

2.6 Approves all the assumptions made within the Medium Term Financial Strategy at Appendix 5 which includes a council tax freeze for 2015/16.

That Council be recommended to approve

- 2.7 The General Fund Budget Requirement (Net Expenditure) (before use of grants and reserves) as outlined at paragraph 7.1 and detailed at Appendix 5 as follows:
- Revised budget for 2014/15 as £13,990,215
 - Base budget for 2015/16 as £15,174,850.
- 2.8 The Capital Programme as set out at Appendix 10.
- 2.9 The financial risks set out in Appendix 9.
- 2.10 The current Local Council Tax Reduction Scheme continues for financial year 2015/16 (paragraph 7.6.5 refers).
- 2.11 The use of reserves and balances as identified in paragraph 7.8
- 2.12 The Treasury Management Strategy for 2015-18 as set out in Appendix 11.
- 2.12.1 That the Portfolio Holder, in consultation with the Director of Finance, is given the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than 1 year and to invest in other investment instruments i.e Government bonds, Gilts and property with a view of maximising the Councils returns without significantly increasing risk.
- 2.13 To delegate to the Director of Finance and Portfolio Holder the ability to amend the budget figures in accordance with decisions taken at the Cabinet meeting and any minor variations that may occur before the Council meeting on 28th January 2015.

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Report approved by Joanne Wagstaffe, Director of Finance.

FINANCIAL PLANNING – REVENUE SERVICES

3.0 INTRODUCTION

3.1 The preparation of the 2015/16 budget has been completed against a backdrop of further cuts in Government funding to local authorities and increased expectation from stakeholders.

3.2 Officers have prepared a 'revised' budget for 2014/15 and a 'base budget' for 2015/16 which are shown as part of the high level forecasts in the three year Medium Term Financial Strategy 2015-18 (MTFS) shown at Appendix 5. The Base Estimates change during the year as a consequence of variations which are reported through the Finance Digest and considered by Budget Panel/Cabinet. This report has taken into account all variations to base estimates as at the Period 8 (end of November) Finance Digest and provides a revised budget for 2014/15.

The 3 year medium-term base budget includes:

- Saving reductions as attached at Appendix 1.
- Growth additions as attached at Appendix 2A, 2B and 2C.
- Estimates of fees and charges as attached at Appendix 4.
- The Government Grant announced in the provisional Local Government Finance Settlement on 18 December 2014 at Appendix 6.
- A Council Tax Base of 30,804.58 for 2015/16. This represents an increase of 2.3% on the comparable figure for 2014/15.
- A zero council tax increase in 2015/16 and subsequent years (see paragraph 7 for details).

4.0 Savings

4.1 Due to the ongoing funding reductions the Council has to continue to make savings. The saving proposals are included at **Appendix 1** and are anticipated to be delivered in the period 2015/16 to 2017/18.

4.2 The 2015/16 and future years savings have been approved by the Leadership Team and are considered achievable.

5.0 Growth

5.1 Wherever possible Officers have made every effort to cash limit expenditure budgets without affecting service delivery. However some growth is unavoidable i.e inflation on contracts. Proposed growth which affects service delivery totals £397,260 for 2015/16. **Appendix 2A** and **2B** details each proposed growth bid by service area.

5.2 In addition there is some one off growth totalling £184,000 that is proposed to be funded from reserves and this is shown in **Appendix 2C**.

6.0 Fees and Charges

6.1 The income charging policy (which includes the concessions policy) is shown at **Appendix 3** and the estimates of fees and charges for 2015/16 are shown at **Appendix 4**. Full details are available on the Council's website.

6.2 The detailed schedule of the proposed fees & charges was presented to Budget Panel on 2nd December 2014 who noted the report. Budget Panel recommended to Cabinet that the charge for graffiti removal be frozen in 2015/16 to the 2014/15 charge, pending a scrutiny review.

7.0 Funding the Revenue Budget

7.1 The MTFs at **Appendix 5** indicates that the budget requirement for 2015/16 is £15,174,850

This will be funded from the following sources:

- Settlement Funding Assessment
- Specific Government Grants
- New Homes Bonus
- Council Tax
- Collection Fund Surplus
- Revenue Reserves

7.2 Local Government Finance Settlement

7.2.1 The Government Grant announced in the provisional Finance Settlement on 18 December 2014 for 2015/16 is detailed at **Appendix 6**. The respective amount has been included in the MTFs with further estimated reductions of 20% and 40% in years 2016/17 and, 2017/18 respectively.

7.3 New Homes Bonus

7.3.1 The provisional allocations for 2015/16 were announced on 16 December which allows local authorities to check the data used in the calculation. The allocations will total £1.167 billion for English local authorities. The total number of net additional homes rewarded over the 2011/12 - 2015/16 period is over 800,000. This includes over 100,000 empty homes brought back into use and over 200,000 affordable homes provided. The New Homes Bonus provisional allocation for Watford totals £3,279,932. This year 5 instalment includes an affordable homes premium of £15,960. Although it has been assumed that this funding stream will cease in 2016/17, it is estimated that a grant in Lieu of New Homes Bonus will be received and estimated amounts have been included in the MTFs.

7.4 Setting the Council Tax

The Council needs to set a budget that gives an acceptable level of council tax, and breaks even in the medium to long term using the balances it has at its disposal.

The Council tax is calculated as follows:-

$$\frac{\text{Council Tax Requirement}}{\text{Council Tax Base}} = \text{Band D Tax}$$

The council tax requirement is the Council's net revenue expenditure, after crediting government grants, less the use of any balances in the year (i.e. any deficit in the year).

7.5 **Council Tax Base 2015/16**

7.5.1 The analysis of dwellings in **Appendix 7** for the 2015/16 Council Tax Base results in a figure of 30,804.58 after allowing for the Council Tax Reduction Scheme and a collection rate of 97% (same as 2014/15).

7.6 **Council Tax for 2015/16**

7.6.1 The level of expenditure to be funded from council tax will be dependent upon the following factors:

- Council Tax for 2014/15
- net expenditure for 2015/16
- the Local Council Tax Reduction Scheme
- use of revenue reserves
- Government Grant
- the Council Tax Base

7.6.2 The Council currently receives grants for freezing council tax in 2011/12, 2012/13, 2013/14 and 2014/15. The Secretary of State has announced that the Council will receive a grant for freezing its council tax in 2015/16 equivalent to a 1% increase in Council Tax.

7.6.3 The proposals included in this document assume that the Council will freeze the Council Tax and will take the Council Tax Freeze Grant for 2015/16. It is estimated that the grant will be approximately £82,000. This will mean that the average Council Tax will remain at £249.84 for 2015/16. This amount has been included in the MTFS.

7.6.4 The Localism Act 2011 abolished capping in England and instead introduced a power for local electorates to approve or veto excessive council tax rises. Any authority setting a council tax increase which exceeds principles endorsed by the House of Commons (i.e. if it is "excessive") will be required to hold a council tax referendum. The result of a council tax referendum will be binding. The Secretary of State has announced that an increase in Council Tax of 2% or more is excessive.

7.6.5 **Local Council Tax Reduction Scheme**

The Council have previously agreed to implement a Local Council Tax Reduction Scheme from 1 April 2013. The scheme replaced Council Tax Benefit and was introduced following consultation with the public and the major precepting authorities. There are no proposals to change the current scheme for 2015/16. Both Hertfordshire County Council and the Police & Crime Commissioner have been informed of the position. This decision means there will be no change or new impact on applicants from 1st April 2015.

7.7 **Collection Fund**

- 7.7.1 The Collection Fund is a statutory requirement to account separately for Council Tax and following localisation of business rates in April 2013, Non Domestic Rates (NDR). The Fund records all transactions such as the yield, exemptions, discounts, provisions for bad debts, payments to major preceptors to Central Government and takes into account collection rates.
- 7.7.2 Until 2012/13, all business rates were paid to a national pool and then distributed to local government using grant formulae. From April 2013, the Council retains fifty percent of business rates collected but where this is above the DCLG baseline, the excess is paid to central government. The business rates retention scheme is volatile and estimating the outturn is complex due to factors such as appeals, demolitions, new builds, occupation and reliefs.
- 7.7.3 The Council Tax setting process requires an estimate of the surplus or deficit at 31 March 2015 on Council Tax and Business Rates. The balances are distributed to the Council as the Billing Authority, the major preceptors and Central Government. The balance on the Collection Fund for Council Tax at 1 April 2014 was a £1,758K surplus, with £290K as WBC's share. The balance on the Collection Fund for Business Rates at 1 April 2014 was a £11,653K deficit, with £4,661K as WBC's share. Due to the Council being in deficit or 'safety net' for Business Rates at the end of the year, the Government pays the Council a grant to cover the majority of this amount. The Director of Finance will report the estimated position for 2014/15 to the Cabinet meeting. Any surplus or deficit is a one-off adjustment.

7.8 **Balances and Reserves**

- 7.8.1 Under section 25 of the Local Government Act 2003 there is a duty on the Chief Finance Officer to report on the robustness of the estimates and the adequacy of reserves when considering the budget requirement and for Members to have regard to this advice. The Director of Finance confirms the estimates have been correctly calculated under the assumptions used and that balances and reserves are adequate.
- 7.8.2 The General Fund balance is a general reserve providing a working balance to cushion the impact of uneven cash flows, avoid unnecessary temporary borrowing and provide a contingency to meet unexpected events and emergencies.
- 7.8.3 The external auditors, as part of their wider responsibilities, consider whether the Council has adequate arrangements with regard to balances and reserves. In assessing the adequacy of the level of the working balance the Council's external auditor (Grant Thornton) has commented they would not wish to see the General Fund Working Balance reduced below its current level of £1.35m.
- 7.8.4 The Council has set aside specific amounts as reserves for future policy purposes and to cover contingencies. Reserves have been created by appropriating amounts out of the General Fund balance to meet known or predicted requirements. Cabinet has previously agreed that the Economic Impact Reserve would, in the first instance, be used to meet any budget shortfalls. The full schedule of reserves and the anticipated position as at 1st April 2015 is attached at **Appendix 8**. An explanation as to intended use is shown in **Appendix 8a**.
- 7.8.5 It is necessary to distinguish between those reserves that are earmarked for specific expenditures, those which support the capital programme and those upon which restrictions exist. For example, the Spend to Save reserve can meet expenditure to secure future savings whilst the Car Parking Zones reserve has statutory uses.

- 7.8.6 A new reserve for 2015/16 is to be established. This will take £1M from the Economic Impact reserve and create a separate reserve which will be used to fund a review of the council's property and to also provide programme management support to the Council. Proposals on the detail of the expenditure will be considered by Cabinet later in the year.
- 7.8.7 An analysis of Key Risks that could require a further drawdown from reserves has been detailed at **Appendix 9** and should be considered before making any decisions upon the use of reserves.

