

BOROUGH OF BARROW-IN-FURNESS
OVERVIEW AND SCRUTINY COMMITTEE

Meeting:- Thursday 29th January, 2015
at 2.00 p.m. (Committee Room No. 4)

A G E N D A

PART ONE

1. To note any items which the Chairman considers to be of an urgent nature.
2. To receive notice from Members who may wish to move any delegated matter non-delegated and which will be decided by a majority of Members present and voting at the meeting.

3. Admission of Public and Press

To consider whether the public and press should be excluded from the meeting during consideration of any of the items on the agenda.

4. Declarations of Interest

To receive declarations by Members and/or co-optees of interests in respect of items on this Agenda.

Members are reminded that, in accordance with the revised Code of Conduct, they are required to declare any disclosable pecuniary interests or other registrable interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

Members may however, also decide, in the interests of clarity and transparency, to declare at this point in the meeting, any such disclosable pecuniary interests which they have already declared in the Register, as well as any other registrable or other interests.

5. Apologies for Absence/Attendance of Substitute Members.
6. Confirmation of Minutes of the meeting held on 4th December, 2014 (copy attached).
- (D) 7. Street Cleansing.
- (D) 8. Finances and Performance Report.
- (R) 9. Budget Proposals 2015-2016.

**NOTE (D) – Delegated
(R) – Referred**

Membership of Committee

Councillors Roberts (Chairman)
Cassidy (Vice-Chairman)
Derbyshire
Hamilton
Husband
Johnston
R. McClure
Maddox
Opie
C. Thomson
M. A. Thomson
Wall

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BOROUGH OF BARROW IN FURNESS
OVERVIEW AND SCRUTINY COMMITTEE

Meeting, Thursday, 4th December, 2014
at 2.00 p.m.

PRESENT:- Councillors Cassidy (Vice-Chairman), Derbyshire, Hamilton, Husband, Opie, C. Thomson, M. A. Thomson and Wall.

Officers Present:- John Penfold (Corporate Support Manager), Keely Fisher (Democratic Services Officer) and Matthew Tranter (Apprentice).

20 – Disclosures of Interest

Councillor M. A. Thomson declared an other Registrable Interest in Agenda Item No. 7 – Leisure Services Group Minutes (Minute No. 23) as she was part-owner of an allotment.

21 – Apologies for Absence

Apologies for absence were submitted from Councillors Roberts (Chairman) and Maddox.

22 – Minutes

The Minutes of the meeting held on 23rd October, 2014 were taken as read and confirmed.

23 – Leisure Services Group Minutes

The Assistant Director – Community Services submitted the Leisure Services Group Minutes for the meeting held on 16th October, 2014 for Members' information.

RESOLVED:- That the Minutes be noted.

24 – Policy and Strategy

The Corporate Support Manager reported that at a meeting of this Committee in May it had been agreed that a review of Policy and Strategy take place in the current year to enable assessments to be made on how well strategies had worked over the last three years.

At a work group meeting Members had reviewed the Council's Plan. Members had agreed that the Council's vision to enhance the economic and social future of the Borough to meet the needs and aspirations of the community was appropriate.

To deliver this vision, the Council had agreed the following priorities to deliver tangible benefits to the community and address the headline issues for the Council and its staff:-

Housing;
Regeneration and Public Realm;
Local Economy; and
Service Delivery

Members of the work group agreed that these priorities were appropriate but thought that in addition consideration should be given to how the natural environment could be enhanced.

A number of the Council's strategies and policies were also considered by the work group. They agreed that they should review the effectiveness of the Budget Strategy and assess its strengths and weaknesses.

Additional performance indicators were also requested to be developed so that Members could monitor how the Council was performing.

A meeting with the Director of Resources was being held on 5th December to discuss this.

The Corporate Support Manager also informed Members that at the Executive Committee held on 3rd December, 2014 it had been reported that the Council's budget was balanced for 2014-15 and would be again in 2015-16 but from 2016 onwards budgets constraints would need to be put in place.

RESOLVED:- That the information be noted.