8.0 CAPITAL INVESTMENT PROGRAMME 2014-18

- 8.1 The current capital programme was approved by Council at its meeting on 29th January 2014. Since that date the capital programme is reported regularly to the Budget Panel with a quarterly review by Cabinet. In addition specific reports have been considered by Cabinet and which have affected the originally approved programme.
- 8.2 The capital programme is attached at **Appendix 10**. Cabinet should note that there is a Section highlighted as being new schemes which require approval for inclusion within the capital programme.
- 8.3 These new schemes, which total £1.495m, include the Green Spaces Strategy (£600k), ICT Business Application Upgrades (£525k), Town Hall Subway CCTV (£37k), Relocation of CCTV camera (£18k), Introduction of Electric Vehicle Rapid Charging Units (£40k), Watford Museum HLF Matchfunding (£125k) and Private Sector Stock Condition Survey (£150k).
- 8.4 Some schemes have been rephased in 2014/15 where the expenditure is expected to take place in 2015/16. These include Watford Health Campus (£2m) and the Gaelic Football Relocation (600k). In addition some schemes have been rephased in to 2016/17 which includes the Additional Green Waste Bins (£18k), Recycling Boxes (£37k), Replacement Domestic Bins (£22k) and Pop Up Toilets Refurbishment (£35k).
- 8.5 The capital programme includes capital schemes of £15.149m in 2014/15, £9.668m in 2015/16, £5.136m in 2016/17 and £2.154m in 2017/18. The larger capital schemes include the spend and contribution towards the Cassiobury Park HLF Project (£6.148m), Watford Health Campus Scheme (£4.6m), Cultural Quarter (£2.1m), New Market (£2.5m), Allotment Upgrades and Relocation (2.0m), Building Investment Programme (£2.2m) and Disabled Facility Grants (£1.8m). The actual expenditure required for these larger schemes is under constant review to secure best value.
- 8.6 Cabinet approved the Cassiobury Park HLF (Heritage Lottery Fund) project final stage 2 submission and budget on 20th January 2014. A budget of £979k for the HLF Development Stage had already been approved in previous years and the report to Cabinet approved a further draft budget of £5.979m to complete the scheme however in the final calculations the budget request was revised down to £5.669m. The capital programme includes an additional budget for the Delivery Stage of £5.669m, of which £4.535m will be funded by HLF grants and the balance of £1.134m funded from S106 contributions which had previously been earmarked for this scheme. There are some potential external sources of funding however there is uncertainty about how much may be received and from whom and so this has been excluded from the capital funding calculations.
- 8.7 The Capital Programme also includes an assessment of likely available resources to finance all capital expenditure and includes assumptions regarding new capital receipts. Capital receipts have been estimated at £3.5m in 2014/15, £2m in 2015/16, £1.3m in 2016/17 and £2m in 2017/18. The receipts in 2016/17 and 2017/18 include the first dividends from the Watford Health Campus Joint Venture.

- 8.8 The Council has been prudent in the past by building up Earmarked Reserves in order to fund future capital projects. The Council now intends to utilise some of these Reserves in order to reduce the need for any future external funding requirements. To fund the capital programme during the period 2014 to 2019 the Council intends to use the Capital Fund Reserve (£1.642m), the Development Sites Decontamination Reserve (£1.275m), the Weekly Collection Support Grant Reserve (£115k) and the Vehicle Replacement Reserve (£125k). In addition, the Council is also funded from Government Grants and Other Contributions (£5.950m) and S106 Contributions (£3.040m). The balance of £19.961m will be funded from the Capital Receipts Reserve.
- 8.9 The last two tables in **Appendix 10** indicate that the revised capital programme once completed in 2017/18 will leave a balance of £2.570m in the Capital Receipts Reserve and a balance of £0.278m for Section 106 funded schemes. This will be monitored as the capital programme develops and is revised.
- 8.10 Based on the revised capital programme, the Council has sufficient capital receipts, reserves, grants and contributions to fund the capital programme in the medium term (up until 2017/18), and so external borrowing will not be required. However, if either capital expenditure increases or forecasted capital receipts fall substantially then external borrowing may be required. At this stage, there is no forecast to borrow from the PWLB, however the Council has approval to borrow if required (see Treasury Management Strategy).

9.0 TREASURY MANAGEMENT STRATEGY 2015-18

- 9.1 The Treasury Management Strategy for 2015-18 is attached at **Appendix 11**. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's medium risk appetite, providing adequate liquidity initially before considering investment returns.
- 9.2 The Treasury Management Policy Statement, details the policies, practices, objectives and approaches to risk management of its treasury management activities and has previously been adopted by the Audit Committee. There are only minor amendments to the Treasury Management Policy Statement, namely to give greater flexibility without significantly increasing risk by requesting for the opportunity to review investing for a period of greater than 1 year and to investigate other investment instruments i.e Government bonds, Gilts and property with a view of maximising the Council's returns. Officers are recommending that the Portfolio Holder, in consultation with the Director of Finance, is given the delegated authority to approve any variation during the year.
- 9.3 It should be noted that the criteria for placing investments has been reviewed to take into account general credit rating adjustments that have occurred over the past twelve months.
- 9.4 It is necessary for Council to agree the degree of risk to which it is prepared to expose the investment portfolio. The Director of Finance would define this as follows:
- Low Risk—limited to use of the Debt Management Office facility and other UK sovereign financial instruments; major clearing banks possessing high credit rating (or substantially owned by the UK Government); triple AAA money market funds; local authorities.
- Medium Risk—the use of UK Building Societies with an asset base above £5,000M as this sector is generally not rated by the Credit Rating Agencies;
- High Risk—low rated clearing banks; banks based outside the UK (this is a generalisation as many German / Dutch / Scandinavian and French banks would almost certainly be deemed too big to fail); building societies having a small asset base.
- 9.6 The Director of Finance comments that the Treasury Management Strategy has no direct financial implications. **Appendix 11** details both the criteria for determining those institutions the Council should be lending its money and sets the parameters within which officers should operate.
- 9.7 It recommends the ability to borrow up to a maximum of £10m and reflects anticipated borrowing of £6M from the Herts Local Enterprise Partnership Growing Places Fund with further potential funding for other re-development projects. In all cases there will be an expectation that a financial return will accrue to enable these loans to be repaid within a relatively short period of time.
- 9.8 **Annex A to Appendix 11** reports upon the Treasury Management Practice (TMP1) - Credit and Counterparty Risk Management guidance.

10.0 CONSULTATION

10.1 Budget Panel has been fully engaged throughout this process and feedback from its meeting on 15th January 2015 will be circulated prior to the Cabinet meeting.

10.2 As part of the statutory consultation with business ratepayers copies of this report has been sent to the Watford Chamber of Commerce and the borough's Local Strategic Partnership-One Watford. Any feedback from business or partners will be reported at the meeting.

11.0 IMPLICATIONS

11.1 Financial Implications

These are covered within the report.

11.2 Legal Implications

In the Constitution it is Council who is required to set the budget, which includes the Council Tax Base and setting the level of Council Tax. Cabinet therefore must forward its recommendations on the budget to Council. The Constitution also requires that any recommendation from Cabinet to Council regarding the budget must be submitted before the 8th February in the preceding financial year to enable the Mayor to have the opportunity to call in any decision of Council on the budget. The Council must set its 2015/16 budget by 11th March 2015. The Local Council Tax Reduction Scheme has to be approved by Council by 31 January each year for the next financial year.

It is a statutory requirement that the Treasury Management Strategy and Treasury Management Practices are reviewed annually. The report meets the requirement of CIPFA's Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities and complies with the Local Government Act 2003.

11.3 **Equalities**

11.3.1 Watford Borough Council is committed to equality and diversity as an employer, service provider and as a strategic partner. In order to fulfil this commitment and its duties under the Equality Act 2010 it is important to demonstrate how policies, practices, and decisions impact on people with different protected characteristics. It is also important that the Council is not discriminating unlawfully when carrying out any of its functions.

11.3.2 This report provides an over view of Budget proposals and equalities issues will need to be specifically considered before changes to existing service levels are introduced.

11.4 **Potential Risks**

The potential risks of not approving the recommendations in this report are shown below; (1= very low risk, 4 = a very high risk)

Potential Risk	Likelihood	Impact	Overall Score
That Cabinet does not agree the council tax base before the statutory date	1	4	4
That Cabinet does not recommend revenue and capital estimates for 2015/2016 to Council	1	3	3
That Cabinet does not agree a medium term financial strategy to address future government grant reductions	1	3	3
That Cabinet does not recommend a council tax to apply for 2015/2016	1	3	3
That Cabinet does not indicate how it intends to finance any difference between net expenditure and sources of funding	2	4	8
That the Council will exceed its borrowing parameters	1	3	3
That the Council will be unable to service its annual borrowing costs	1	3	3
That the Council will be unable to repay any loans at maturity date	1	4	4
Investment placed with a non approved body	1	3	3
Investment with a counterparty that subsequently defaults	1	4	4

11.5 **Staffing**

It is inevitable that proposals to reduce the council's levels of expenditure will contain implications for current levels of staffing. At such time that any proposals are identified then consultation with affected staff and trade union representatives will take place.

11.6 **Accommodation**

There are no clearly defined proposals that will affect current accommodation standards or service delivery.

11.7 **Community Safety**

All proposals relating to 2015/16 Revenue and Capital budgets have taken into account the effect upon community safety.

11.8 **Sustainability**

The Council has established policies in the past to support sustainability such as the purchase of green energy through its procurement policies.

Appendices

Appendix 1	Proposed Revenue Savings 2015-18
Appendix 2A	Proposed Revenue Growth 2015-18
Appendix 2B	Unavoidable Revenue Growth 2015-18
Appendix 2C	Revenue Growth funded from Earmarked Reserves 2015 -18
Appendix 3	Income Charging Policy for Fees & Charges
Appendix 4	Fees and Charges Proposals for 2015-16
Appendix 5	Medium Term Financial Strategy 2015-18
Appendix 6	Summary of Local Government Finance Settlement 2015-16
Appendix 7	Council Tax Base 2015-16
Appendix 8	Schedule of Reserves
Appendix 8a	Notes to the Reserves
Appendix 9	Key Risks
Appendix 10	Draft Capital Programme 2014-19
Appendix 11	Treasury Management Policy

REVENUE ESTIMATES – Proposed Savings submitted by Services Affecting General Fund

Department	Cost Centre Description	Budget Code	2015/16 Budget Saving	2016/17 Budget Saving	2017/18 Budget Saving	Reason
			£	£	£	
Corporate Strategy & Client Services	Colosseum (Landlord Costs)	DAA000	-2,030	-2,030	-2,030	This was for contract services no longer required since outsourcing the Colosseum
	Leavesden Green Community Centre	DHG000	-3,000	-3,000	-3,000	Rebuild & now established centre means contingency budget no longer required
	Leavesden Green Community Centre	DHG000	-16,000	0	0	Negotiated reductions in management fees for the running of the community centre
	Orbital Community Centre	DHN000	-6,290	0	0	Negotiated reductions in management fees for the running of the community centre
	Grants (Admin. & General)	AEA000	-13,270	-13,270	-13,270	Efficiency savings identified as a saving from Grants Administration budget and no longer required
	W3RT (was Watford CVS)	AEH000	-8,800	0	0	This is a negotiated reduction in the grant funding for infrastructure services
	Community Services Support	ACX000	-4,000	-4,000	-4,000	Review of expected employee costs has enabled a 50% budget reduction
	Leavesden Green Community Office	DHJ000	-270	-270	-270	Rebuild & now established centre means cleaning materials budget no longer required
	Increase in Fees and Charges	Various	-23,960	-23,960	-23,960	
Corporate Strategy & Client Services			-77,620	-46,530	-46,530	
Community & Customer Services		tbc		-100,000	-100,000	A target of £100K for service efficiencies.
	Decrease in Fees and Charges	Various	5,350	5,350	5,350	
Community & Customer Services			5,350	-94,650	-94,650	
Regeneration & Development	Car Parks	FNM000	-200,000	-200,000	-200,000	Lease out Sutton, Gade and Church and achieve increased income
	Increase in Fees and Charges	Various	-355,400	-405,400	-405,400	Additional £50K income added in 2016/17
Regeneration & Development			-555,400	-605,400	-605,400	
Democracy & Governance	Procurement	ADM000	-21,290	-21,290	-21,290	Income from sharing Procurement Manager with TRDC on 60:40 split
	Legal Services Team	AHX000	-5,000	-5,000	-5,000	Reduce "Professional Fees - Legal" budget after reviewing spending over the last couple of years
	Members Remuneration	AGX000	-1,650	-1,650	-1,650	Reduce Members training budget following underspend in previous year
	Emergency Planning	KEB000	-800	-800	-800	Now using a new mobile phone contract and no longer subscribe to radio wave
	Mobile Phones	Various	-1,600	-1,600	-1,600	Reduced due to new contract on mobile phones
Democracy & Governance			-30,340	-30,340	-30,340	
Strategic Finance	Utility Savings	ARG000	-100,000	-100,000	-100,000	Utility Savings to be spread across the services. Reduction in usage.
	Insurance	ARG000	-25,000	-10,000	-10,000	Insurance savings due to retenders
Strategic Finance			-125,000	-110,000	-110,000	
Human Resources Client	Corp Employee Exp.Client	AMC000	-50,000	-50,000	-50,000	Reduce Corporate Training by average underspend
	Corp Employee Exp.Client	AMC000	-5,000	-5,000	-5,000	Reduction in contract fee (First Care) following outsourcing
	Corp Employee Exp.Client	AMC000	-19,000	-19,000	-19,000	Switch to Serco under the Herts CC framework agreement leading to reductions in cost of Occupational Health contract
	Corp Employee Exp.Client	AMC000	-7,000	-7,000	-7,000	Charge to TRDC for share of service
Human Resources Client			-81,000	-81,000	-81,000	
Managing Director	Corporate Management	AAA000	-5,640	-5,640	-5,640	Remove budget no longer required
Managing Director			-5,640	-5,640	-5,640	
All Services			-869,650	-973,560	-973,560	

APPENDIX 2A

REVENUE ESTIMATES - Proposed growth submitted by Services Affecting General Fund

<u>Department</u>	<u>Cost Centre Description</u>	<u>Budget Code</u>	<u>2015/16 Budget Growth</u>	<u>2016/17 Budget Growth</u>	<u>2017/18 Budget Growth</u>	<u>Reason</u>
Democracy & Governance	Non-Operational Buildings maintenance	FKE000	6,500	6,500	6,500	Electric usage increase for new events space and pond
	Committee Services	AJX000	8,100	32,300	32,300	Election Administrator Temporary Post to Permanent Post
Democracy & Governance			14,600	38,800	38,800	
Regeneration & Development	Development Control	GBA000	33,010	34,040	35,040	1 additional Planning Officer at Band 6 and 1 additional technical admin officer at Band 5. To be met from Increased Income
			27,910	28,820	29,770	
	Regeneration & Development		60,000	60,000	60,000	Business Manager
Regeneration & Development			120,920	122,860	124,810	
All Services			135,520	161,660	163,610	

REVENUE ESTIMATES - Unavoidable growth submitted by Services Affecting General Fund

Department	Cost Centre Description	Budget Code	2015/16	2016/17	2017/18	Reason
			Budget Change £	Budget Change £	Budget Change £	
Corporate Strategy & Client Services	Veolia Contract Payment	DVE000	65,000	65,000	65,000	Earlier than expected growth in the number of dwellings that form part of waste collection service
	Veolia Pensions Payment	DVE000	60,000	60,000	60,000	Due to change in Local Government Pension scheme regulations , where non contractual overtime is now pensionable.
Corporate Strategy & Client Services			125,000	125,000	125,000	
Community & Customer Services	Customer Services Centre	ADX000	6,000	6,500	6,500	Annual RPI price increase and additional costs of voice automated telephony system
	WBC Properties	JWP000	450	460	470	Council tax payable on hostels and self contained properties (latter only when void). To cover estimated increase in precepts from other agencies.
	Housing Supply	JHS000	50,000	50,000	50,000	Recoverable income has stabilised at around 60% of the cost of emergency accommodation. Budget adjustment reflects this due to increasing demands on temporary accommodation.
	WBC Properties	JWP000	3,120	3,200	3,290	Indexation in contract for managing hostels and self contained properties. Based on CPI at September minus 1%.
Community & Customer Services			59,570	60,160	60,260	
Democracy & Governance	Registration of Electors	AGB000	5,000	0	0	October 2015 - BID ballot
	Parliamentary Election	AGT000	100,000	0	0	Parliamentary Election - May 2015
	Parliamentary Election	AGT000	-100,000	0	0	Parliamentary Election - May 2015 - Central Government funding
Democracy & Governance			5,000	0	0	
Strategic Finance	ICT Shared Service	AWA000	72,170	72,170	72,170	Currently there are no budgets for Microsoft Licences. This covers the shortfall as well as the costs to associated with the new Windows 7 desktop estate within the Modernise IT programme.
Strategic Finance			72,170	72,170	72,170	
All Services			261,740	257,330	257,430	

REVENUE ESTIMATES - Proposed Growth to be funded from Reserves

Department	Cost Centre Description	Budget Code	2015/16	2016/17	2017/18	Reason
			Budget Growth	Budget Growth	Budget Growth	
			£	£	£	
Community & Customer Services	Arts, Events and Heritage	DDS000	180,000	0	0	One off funding for the Big Events programme. - To be funded from reserves.
Community & Customer Services			180,000	0	0	
Strategic Finance	ICT Shared Service	AWA000	4,000	0	0	Employment of consultant to review ICT third party contracts. Funded from Invest to Save reserve
Strategic Finance			4,000	0	0	
All Services			184,000	0	0	

Income (Charging) Policy

Summary

The Budget Panel agreed to adopt the income charging policy below at their meeting on 11 September 2012 and accepted the categorisation of charges referred to at table 1.

The policy was set against the Audit Commission's review of charging in the public sector which recommended that;

- Councils should undertake regular reviews of their approaches to charging, both within service areas and across the council;
- Managers should ensure that income from charges, and the level of subsidy this provides, are transparent and inform the decision-making process;
- Councillors and managers should better understand the non-financial contribution charging has to strategic and service objectives.
- Councils do not make an effective use of their charging powers, and authorities need to change their approach to charging if they are to achieve their financial and strategic objectives. At a time when pressure on services is increasing in the public sector and revenues decreasing, councils need to understand, address and improve the way they charge for services.

Key Principles for a Charging Policy

In general a charge will be levied for all discretionary services on the principle "the user pays". Charges should seek to optimise potential income. The decision of whether to charge for a specific service will be subject to an assessment of the impact of charging on the delivery of the Councils corporate priorities and priority outcomes.

- In undertaking an 'impact assessment' the following questions will be asked:
- Why are we providing the service?
- Which of the Council's corporate priorities and priority outcomes are achieved by the service?
- What impact will charging have on the achievement of the Council's corporate priorities and priority outcomes?
- Do other similar or neighbouring Councils charge for the service and what is the impact of any such change?
- Are alternate service providers operating in the market and if so what is their level of charging?
- What is the estimated net additional income that is likely to be generated by the charge (i.e. impact on our financial position)?
- There are different levels, or basis, for the charging of service. The actual level, or basis of the charge, will be influenced by the impact assessments.

The objectives for differing charging strategies are shown below in table 1.

Table 1: Charging Strategy

Charging Strategy	Objective
Commercial Charges	The Council aims to cover the cost of providing the service and make a surplus used to fund other priority services. The full cost of the service, including an element for capital financing costs, support services and corporate overheads, will be the starting point for calculating charges.
Full Cost Recovery	The council aims to recover the costs of providing this service from those who use it. The full cost of the service, including an element for capital financing costs, support services and corporate overheads, will be the starting point for calculating charges.
Subsidised	Users of the service to make a contribution to the costs of providing it. This might be to meet a service objective or allow competition with other providers.
Free	The Council chooses to make the service available at no charge to meet a service objective - cost of service met by all Council Tax payers.
Statutory	Charges are determined in line with legal requirements.

Service Responsibilities

Service Managers should initially assess current chargeable services and allocate these to one of the categories above.

To maximise income from fees and charges in accordance with an Income policy, Service Managers are responsible for –

- Annually reviewing their services to identify any aspects that could be charged for and to introduce such charges unless Cabinet considers it would be inappropriate.
- Reviewing and varying fees and charges at least annually for services under their control, after consultation with the relevant Portfolio Holder and, in doing so, they shall –
 - ensure that relevant legislation is complied with,
 - have regard to the charges of any alternative service providers with whom the Council is competing, seek to maximise income, net of applicable costs, unless it will have a clearly detrimental impact on the achievement of the Council objectives.
 - introduce differential pricing to particular client groups where these are expected to stimulate demand and generate additional net income which would otherwise not be obtained.
 - set prices lower than could be reasonably achieved if this is the most cost effective way of achieving Council objectives and the necessary funding is available. Use of this option requires approval of Cabinet,
 - set fees and charges that allow an element of discretion if it can be demonstrated that this will lead to an overall benefit to the Council. It is important that any use of discretion is recorded so that it can be clearly shown that decisions have been made fairly and consistently.

Council Fees & Charges Concessions Policy

Concessions will be available to residents on identified income related benefits and discounts. These benefits and discounts include;

- Housing Benefit, in the form of Rent Allowance or Local Housing Allowance for people living in rented accommodation.
- Local Council Tax Reduction Scheme discount
- Income Support
- Job Seekers Allowance (income based)
- Working Tax credit
- Child Tax Credit
- Guaranteed Pension Credit (not Savings Pension Credit)
- Employment and Support Allowance (income based)

This list will change as changes are made to the names of the benefits or benefits themselves.

No concession is applied on the grounds of age (except Under 18 teams hiring football pitches) or disability unless the resident is in receipt of benefits.

Proof of Benefits and Discounts

Residents will need to confirm the type of the benefit or discount they are claiming and to give permission for a check to be made with the Councils' Revenues & Benefits section that this is the case.

Amount of Concessions

The amount of concession will be to apply a 50% reduction for all fees and charges.