25 – Street Cleansing

The Corporate Support Apprentice reported that BIFFA waste services were currently collecting waste and recycling from 33,000 properties around the Borough on behalf of Barrow Borough Council. The Council received an income from the Recycling Reward Scheme and a fixed revenue value from the sale of the recycled material. This was a significant income stream for the Council and was used to offset the cost of collection.

BIFFA provided the Council with waste data on a weekly basis which was used to claim the recycling reward from Cumbria County Council. His report showed the change in recycling income from the first half of this year (April - September) compared to the same time period in 2013-14.

The Council currently provided waste and recycling containers for the collection of waste and recycling and a comparison of the cost for these containers had also been analysed.

The Council received recycling rewards for recycled and composted materials (£62.21). In addition to this the Council also received recycling revenue from BIFFA which was typically £37.35 per tonne.

In the first half of 2014-15 (April - September) the overall tonnage of green waste which had been collected had increased by 90 tonnes compared to the first half of 2013-14. This increase had resulted in an increased income of £10,000. During the same period the outgoing cost of collection, processing and replacement containers had also risen by £10,000.

From April - September 2014-15 Kerbside co-mingled recycling had shown a marginal increase which had resulted in an increase in income of £6,000. However, the cost of collection and replacement containers had increased by £12,000 which outweighed the income.

The first half of this year had shown that there had been a decrease in kerbside paper collection of 90 tonnes. As a result of this decrease, there had been a reduction in income of £7,000. The loss of income was made worse because the cost of collection and replacement containers had increased by £6,000.

April - September of this year had shown that bring site collections had also decreased by 40 tonnes, which was attributable to locks being fitted to the containers. This had resulted in a loss of income of £3,000 and the collection costs rising by £1,500.

Recycling Tonnages

Garden Waste Collections

The Corporate Support Apprentice reported that the garden waste collection serviced 19,500 properties on a fortnightly basis. The cost of collection was £185,000 per annum. The garden waste was composted to specification PAS100 at Sinkfall Farm and there was a processing cost of £20 per tonne.

In the first half of the current year 2738 tonnes of garden waste have been collected compared to 2650 tonnes in 2013-14. The recycling tonnages and the income from recycling reward are shown in the table below:-

	<u>2013-14</u> <u>(tonnes)</u>	<u>2014-15</u> <u>(tonnes)</u>	<u>2013-14</u> <u>(income @ £60.40</u> <u>per tonne)</u>	<u>2014-15</u> <u>(income @ £62.21</u> <u>per tonne)</u>
April	243	419	£14,693	£26,050
May	475	539	£28,683	£33,522
June	534	548	£32,255	£34,067
July	550	436	£33,207	£27,117
August	446	369	£26,960	£22,964
September	402	428	£24,268	£26,653
Total	2650	2738	£160,066	£170,373

The collection, processing and replacement container costs for green waste in the two periods are shown in the following table:-

Cost of green waste collection, processing and replacement containers

Half year (Apr-Sep)	2013-14	2014-15
Collection costs	£92,086	£94,849
Processing costs	£53,000	£54,760
Replacement container costs	£11,982	£17,154
Total	£157,068	£166,763

Kerbside Co-mingled Collection

The Council collected four materials as co-mingled recycling from 33,000 properties every fortnight. It provided a recycling box for the collection of glass and cans, and a recycling bag for the collection of cardboard and plastic.

In the first half of the current year, 1692 tonnes of co-mingled recycling had been collected compared to 1677 tonnes in 2013-14. The recycling tonnages and the income from recycling reward are shown in the table below.