Variations

For use of the Council's sports pitches the existing arrangements that provide for subsidised fees for junior (under 18) sports teams to use pitches is to continue so as to encourage usage and participation (concession to be harmonised to 50%)

The Council's externally managed Leisure Centres operate specific concessions for particular activities.

Fees and Charges - Service Income Budgets

	2013/14 Actual	2014/15 Original Budget	2015/16 Original Budget
CORPORATE STRATEGY & CLIENT SERVICE			
Parks, Pitches & Woods	0	0	0
Community Centres	(4,500)	(4,500)	(14,500)
Allotments	0	0	0
Cheslyn Gardens	(633)	(1,000)	(1,000)
Cemeteries	(113,695)	(215,750)	(217,000)
SLM & Related Income	(51,932)	(40,000)	(56,000)
Trade Waste	0	0	0
Domestic Waste	(7,130)	(7,550)	(7,670)
Recycling Banks	(10,872)	(14,400)	(4,900)
Kerbside Recycling	(37,145)	(7,720)	(13,810)
Specials & Street Cleansing	(29,653)	(30,000)	(30,000)
	(255,560)	(320,920)	(344,880)
COMMUNITY & CUSTOMER SERVICES			
Arts, Events and Heritage	(7,335)	(13,300)	(13,300)
Housing	(743,705)	(580,500)	(580,500)
Licenses	(151,607)	(145,480)	(145,480)
Other Licenses	(13,874)	(2,110)	(2,110)
Gaming Licenses	(120,846)	(100,780)	(101,260)
Pest Control	(18,734)	(24,190)	(21,290)
Stray Dogs	(3,624)	(1,300)	(1,300)
Environmental Abandoned Vehicles	(554)	(1,800)	(1,800)
Environmental Miscellaneous	(75,561)	(50,930)	(48,000)
Filming	(19,190)	(9,000)	(9,000)
Customer Services (including Information Unit)	(15,396)	(10,000)	(10,000)
	(1,170,426)	(939,390)	(934,040)
PLANNING SERVICES			
Parking - Controlled Parking Zones (v see below)	(2,394,369)	(1,342,550)	(1,342,550)
Parking - Other (incl. Avenue, Longspring & Town Hall)	(278,648)	(266,560)	(266,560)
Building Control	(255,239)	(197,500)	(197,500)
Development Control (including Policy Team)	(480,713)	(296,600)	(682,000)
Land Searches	(126,310)	(80,000)	(50,000)
	(3,535,279)	(2,183,210)	(2,538,610)
LEGAL & PROPERTY SERVICES			
Town Hall Facilities	(87,632)	(86,000)	(86,000)
Elections Unit	(3,956)	(3,000)	(3,000)
	(91,588)	(89,000)	(89,000)
REVENUES & BENEFITS			
Council Tax (Single Person Discount)	140	(2,000)	(2,000)
	140	(2,000)	(2,000)
Sub Total	(5,052,713)	(3,534,520)	(3,908,530)
Less : Parking - Controlled Parking Zones (v see above)	2,394,369	1,342,550	1,342,550
Total	(2,658,344)	(2,191,970)	(2,565,980)

Note: Changes have been included in the base budgets. There will be a change in the cost of Car Parking permits due to the price increase agreed in 2014/15 being implemented from April 2015.

MEDIUM TERM FINANCIAL STRATEGY 2015–18

General Fund Budget Projections 2014/15 – 2017/18 at January 2015

	2014/15 Revised Budget	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Base	14,592,960	13,990,215	15,174,850	15,571,020
New Savings Identified - see Appendix 1	-	(869,650)	(103,910)	-
Savings previously agreed to be implemented over lifetime of MTFS	-	(169,910)	(11,000)	(7,000)
Growth items - see Appendix 2A	-	135,520	26,140	1,950
Growth Items previously agreed to be implemented over the lifetime of the MTFS	-	(10,000)	(34,000)	-
Unavoidable changes - see Appendix 2B	-	261,740	(4,410)	100
Unavoidable changes previously agreed to be implemented over the lifetime of the MTFS	-	66,880	131,890	28,520
Other Items:				
Housing Benefit Grant Changes	-	76,030	4,850	-
Changes in Investment Income	-	20,000	-	-
Contract review	(815,000)	660,000	-	30,000
Commercial Rents	308,000	270,000	-	-
Waste Veolia Outsource	-	(79,490)	-	(146,000)
DCLG Waste grant	-	474,970	-	-
Employer's superannuation contributions	-	199,070	199,240	-
Health Campus-Interest & Dividends	-	-	(400,000)	(600,000)
Employee costs	(248,640)	275,220	71,370	78,400
Contingency review	-	(65,850)	-	-
Increased employer's NI	-	-	-	160,000
Pensions payment	-	-	700,000	(700,000)
Review of co-mingling recycling	-	(91,000)	-	-
Other 'In Year' Forecast Changes	152,895	(152,895)	-	-
Reserve Funded Growth - see Appendix 2C	-	184,000	(184,000)	-
Net Expenditure	13,990,215	15,174,850	15,571,020	14,416,990
Funded By:				
Grant Settlement	4,906,600	4,100,078	3,802,720	3,506,310
Business Rate Changes	(186,000)	(189,000)	(189,000)	-
CLG Grant for Council Tax Freeze	369,180	451,307	451,910	451,306
New homes bonus	1,731,450	2,822,432	3,500,000	-
Grant in Lieu of New Homes Bonus	-	-	-	2,000,000
Grant re. Homelessness Prevention	275,700	274,633	274,633	274,633
Total Government Funding	7,096,930	7,459,450	7,840,263	6,232,249
Council Tax Requirement	7,523,180	7,696,220	7,734,700	7,773,370
Total Government Funding Plus Council Tax	14,620,110	15,155,670	15,574,963	14,005,619
Planned contribution (to)/from Earmarked Reserves	338,950	-	700,000	-
(To)/From Reserves (Net Expenditure less Total Funding)	(968,845)	19,180	(703,943)	411,371
Council Tax Calculation				
CTR target	7,523,180	7,696,220	7,734,700	7,773,370
Council Tax Base	30,112	30,805	30,959	31,113
Council Tax % increase	-	-	-	-
Average charge	249.84	249.84	249.84	249.84
Collection rate used (as a percentage)	97	97	97	97

Briefing on the Provisional Local Government Settlement 2015/16 – 18 December 2014

Introduction

The statement on the provisional local government finance settlement 2015/16 was announced on the 18th December 2014. This briefing note highlights key issues included in the announcement. Details of all the documents relating to the settlement, including the Minister's statement can be found on the link below:

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2015-to-2016>

This is a provisional settlement for 2015-16 and is subject to parliamentary approval.

Key issues emerging from the announcement are as follows:

Local authorities freezing or lowering Council Tax level in 2015/16 will receive a Council Tax Freeze Grant equivalent to a 1% increase in Council Tax. Local authorities increasing Council Tax by 2% or above will be required to hold a local referendum. This also applies to fire and police authorities.

Council Tax Freeze Grant for 2014/15 is now included within the Settlement Funding Assessment for 2015/16.

Rural funding has increased to £15.5m (previously £11.5m). This funding is now all within Revenue Support Grant (RSG) – previously, £9.5m was in RSG and £2.0m was paid as Rural Services Delivery Grant.

A deduction of £23.4m has been made from RSG to fund the Improvement and Development Agency.

The £9.4m in Efficiency Support Grant payments for 2014/15 will be rolled into the Settlement Funding Assessment for 2015/16.

Revenue Support Grant was identified as including £129.6m for Local Welfare Provision. It is important to note that this funding is not new funding. The DCLG have decided to split out an element of RSG to reflect what it believes should reflect Local Welfare Provision. However, this amount was previously paid as a Specific Grant in 2014/15, with no funding added to RSG for 2015/16.

The loss in funding as a result of the 2% cap on the 2015/16 Business Rates Multiplier (announced at Autumn Statement 2014) will be refunded to local authorities through a S31 grant payment (in the same way as the 2014/15 2% cap).

The 2015/16 provisional finance settlement represents the third year in which the Business Rates Retention (BRR) scheme is the principal form of local government funding. As in the previous two years, the provisional settlement provides authorities with a combination of provisional grant allocations and their baseline figures within the BRR scheme.

The provisional figures are expected to be confirmed in late January/early February 2015 (within the final settlement announcement).

What does this mean for Watford Borough Council?

Overall the settlement was in line with the amount which was included in the budget for 2015/16. The figures are included in the table below.

	2015/16 £
Budget	4,750,880
Settlement	4,743,018
Reduced Funding	7,862

Figures for funding beyond 2015/16 have not been announced but it is expected that further reductions will continue and reductions of 20% and 25% have been applied for the years 2016/17 & 2017/18 respectively.

However, the New Homes Bonus grant allocations were higher than included in the 2015/16 budget and this increase had been reflected in the future projections. The New Homes bonus allocations can be found on the link below:

<https://www.gov.uk/government/policies/increasing-the-number-of-available-homes/supporting-pages/new-homes-bonus>

Figures for funding beyond 2015/16 have not been announced but it is expected that these will be in line with current budget projections.

NOTES TO THE COUNCIL TAX BASE – 2015/16

1. The Local Government Finance Act 1992 requires Councils which collect the Council Tax (known as “Billing Authorities”) to carry out certain functions. This includes the calculations in Sections 31 to 37 of the Act concerned with setting the Council Tax. These calculations produce the Council Tax Base, which is used to work out the basic amount of Council Tax. This must be notified to Hertfordshire County Council and Hertfordshire Police Authority (known as precepting authorities) between 1st December and 31st January in the financial year before that to which the Tax Base applies.

2. The methodology for calculating the base is contained within The Local Authorities (Calculation of Council Tax Base)(England) Regulations 2012 (SI2914/2012), “the Regulations”.

3. The calculation is made by applying the following formula:-

$$T = A \times B$$

where -

A is the total of the “relevant amounts” for that year for each of the valuation bands shown in the billing authority’s valuation list as applicable to one or more dwellings situated in its area;

B is the authority’s estimate of its collection rate for that year.

4. The Tax Base (denoted as “T”) is calculated by taking the total number of properties in each valuation band, reflecting the estimated discounts to be applied for single occupancy and empty properties, stating the net result in terms of Band D and applying to the total figure our best estimate of the rate of collection. Watford Borough Council will use the “T” figure to calculate its total Council Tax to be raised for the new financial year.

5. The formula set out in the regulations for the calculation of “A” is set out as:

$$((H - Q + E + J) - Z) \times \frac{F}{G}$$

where -

H is the number of chargeable dwellings in the area listed in the band on 30 November (described as ‘Dwellings’ in the Appendices); less the number of dwellings which were exempt on that day; plus or less the net number of full-year equivalent dwellings in each band resulting from properties being placed in a lower valuation band reflecting reductions for disabled persons under Section 13 of the Act. This is shown in Row 6.

Q is a factor to take into account the amount of discounts of council tax payable and is calculated by multiplying the number of dwellings affected by the relevant percentage discount. Shown in Row 10 of the table

J is the amount of any adjustment in respect of changes in the number of chargeable dwellings (described as “Additions and Reductions” in the Appendices). Shown in Row 12 of the table.

Z is the total amount that will be applied in accordance with the Council’s council tax reduction scheme in relation to the band expressed as an equivalent number of chargeable dwellings in that band. Shown in Row 14 of the table.

F is the number in the proportions 5:6:7:8:9:11:13:15:18 applicable to properties in Bands A Disabled to H respectively. Shown in Row 16 of the table.

G is the number, which, in that proportion, is applicable to dwellings in valuation Band D (i.e. 9). Shown in Row 17.

6. The result of the calculation is that "A" is determined as 31,757.30

7. For the purposes of calculating "T", the assumed collection rate "B" has been determined to be 97%.

8. This results in the calculation of T being $31,757.30 \times 97\% = 30,804.58$

9. The other authorities who raise monies from the residents of Watford (the precepting authorities) will also use this figure and those from other billing authorities within their area to determine their Band D charge (Hertfordshire County Council will require this information from all ten Hertfordshire Districts). They will then total their "T" figure, divide it into the net income they need to raise, to arrive at their Band D charge, which will be notified to each relevant Billing Authority (District Council) in the form of both Band D charge and monies to be paid over to them during the year.

10. This information will be determined and notified in February when the whole budget exercise incorporating our likely expenditure and the precepts from the County Council and Police Authority will result in the Council setting its Council Tax levels for 2015/16 at the Functions Committee on 26 February 2015.

2015/16 Description	Band A Disabled	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
1. Dwellings	0.00	279.00	3,938.00	14,028.00	12,430.00	3,628.00	2,135.00	1,871.00	82.00	38,391.00
2. Demolished	0.00	0.00	0.00	1.00	0.00	0.00	2.00	1.00	1.00	5.00
3. Exemptions	0.00	16.00	69.00	130.00	98.00	16.00	19.00	10.00	1.00	359.00
4. Long Term Empty Premium	0.00	0.00	4.00	13.00	8.00	0.00	0.00	0.00	0.00	25.00
5. Disabled Relief	0.00	6.00	27.00	29.00	-29.00	-9.00	-2.00	-18.00	-4.00	0.00
6. Chargeable Dwellings (H)	0.00	269.00	3,898.00	13,932.50	12,307.00	3,603.00	2,112.00	1,842.00	76.00	38,039.50
7. Discounts x 25% SPD	0.00	191.00	2,300.00	5,006.00	3,115.00	708.00	335.00	236.00	3.00	11,894.00
8. Discounts x 25%	0.00	0.00	25.00	158.00	115.00	22.00	14.00	11.00	0.00	345.00
9. Discounts x 50%	0.00	0.00	0.00	5.00	9.00	9.00	3.00	11.00	11.00	48.00
10. Discount Deduction (Q)	0.00	47.75	581.25	1,293.50	812.00	187.00	88.75	67.25	6.25	3,083.75
11. Additions/ Reductions	0.00	11.00	16.00	114.00	2.00	1.00	12.00	1.00	-1.00	156.00
12. Total Adjustments (J)	0.00	11.00	16.00	114.00	2.00	1.00	12.00	1.00	-1.00	156.00
13. Sub-Total (H-Q+J)	0.00	232.25	3,332.75	12,753.00	11,497.00	3,417.00	2,035.25	1,775.75	68.75	35,111.75
14. Reduction Scheme (Z)	0.00	75.54	926.73	1,868.02	1,241.61	210.77	51.68	18.25	0.00	4,392.60
15. Net Dwellings ((H-Q+J)-Z)	0.00	156.71	2,406.02	10,884.98	10,255.39	3,206.23	1,983.57	1,757.50	68.75	30,719.15
16. Band Proportion (F)	5.00	6.00	7.00	8.00	9.00	11.00	13.00	15.00	18.00	
17. Band D Proportion (G)	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	
18. Band D Equivalents	0.00	104.47	1,871.35	9,675.54	10,255.39	3,918.73	2,865.16	2,929.17	137.50	31,757.30

TAX BASE CALCULATION

Total Band D Equivalents	31,757.30
Collection Rate	97.00%
Adjusted Band D	30,804.58
Contribution in Lieu	0.00
Tax Base	30,804.58

Balance on Reserves

Description	Bal B/F as @ 1-Apr-2014	Agreed use of reserves	Movement in Year	Total Movement	Forecast Bal as @ 31-Mar-2015
General Fund Working Balance	-1,350,000				-1,350,000
REVENUE					
<u>Capital Financing Reserves</u>					
Multi-Storey Car Pk Rep Reserve	-181,000	0	0	0	-181,000
Leisure Structured Maintenance Reserve	-423,000	0	0	0	-423,000
<u>Earmarked Reserves</u>					0
Car Parking Zones Reserve	-630,000	0	0	0	-630,000
Charter Place Tenants Reserve	-160,000	0	0	0	-160,000
Le Marie Centre Repair Reserve	-12,000	0	0	0	-12,000
Rent Deposit Guarantee Scheme	-100,000	0	0	0	-100,000
Homeless Prevention Reserve	-113,000	0	0	0	-113,000
Budget Carry Forwards Reserve	-338,950	338,950	0	338,950	0
Climate Change Reserve	-57,000	0	0	0	-57,000
Recycling Reserve	0	0	0	0	0
NNDR Collection Fund Reserve	-4,661,000	0	0	0	-4,661,000
Parks Waste & street Strategy	-60,000	0	0	0	-60,000
<u>General Reserves</u>		0	0	0	
Exam In Public - LDF Reserve	-233,000	0	0	0	-233,000
Housing Benefit Subsidy Reserve	-996,000	0	0	0	-996,000
Invest To Save Reserve	-839,000	0	80,000	80,000	-759,000
Future Pension Funding Reserve	-2,249,000	0	0	0	-2,249,000
Insurance Fund Reserve	0	0	0	0	0
LA Business Growth Incentive Reserve	-570,000	0	0	0	-570,000
Area Based Grant Reserve	-85,000	0	0	0	-85,000
Performance Reward Grant Resrv	-32,000	0	0	0	-32,000
Housing & PDG Reserve	-266,000	0	0	0	-266,000
Economic Impact Reserve	-1,927,000	-38,000	-1,010,845	-1,048,845	-2,975,845
High Street Innovation Reserve	-90,000	0	0	0	-90,000
PRG Capital Grants-One Watford Reserve	-191,000	0	0	0	-191,000
Revenue Reserves	-14,213,950	300,950	-930,845	-629,895	-14,843,845
Total Reserves incl GFWB	-15,563,950				-16,193,845

APPENDIX 8a

Details of the purpose of each current reserve are set out below:

Reserve	Purpose
Area Based Grant	Grant received to encourage initiatives preventing violent extremism & anti social behaviour.
Budget Carry Forward	To 'carry forward' unspent revenue budgets for use in the proceeding financial year.
Capital Fund	To provide for funding of key capital projects.
Car Parking Zone	This is a statutory ring-fenced reserve, for future controlled parking related costs.
Charter Place Tenants	Tenants' contributions to meet major works.
Climate Change	To fund energy saving initiatives to reduce energy consumption.
Development Sites Decontamination	To provide for the costs of any decontamination of development sites for which the Council may have liability.
Economic Impact	To provide resources to offset the impact of the potential downturn of the economy and consequent potential overspends to the Council's budget.
Future Pension Funding	To meet one off pension costs and redundancy programme.
High Street Innovation	To assist with regeneration of Town Centres.
Homelessness Prevention	To assist with homelessness among young people.
Housing Benefit Subsidy	This reserve has been created to meet any subsidy clawback by DWP.
Housing Planning Delivery Grant	This grant was introduced to reward authorities for improved delivery of housing and other planning outcomes.
Invest to Save	To support initial expenditure will produce longer term savings.
LA Business Growth Incentive	Government grant received in respect of business rate growth.
Le Marie Centre Repair	To help meet the Council's obligation as landlord.
Leisure Structured Maintenance	To fund future structural maintenance needs not covered within the existing Leisure services contract.
Local Development Framework	To help fund the costs of the Local Development Plan.
Multi Storey Car Park Repair	To provide funds towards major structural works.
New Homes Bonus	Government grant received in respect of new homes built.
NNDR Collection Fund	To collect and distribute NNDR on behalf of Herts Councils.
Parks, Waste & Street Strategy	To cover unspecified works on the Veolia contract.
Performance Reward Grant	This is grant allocated for use in conjunction with the LSP, based on the achievement of performance targets.
PRG Capital Grants – One Watford	This is grant allocated for use in conjunction with One Watford.
Property and Programme Management Reserve	To provide resources to support a property review and to provide capacity around programme management support.
Recycling	This reserve will help to 'smooth out' fluctuations in recycling income in future years.
Rent Deposit Guarantee Scheme	To assist in the provision of homelessness accommodation.
Vehicle Replacement	To provide for the replacement of the Council's refuse freighters.
Weekly Collection Support Grant	To support LA's to introduce, retain or reinstate weekly collection of residual waste and/or recycling.

Key Risks

Type of Risk	Comment
Revenue balances insufficient to meet estimate pay award increases	The medium term planning period takes into account the pay increases for the period 2015/16 to 2017/18
Revenue balances insufficient to meet estimate of Employers' pension contributions	Pension Contributions have been budgeted at 15.9% for the period 2015/16 to 2017/18
Revenue balances insufficient to meet other inflationary increases	Other than contractual agreements, budgets have been cash limited where possible.
Interest rates resulting in significant variations in estimated interest income	The interest rate has a significant impact on the proceeds from capital receipts that are invested in the money market. The volatility of the global economy continues to place uncertainty on the investment strategy. (see Treasury Management Strategy at Appendix 11)
Inaccurate estimates of fees and charges income	See Key Budget Indicators shown in the latest Finance Digest on the Council's intranet
Revenue balances insufficient to meet loss of partial exemption for VAT	If the council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total vat able expenditure, then the Council may lose its ability to recover VAT on all of its exempt inputs. The new market management arrangement may increase this risk
Major emergency	Major Emergency requires funds beyond Bellwin scheme and causes serious drain on balances
The estimated cost reductions and additional income gains are not achieved	Savings identified in 2015/16 will be monitored as part of the monthly Finance Digest process.
The Council is faced with potential litigation and other employment related risks	The Council has one outstanding litigation case.
The amount of government grant is adversely affected	The grant settlement for 2015/16 has been factored into the MTFS along with reductions of a 20%, & 40% in years 2016/17 & 2017/18 respectively.
Fluctuations in Business Rates Retention	The Council is legally obliged to cover the first 7.5% loss on its pre determined baseline level.
Right to Buy Receipts & VAT Shelter Receipts	Under the Housing stock transfer with Watford Community Housing Trust (WCHT) the Council is entitled to use its share of the proceeds to fund the capital programme. The level of activity on both these income streams are outside the Council's control.

CAPITAL INVESTMENT PROGRAMME

Cost Centre	Capital Schemes	2014/15			2015/16	2016/17	2017/18
		Current Budget	Total Budget Variances	Revised Budget	Revised Budget	Revised Budget	Revised Budget
WA6920	Key Projects						
WAA983	Cultural Quarter Phase 1	2,050,582	0	2,050,582	89,710	0	0
WAA954	Green Spaces Strategy	52,741	0	52,741	0	0	0
WAA923	Health Campus-Contribution to LABV	1,500,000	(1,500,000)	0	3,000,000	0	0
WAA927	Health Campus-Loan to WHHT	2,000,000	(2,000,000)	0	0	0	0
WAA920	Health Campus	1,603,790	(500,000)	1,103,790	500,000	0	0
WAA167	Contribution to Croxley Rail Link	0	0	0	0	0	0
WAA211	New Market	2,462,364	0	2,462,364	0	0	0
WA6921	Environmental Services						
WAA992	Additional Green Waste Bins	18,000	(18,000)	0	18,000	18,000	0
WAJ300	Decent Homes Assistance	219,015	0	219,015	200,000	0	0
WAJ602	Energy Grants	26,954	0	26,954	0	0	0
WAJ600	Environmental Services Schemes	8,393	0	8,393	0	0	0
WAJ800	Environmental Services Schemes	72,590	0	72,590	0	0	0
WAA975	Recycling Boxes	36,940	(36,940)	0	0	36,940	0
WAA161	Replacement Domestic Bins	22,186	(22,185)	1	20,000	22,185	0
WAA197	Veolia Contract Fleet Requirement	0	124,750	124,750	0	0	0
WA6922	Community & Leisure Services						
WAA201	Allotments Upgrades	1,374,720	(16,000)	1,358,720	0	0	0
WAB966	Cassiobury Park HLF Project	478,261	70,420	548,681	2,816,760	2,782,120	0
WAA202	Farm Terrace Allotments	647,835	0	647,835	0	0	0
WAA219	Gaelic Football Relocation	908,146	(600,000)	308,146	600,000	0	0
WAA912	Improvements Community Centres	80,000	0	80,000	0	0	0
WAA214	Museum CCTV Intruder Alarm Sys	50,000	0	50,000	0	0	0
WAA215	Town Centre CCTV Camera Replac	21,000	0	21,000	21,000	21,000	0
WA6923	Housing Services						
WAJ203	Affordable Housing	24,328	0	24,328	0	0	0
WAJ100	Mand Disabled Facilities Grant	599,552	0	599,552	400,000	400,000	400,000
WAA987	Stand Alone Prop to Decent Std	61,922	0	61,922	50,000	50,000	50,000
WA6924	Parking Services						
WAA950	Upgrading/Resurfacing CarParks	59,111	0	59,111	0	0	0
WA6925	Asset Management						
WAA203	Atrium Phase 5	34,000	0	34,000	0	0	0
WAA995	Building Investment Programme	1,015,369	0	1,015,369	400,000	400,000	400,000
WAA210	Car Parks Structure Surv	15,000	10,000	25,000	0	0	0
WAA173	CCTV Control Room Relocation	0	198,000	198,000	0	0	0
WAA925	Charter Place	0	0	0	0	0	0
WAA994	Depot Refurbishment	0	0	0	0	0	0
WAB963	Guest Market (Indoor)	0	0	0	0	0	0
WAA952	Match Funding Capital Projects	35,000	0	35,000	35,000	20,000	20,000
WAA213	Pop Up Toilets Refurbishment	35,000	(35,000)	0	0	35,000	0
WAA225	Property Review	0	100,000	100,000	0	0	0
WAA991	Veolia Capital Improvements	90,000	1,040	91,040	92,100	93,170	94,250
WAA185	Watford Business Park Redevelo	225,000	0	225,000	0	0	0

Cost Centre	Capital Schemes	2014/15			2015/16	2016/17	2017/18
		Current Budget	Total Budget Variances	Revised Budget	Budget	Budget	Budget
WA6926	ICT						
WAA132	ICT - Document Management Proc	15,000	0	15,000	0	0	0
WAA134	ICT-Env Health	189,139	0	189,139	45,000	0	0
WAA109	ICT-Hardware Replacement Prog	80,000	0	80,000	160,000	160,000	200,000
WAA221	ICT-Project Management Provisi	120,000	0	120,000	120,000	120,000	120,000
WAA212	Telephony-Cost of Server Repla	10,000	0	10,000	0	0	0
WA6927	ICT Shared Services						
WAA982	ShS-Hardware Replace Prog	18,000	0	18,000	30,000	78,000	45,000
WAA945	ShS-IT Modernisation	906,917	0	906,917	0	0	0
WAB925	ShS-HR Appraisal Module	0	3,600	3,600	0	0	0
WAA601	Corporate Services / Project Management						
WAA601	Support Services	552,470	0	552,470	500,000	400,000	400,000
WA6990	New Schemes Requiring Approval (see details of Schemes Below)						
WAA190	Green Spaces Strategy	0	0	0	150,000	200,000	250,000
WAA191	ShS-Business Application Upgrades	0	0	0	195,000	165,000	165,000
WAA192	Town Hall Subway CCTV	0	0	0	37,000	0	0
WAA193	Clarendon Road Streetscape Improvements	0	0	0	18,000	0	0
WAA194	Introduction of Electric VehicleCharging Units	0	0	0	20,000	10,000	10,000
WAA195	Watford Museum HLF Matchfunding	0	0	0	0	125,000	0
WAA196	Private Sector Stock Condition Survey	0	0	0	150,000	0	0
WA6928	Section 106 Funded Schemes						
WAB300	Contribution to Croxley Rail Link	0	0	0	0	0	0
WAB931	Himalayan Way Play Area	98,942	0	98,942	0	0	0
WAB932	Jellicoe Road Play Area Improv	6,893	0	6,893	0	0	0
WAB938	Goodwood Rec Play Area Improve	5,000	0	5,000	0	0	0
WAB940	East Drive Play Area	120,000	38,500	158,500	0	0	0
WAB942	Waterfields Rec Play Area	122,172	7,100	129,272	0	0	0
WAB944	Berry Avenue Play Area	60,000	0	60,000	0	0	0
WAB945	Southwold Road Play Area	50,000	0	50,000	0	0	0
WAB946	Ridgehurst Avenue Play Area	50,000	(23,500)	26,500	0	0	0
WAB948	Riverside Recreation Ground	310,300	0	310,300	0	0	0
WAB949	Oxhey Park	0	2,150	2,150	0	0	0
WAB950	King George V Playing Field	0	39,400	39,400	0	0	0
WAB951	Colne River Project	464,903	(7,100)	457,803	0	0	0
WAB952	Fern Way Play Area Landscaping	15,000	(15,000)	0	0	0	0
WAB953	Radlet Road MUGA	30,000	0	30,000	0	0	0
WAB954	Knutsford Road	34,600	0	34,600	0	0	0
WAB958	Local Park Improvements	60,779	0	60,779	0	0	0
WAB960	Wiggenhall Allotments	0	0	0	0	0	0
WAB961	Cherry Tree Allotments	12,000	0	12,000	0	0	0
WAB962	Local Nature Reserves	38,784	0	38,784	0	0	0
WAB964	Centennial House Landscaping	210	0	210	0	0	0
WNC004	Colne Valley Improvments	8,699	0	8,699	0	0	0
WNC022	Multi Use Games At Meriden	120,000	0	120,000	0	0	0
WA4900	TOTAL CAPITAL PROGRAMME	19,327,607	(4,178,765)	15,148,842	9,667,570	5,136,415	2,154,250

Cost Centre	Capital Schemes	2014/15			2015/16	2016/17	2017/18
		Current Budget	Total Budget Variances	Revised Budget	Budget	Budget	Budget
WA6920	Key Projects	9,669,477	(4,000,000)	5,669,477	3,589,710	0	0
WA6921	Environmental Services	404,078	47,625	451,703	238,000	77,125	0
WA6922	Community & Leisure Services	3,559,962	(545,580)	3,014,382	3,437,760	2,803,120	0
WA6923	Housing Services	685,802	0	685,802	450,000	450,000	450,000
WA6924	Parking Services	59,111	0	59,111	0	0	0
WA6925	Asset Management	1,449,369	274,040	1,723,409	527,100	548,170	514,250
WA6926	ICT	414,139	0	414,139	325,000	280,000	320,000
WA6927	ICT Shared Services	924,917	3,600	928,517	30,000	78,000	45,000
WAA601	Corp Serv / Project Mgt	552,470	0	552,470	500,000	400,000	400,000
WA6990	New Schemes Requiring Approval	0	0	0	570,000	500,000	425,000
WA6928	Section 106 Funded Schemes	1,608,282	41,550	1,649,832	0	0	0
WA4900	TOTAL CAPITAL PROGRAMME	19,327,607	(4,178,765)	15,148,842	9,667,570	5,136,415	2,154,250

	Capital Funding	2014/15	2015/16	2016/17	2017/18
		Revised Budget	Budget	Budget	Budget
	CAPITAL FUNDING				
	Grants & Contributions	697,951	2,523,900	2,489,000	239,000
	Reserves	3,041,605	38,000	77,125	0
	Capital Receipts	9,433,536	6,573,810	2,038,170	1,915,250
	Section 106 Contributions	1,975,750	531,860	532,120	0
	TOTAL CAPITAL FUNDING	15,148,842	9,667,570	5,136,415	2,154,250
	AVAILABLE FUNDING-CAPITAL RECEIPTS				
	Balance Brought Forward	13,701,293	7,797,367	3,223,557	2,485,387
	Used for Financing	(9,433,536)	(6,573,810)	(2,038,170)	(1,915,250)
	In Year Receipts	3,529,610	2,000,000	1,300,000	2,000,000
	BALANCE CARRIED FORWARD	7,797,367	3,223,557	2,485,387	2,570,137
	AVAILABLE FUNDING-SECTION 106				
	Balance Brought Forward	2,788,107	1,312,356	795,496	273,376
	Used for Financing	(1,975,750)	(531,860)	(532,120)	0
	In Year Receipts + Interest	500,000	15,000	10,000	5,000
	BALANCE CARRIED FORWARD	1,312,356	795,496	273,376	278,376

Details of New Schemes Requiring Approval

1. Green Spaces Strategy: This will allow the delivery of targeted actions within the Green Spaces Strategy which was adopted by Cabinet on 11th November 2013. This budget will ensure the attainment of the action plan and will also allow the sustained programme of improvement works to continue unabated. There is though the recognition that funding must be obtained from other sources and in particular grant awarding bodies. This scheme also includes costs incurred relating to knotweed removal and land decontamination.

2. Business Application Upgrades: The Council are contractually obliged with all our third party business application vendors to remain within two version of our business applications. Very few upgrades for business applications have occurred since Capita took over supporting our business applications estate in May 2013. The ICT Service needs to upgrade all business applications to support service levels.

3. Town Hall Subway CCTV: The subway public toilet entrances are not covered by the town centre CCTV system. The newly refurbished subway walls, approaches and poster sites have been subject to vandalism and anti social behaviour. The public toilets are currently being refurbished and coverage of these entrances are desirable.

4. Clarendon Road Streetscape Improvements: Town centre camera C10 is pole mounted and covers the area from Beechen Grove to The Parade. There is a desire to see street clutter reduced in this area as part of the HCC streetscape plans for Clarendon Rd and this could be achieved by removing the cctv pole. It is proposed that C10 is relocated to a wall mounted bracket to improve the view along Watford House Lane a key pedestrian route to the New Watford Market.

5. Introduction of Electric Vehicle Rapid Charging Units: The introduction of Rapid Charging Units for 5 Electric Vehicles will enable the Borough to continue to expand the required infrastructure to encourage the take up of electric vehicles. On street rapid chargers will provide opportunities for the towns fleet of taxi's to change over to electric vehicles. With a range of 60-80 miles per charge the new infrastructure will provide the ability to rapidly charge in 20 minutes.

6. Watford Museum HLF Matchfunding: Watford Museum is in need of renewal and the Council has the opportunity to make a bid to the Heritage Lottery Fund (HLF) for £1.25m to assist with this. This capital bid is the 10% WBC match funding to lever in the £1.25m

7. Private Sector Stock Condition Survey: Opportunity for joint procurement with other LAs in order to achieve efficiencies. The council has a statutory duty to keep under review the condition of residential property in the private sector. This is undertaken by commissioning a detailed Private Sector Stock Condition Survey of a sample of properties so that data can be extrapolated. Commissioned services will include stock modelling in order to select a sample of properties, fieldwork in over 1,000 properties and detailed reporting. The data will inform our revised Private Sector Renewal Policy and associated initiatives.

TREASURY MANAGEMENT STRATEGY STATEMENT 2015 – 2018

1.0 Introduction

The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity, reflecting the outcome of the Council's underlying capital appraisal systems. This report updates the approved indicators.

Within this overall prudential framework there is an impact on the Council's treasury management function as it can directly impact on borrowing or investment decisions. As a consequence the treasury management strategy for 2015/16 to 2017/18 is included.

2.0 The Capital Plans and Prudential Indicators 2015/16 – 2017/18

The Council's capital expenditure plans are one of the key drivers of the treasury management function. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 The Council's Capital Position

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts within the proposed capital expenditure programme. The Council's capital expenditure plans are due to be approved by Cabinet and Council on 19 January and 28 January 2015 respectively.

	2013/14 Actual	2014/15 Latest Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Total Capital Expenditure	£12.6M	£15.1M	£9.7M	£5.1M	£2.2M

The capital expenditure plans are financed by capital receipts, capital grants or capital reserves. Over the next three years there are no planned shortfalls of resources which would result in borrowing. A certain level of capital expenditure is grant supported by the Government; any decisions by the Council to spend above this level will be considered unsupported capital expenditure which needs to have regards to:

- Service objectives (e.g. strategic planning);
- Stewardship of assets (e.g. asset management planning);
- Value for money (e.g. option appraisal);
- Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
- Affordability (e.g. ongoing revenue implications);

2.2 The Council's Borrowing Need - The Capital Financing Requirement (CFR)

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

Following accounting changes the CFR includes any other long term liabilities (e.g. finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

The Council is asked to approve the CFR projections below:

	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Total CFR	£2.6m	£2.5m	£2.4m	£2.3m	£2.2m
Adjustment A	£2.6m	£2.5m	£2.4m	£2.3m	£2.2m
Movement in the CFR*	£0.1m	£0.1m	£0.1m	£0.1m	£0.1m

* Includes MRP and/or voluntary contributions to reduce the CFR.

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

The Council complies with the regulations which allow debt free authorities to continue to **not** make an MRP known as Adjustment A. Any new capital expenditure if unfunded and requiring credit cover above adjustment A would however need to generate a MRP.

2.3 Minimum Revenue Provision (MRP) Strategy and Policy Statement

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

The Council is gradually paying down its CFR as a result of Minimum Revenue Provisions relating to finance leases. The Council borrowed £6m from the Growing Places Fund in 2013/14 to fund the Health Campus Scheme. This funding has a reasonable expectation of a repayment return within the period of the loan (5years) and, under CLG regulations no MRP is necessary.

2.4 The Use of the Council's Resources and the Investment Position

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc).

3.0 Treasury Management Strategy

The treasury management strategy is an important part of the overall financial management of the Council's affairs. The prudential indicators consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992.

The Council's treasury activities are regulated by statutory requirements and the CIPFA Code of Practice on Treasury Management. The Council has adopted a Treasury Management Policy Statement in accordance with the code of practice.

The Constitution requires a strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement is to explain the risks associated with the treasury service. Further treasury reports are produced after the year-end to report on actual activity for the year and a mid-year monitoring update. This strategy covers:

- The current portfolio position;
- The borrowing strategy;
- Annual investment strategy;
- Specific limits on treasury activities;
- Treasury performance indicators;
- Reporting requirements;
- Policy on use of external service providers;
- Training of Officers and Members.

The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service delivery. This will involve the organisation of both cash flow and of appropriate borrowing facilities if required. The strategy covers the relevant treasury prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Council's current treasury portfolio position at 31 December 2014, with forward projections are summarised below.

Treasury Portfolio	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
External Borrowing	£6M	£6M	£6M	£6M	£6M
Total Investments 31 March	£31.5M	£30M	£22M	£19M	£16.5M

The external borrowing relates to the Growing Places Funding from LEP (Local Enterprise Partnership) was received in July 2013 and is due to be repaid in July 2018. The money is being paid over to the LABV (Local Asset Backed Vehicle). Growing Places Funding that has not been transferred to the LABV is invested with the DMO for security.

The Council held £37.2M of investments as at 30 November 2014. (See table below). This information is reported in the monthly Members Information Bulletin.

Institution	Principal (£)
Clydesdale Bank plc	3,000,000
Lloyds Bank plc	9,200,000
Nat West Bank plc	8,000,000
Santander UK plc	5,000,000
Total Banks	25,200,000
Nationwide Building Society	4,000,000
Principality Building Society	3,000,000
Skipton Building Society	5,000,000
Total Building Societies	12,000,000
Total	37,200,000.00

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Annex B, it is a very difficult investment market in terms of earning the level of interest rates as rates are very low and in line with the 0.5% Bank Rate.

Table of Monthly Interest Rates to Date:

Month	Rate Achieved
April	0.58%
May	0.58%
June	0.59%
July	0.57%
August	0.59%
September	0.60%
October	0.62%
November	0.60%

The approved benchmark measure of yield is a return of 0.12% above the average bank rate of 0.50%. The returns up to 30 November 2014 averaged 0.59%, against a benchmark rate of 0.62%. The average yield return is lower than the benchmark for the year to date. The Council tends to keep the majority of investments short term (not greater than 364 days). With the many counterparties being downgraded over the past few years, most investments have been limited to a 6 months period and has therefore resulted in lower interest rates being achieved.

The budget for interest on investments for 2014/15 is £240,000; interest received up to the end of November was £138,000. At this stage, the budget is assumed for future years.

3.2 Prospects for Interest Rates

The Council contract with Capita Asset Services who act as its treasury advisor. Below is their latest view on the future of the bank base rate.

Month & Year	Bank Rate %
Dec 2014	0.50
Mar 2015	0.50
Jun 2015	0.50
Sep 2015	0.50
Dec 2015	0.75
Mar 2016	0.75
Jun 2016	1.00
Sep 2016	1.00
Dec 2016	1.25
Mar 2017	1.25
Jun 2017	1.50
Sep 2017	1.75
Dec 2017	1.75
Mar 2018	2.00

Capita Asset Services undertook a review of its interest rate forecasts on 5 January 2015. Their view is shown below;

Change in market sentiment and outlook

The plunge in the price of oil has been the major surprise of the last three months. This will reduce inflation and stimulate the economies of oil importing countries. There is a downside to the plunge in oil prices in terms of a sharp increase in the risk of emerging country debt default and emerging country oil producing corporate defaults. This could have a knock on effect on western banks who have lent to these areas and to hedge, pension and investment funds which have been wrong footed by holding debt or equities in these areas. UK GDP growth forecasts have recently been more subdued although growth will still remain strong, but not as strong as previously expected. The political risks around the UK general election in May 2015 have increased with the likely result now being very hard to predict. A combination of the above factors has caused us to put back the start of increases in Bank Rate from Q2 2015 to Q4 with knock on delays on increases in following years.

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

3.3 Treasury Indicators: Limits to Borrowing Activity

There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.

The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. The Operational Boundary is a more realistic indicator of the likely position. The difference between the authorised limit and operational boundary for borrowing is that the authorised limit includes a head room for borrowing for future known capital needs now. The Authorised Limit

represents the limit beyond which borrowing is prohibited, and needs to be revised if necessary by members.

The first key control over the treasury activity is a Performance Indicator (PI) to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and next two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

3.3.1 Treasury Management Indicator - The Operational Boundary

This is the limit beyond which external borrowing is not normally expected to exceed. In most cases this would link directly to the authority's plans for capital expenditure, its estimates for CFR and its estimate of cashflow requirements for the year for all purposes. As the council already has a loan of £6.0m with Growing Places and no plans to borrow for other capital purposes in the next three years, it would be prudent to set the operational boundary at £10m.

Operational Boundary	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Borrowing	£10m	£10m	£10m	£10m

3.3.2 Treasury Management Indicator - The Authorised Limit for External Borrowing

This PI, which is required to be set and revised by Members, controls the overall level of borrowing and represents the limit beyond which external long and short term borrowing is prohibited, and this limit needs to be set or revised by the Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (2) of the Local Government Act 2003.

Authorised Limit	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Borrowing	£13m	£13m	£13m	£13m

3.3.3 Treasury Management Indicator – Actual External Debt

This is the closing balance for actual gross borrowing obtained directly from the council's Balance Sheet at year end.

The Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals within this report regarding future external borrowing.

3.4 Borrowing Strategy

Although at this stage there is no requirement to borrow externally over the medium term, the Council has a number of regeneration projects and it is possible that these may require pump priming for the necessary infrastructure works. Any external borrowing that is required by the Council will be reported to Members at the appropriate time.

3.5 Annual Investment Strategy

3.5.1 Key Objectives

The Council's investment strategy's primary objectives are safeguarding the re-payment of the principal and interest of its investments on time, and then ensuring adequate liquidity, with the investment return being the final objective. The current economic ensures that the current investment climate has one over-riding priority which is the management of counterparty security risk. In order to accommodate any changes to the Strategy during the year, it is recommended that the Portfolio Holder, in consultation with the Director of Finance, is given the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than 1 year and to invest in other investment instruments i.e Government bonds, Gilts and property with a view of maximising the Council's returns without significantly increasing risk.

3.5.2 Investment Policy

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

Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices Schedules.

3.5.3 Creditworthiness policy

The Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary and will provide an overall pool of counterparties considered high quality.

The rating criteria use the **lowest common denominator** method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with the CIPFA Treasury Management Code of Practice.

Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the Council's criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

Counterparty Categories

The Council uses the following criteria in choosing the categories of institutions in which to invest:

- **Banks 1 - Good Credit Quality**
The Council will only use UK banks or foreign banks trading in the UK in sterling denomination and which meet the Rating criteria.
- **Banks 2 – Eligible Institutions**
The Council will use organisations considered an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long term ratings required in Banks 1 above. Note: Capita Asset Services advice is for a cautious approach when using these Institutions. Further amendments were announced by HM Treasury on 8 June 2011 to the rules of the UK Government's Credit Guarantee Scheme, permitting eligible institutions to repurchase UK Government guaranteed debt in certain circumstances. As well as providing UK banks and financial institutions with a welcome opportunity to manage their liability profiles, it also signalled the continued restoration of confidence in the UK banking sector.
- **Banks 3 – The Council's Own Banker**
For transactional purposes, if the bank falls below the above criteria, it will be included, although in this case balances will be minimised as far as possible in both monetary size and time within operational constraints.
- **Bank Subsidiary and Treasury Operations** – the Council will use these where the parent bank has the necessary ratings outlined above and the parent has provided an indemnity guarantee.
- **Building Societies**
The Council will use all Societies which:
Either,
(i) **Meet the ratings for banks outlined above; or,**
(ii) **Are Eligible Institutions; and have assets in excess of limits for each category.**
- **Specific Public Bodies**
The Council may lend to Public Bodies other than Local Authorities. The criterion for lending to these bodies is that the loan has been approved by Council.
- **Money Market Funds AAA Rated**
The Council may lend to Money Market Funds in order to spread its investment risk.
- **Local Authorities**
A limit of £2m per authority will be applied.
- **Debt Management Deposit Account Facility**
A Government body which accepts local authority deposits.

The current investment counterparty criteria selection approved in the Treasury Management Strategy is being met, with the exception for Clydesdale Bank plc. When the Bank's credit rating was downgraded, its continuing use as a counterparty has been approved by Leadership Team

For details of Specified and Non-Specified Investments see below.

Use of Additional Information Other Than Credit Ratings

Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and Monetary Limits Applying to Investments

The time and monetary limits for institutions on the Council's Counterparty List summarised in the table below, are driven by the above criteria. These limits will cover both Specified and Non-Specified Investments.

Exceptional Circumstances

The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions Director of Finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly, the time periods for investments will be restricted.

Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMO) – a Government body which accepts local authority deposits, Money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

3.5.4 Investment Strategy

In-House Funds - investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment Returns Expectations - bank rate is forecast to remain unchanged at 0.50% before starting to rise from quarter 4 of 2016/17. Bank rate forecasts for financial year ends (March) are:

- 2014/15 0.50%
- 2015/16 0.75%
- 2016/17 1.25%
- 2017/18 2.00%

Investment Treasury Indicator and Limit - total principal funds invested for up to 1 year. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Treasury Indicator & Limit	2014/15	2015/16	2016/17
Maximum Principal Sums Invested up to 1 year	£2m	£5m	£5m

3.5.5 Investment Risk & Security Benchmarking

These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report. In line with the TMS, the Council has managed to invest with those institutions who offered the best rate and the investment portfolio is above the overall benchmark during the year to date.

Security

Security of the investments is measured by credit ratings, which is supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poors). Whilst this approach embodies security considerations, it makes benchmarking the levels of risk difficult. Therefore another method to benchmark security risk is to assess the **historic level of default** against the minimum criteria used in the Council's investment strategy. The benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment. The table beneath shows average defaults for differing periods of investment grade products for each Fitch, Moody's and Standard and Poor's long term rating category for historic periods up to 2013:

Years	1	2	3	4	5
AAA	0.00%	0.02%	0.06%	0.09%	0.13%
AA	0.02%	0.04%	0.14%	0.27%	0.38%
A	0.09%	0.24%	0.43%	0.61%	0.86%

The Council's minimum long term rating criteria is currently "AA", meaning the average expectation of default for a one year investment in a counterparty with an "AA" long term rating would be 0.02% of the total investment (e.g. for a £1m investment the average loss would be £200). This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio. The Council's investments in rated institutions are all for periods of less than one year, so the average loss will be scaled down by the length of investment

The Council's current maximum security risk benchmark for the portfolio, when compared to these historic default tables, is 0.01%. The average historic risk of default for the Council's portfolio as of the end of November 2014 is 0.02%.

The maximum security benchmark for 2015/16 to be recommended is 0.02% to reflect the average expectation of default for a one year investment in a counterparty with an "AA" long term rating, which is the Council's minimum long term rating criteria.

Liquidity

The Council set liquidity facilities/benchmarks to maintain:

- Bank overdraft - £0m.
- Liquid short term deposits of at least £2m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.5years, with a maximum of 10 years for an individual loan with a public body.

The Council has the benefit of instant access to its funds on the general account with Lloyds.

Yield

The measure of yield on Investments is a return of 0.12% above average bank rate. In accordance with the Code of Practice on Treasury Management, this is also used as performance indicator in order to assess the adequacy of the treasury function over the year. Investments – returns 0.12% above average bank rate. The results of this indicator for 2014/15 will be reported in the Treasury Annual Report.

3.6 Reporting Requirements

End of Year Investment Report - the Council will report on its investment activity for the financial year completed as part of its Annual Treasury Management Report after the end of the financial year.

Mid-year Investment Report – the Council will report on its investment activity for that financial year as part of its Mid Year Treasury Management Report at the end of September of that financial year).

Treasury Management Strategy – the Council will produce the Strategy for the next three financial years towards the end of the current financial year.

3.7 Policy on the Use of External Service Providers

The Council uses Capita Asset Services as its external treasury management advisors. The current contract expires in October 2016. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

3.8 Member and Officer Training

The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. This Council has addressed this important issue by:

- Ensuring that officers attend suitable courses and seminars to keep their technical knowledge up to date;
- Keeping up to date with CIPFA publications on Treasury Management;
- Regular briefings both by e mail and face to face with the Council's consultants;
- Reports and briefing sessions to Members on major changes to Treasury policies and strategies.

The CLG issued a reviewed Investment Guidance in 2010 (second edition), and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds, which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council has adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Director of Finance has produced this Treasury Management Practices (TMP's) guidance.

Annual Investment Strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments;
- The principles to be used to determine the maximum periods for which funds can be committed;
- Specified investments that the Council will use. These are high security, and high liquidity investments in sterling and with a maturity of no more than a year;
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy Guidelines – the main strategy guidelines are contained in the body of the treasury strategy statement.

Specified Investments – these investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
2. A local authority, parish council or community council.
3. A body that is considered of a high credit quality (such as a bank or building society) with a minimum short term rating of F-1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies or a Building Society with assets over £1,000m. Non rated Building Societies are non-specified investments.
4. Money Market Funds (triple AAA rated only).

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are defined in the Treasury Management Strategy.

The ratings criteria and exposure limits are detailed at **Schedule 1**.

Exception 1 RBS Group

In accordance with Capita Asset Services advice, RBS Group should continue to be included within the counterparty list even though Moody's has downgraded them to P-2 (which is below the ratings limits). This is because the RBS Group is 82% Government owned and is therefore considered to be 'secure'. The Audit Committee / Council has previously approved that a £10m ceiling is permitted for investments with RBS. In addition, for Lloyds Banking Group and RBS Group investments with a maturity of 12 months is permitted whereas for all other banking and building society institutions a 6 month maturity limit is currently in operation.

Exception 2 Clydesdale Bank plc

Clydesdale Bank plc

The investment with Clydesdale is a long-standing investment made in April 2010. The Council placed funds with Clydesdale to support local businesses. When the Bank's credit rating was downgraded and it no longer met the criteria as outlined within the Treasury Management Strategy, its continuing use as a counterparty has been approved by Leadership Team. At the time of the report Clydesdale bank plc had the following credit ratings by Fitch, Standard and Poors and Moody's respectively: short term F-1, A-2 and P-2 and long term A, BBB+ and Baa2 respectively. The Council improved the rate from 0.50% to 0.70% keeping the benefit of 30 days notice to minimise the risk, with effect from October 2014.

Non-Specified Investments – non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	Non Specified Investment Category	Limit (£ or %)
a.	Any bank or building society that has a minimum long term credit rating of A (or equivalent), for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£5m
b.	The Council's own banker if it fails to meet the basic credit criteria.	In this instance balances will be minimised as much as possible
c.	Building Societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which were originally considered Eligible Institutions and have a minimum asset size of £5,000m, but will restrict these type of investments to £2m for up to six months.	£2m
d.	Specific Public Bodies The Council can seek Member approval to make loans to other public bodies for periods of more than one year.	£10m

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 defined in the Treasury Management Strategy.

In respect of category d this will only be considered after obtaining external advice and subsequent Member approval.

The Monitoring of Investment Counterparties

The credit rating of counterparties are monitored regularly. The main rating agencies (Fitch, Moody's and Standard & Poor's) provide credit ratings for financial institutions. The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita Asset Services as and when ratings change, and counterparties are checked promptly. The Council considers minimum short term ratings as key criteria in the choice of creditworthy investment counterparties. F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard and Poor's respectively. Minimum Short Term Ratings, where given, must be met, for all categories. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Finance, and if required new counterparties which meet the criteria will be added to the list.

Institution Type	Max Amount:			£5m	£10m	£10m	£10m	£10m
	Max Length:			10 Years	364 Days	6 Months	3 Months	1 Month
	Minimum Short Term Ratings							
	Fitch	Moody's	S&P					
UK Banks								
Banks with Clearing Status in the United Kingdom	F1	P-1	A-1		Backed up by AA(F), Aa2(M) and AA(S&P) long term credit rating	Backed up by single A long term ratings by all agencies	Backed up by lower than A long term rating	Backed up by lower than A long term rating
The Council's own Bankers	F1	P-1	A-1	If Council's own bankers fall below the minimum long term criteria for UK banks, cash balances will be managed within operational liquidity constraints and balances will be minimised as much as possible.				
Wholly Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1		Backed up by AA(F), Aa2(M) and AA(S&P) long term credit rating	Backed up by single A long term ratings by all agencies	Backed up by lower than A long term rating	Backed up by lower than A long term rating
Partially Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1		Backed up by AA(F), Aa2(M) and AA(S&P) long term credit rating	Backed up by single A long term ratings by all agencies	Backed up by lower than A long term rating	Backed up by lower than A long term rating
UK Building Societies								
Either	F1	P-1	A-1		Backed up by AA(F), Aa2(M) and AA(S&P) long term credit rating	Backed up by single A long term ratings by all agencies	Backed up by lower than A long term rating	Backed up by lower than A long term rating
Or					Assets over £15,000m	Assets over £5,000m	Assets of £2,500m	Assets of £1,000m
Specific Public Bodies				As approved by Members				
Debt Management Deposit Facility (UK Government)						Unlimited		
Money Market Funds (AAA Rated)								£5m per fund
UK Local Authorities				The Council can invest in all UK Local Authorities whether rated or not				

Notes:-

1. F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard and Poor's respectively.
2. Minimum Short Term Ratings - Where given, these must be met, for all categories (except RBS Group).
3. Building Societies - A Building Society has to meet either the ratings criteria or the assets criterion to be included in the category, not both.
4. Maximum amount is the maximum, in total, over all investments, with any one institution (with the exception of RBS Group).