The cost of co-mingled collection and replacement container costs for the two periods was as follows:-

	<u>2013-14</u> <u>(tonnes)</u>	<u>2014-15</u> <u>(tonnes)</u>	<u>2013-14</u> <u>(income @ £97.75</u> <u>per tonne)</u>	<u>2014-15</u> <u>(income @ £97.56</u> <u>per tonne)</u>
April	281	289	£27,468	£28,773
May	285	278	£27,859	£27,678
June	264	274	£25,806	£27,279
July	307	307	£30,009	£30,565
August	283	273	£27,663	£27,180
September	257	272	£25,122	£27,080
Total	1677	1692	£163,927	£168,555

The following table shows the collection and replacement container costs for co-mingled collection:-

<u>Half year (Apr-Sep)</u>	<u>2013-14</u>	<u>2014-15</u>
<u>Collection costs</u>	£330,334	£340,244
<u>Replacement container costs</u>	£14,096	£16,491
<u>Total</u>	£344,430	£356,735

Kerbside Paper

The Council collected paper recycling from 33,000 properties every fortnight. It provided a recycling box for the collection of paper.

Kerbside paper collection had decreased this year when compared to last year by 84 tonnes (15%), this was partially due to an increase in digital information, and as a result, there had been a 7% decrease in newspaper sales nationwide. The reduction in paper recycling had resulted in a £7,000 loss of income from recycling rewards as shown in the table below:-

	<u>2013-14</u> <u>(tonnes)</u>	<u>2014-15</u> <u>(tonnes)</u>	<u>2013-14</u> <u>(income @ £97.75</u> <u>per tonne)</u>	<u>2014-15</u> <u>(income @ £97.56</u> <u>per tonne)</u>
April	102	89	£9,971	£8,861
May	89	76	£8,700	£7,567
June	83	75	£8,113	£7,467
July	95	82	£9,286	£8,164
August	89	67	£8,700	£6,671
September	88	73	£8,602	£7,268
Total	546	462	£53,372	£45,998

The following table shows the collection and replacement container costs for kerbside paper:-

<u>Half year (Apr-Sep)</u>	<u>2013-14</u>	<u>2014-15</u>
<u>Collection costs</u>	£123,259	£126,957
<u>Replacement container costs</u>	£5458	£8004
<u>Total</u>	<u>£128,717</u>	<u>£134,961</u>

Bring sites

Co-mingled recycling from bring sites had decreased by 39 tonnes. This decrease was attributable to the introduction of the locks on bring site containers in July 2013, with the purpose of these being to minimize contamination of the recycling. The result of the introduction of these locks was a decrease in recycling rewards of £3,000 as shown in the table below:-

	<u>2013-14</u> <u>(tonnes)</u>	<u>2014-15</u> <u>(tonnes)</u>	<u>2013-14</u> <u>(income @ £97.75</u> <u>per tonne)</u>	<u>2014-15</u> <u>(income @ £97.56</u> <u>per tonne)</u>
April	75	54	£7,331	£5,376
May	80	52	£7,820	£5,177

June	65	56	£6,354	£5,575
July	69	66	£6,745	£6,571
August	54	60	£5,379	£5,974
September	53	69	£5,181	£6,870
Total	396	357	£38,710	£35,543

Collection costs for bring sites was as follows:-

<u>Half year (Apr-Sep)</u>	<u>2013-14</u>	<u>2014-15</u>
<u>Collection costs</u>	£50,244	£51,751

In the same period there had been a 1% reduction in the tonnage of residual waste. This does not suggest that there was a significant increase in the weight of recycling material in the residual waste stream.

The recycling reward payments had generated £420,469 in the first 6 months of 2014-15 and still continued to be a significant income stream. The data showed that there had been a reduction in dry recycling this year; however this had been offset by this year's increase of garden waste and the inflation rise in the Recycling Reward Scheme. Nevertheless the decline in dry recycling should be addressed as the level of green waste was not always going to generate the same income as it had done this year, and was dependable on the climate conditions, and was not guaranteed.

Following discussions about the report it was moved by Councillor Thomson that a comprehensive recycling scrutiny be carried out. This was seconded by Councillor Derbyshire and duly voted upon.

RESOLVED:- (i) That the information in the report be noted; and

(ii) That a comprehensive recycling scrutiny be carried out.

The meeting closed at 2.17 p.m.

OVERVIEW AND SCRUTINY COMMITTEE		(D) Agenda Item 7
Date of Meeting:	29th January, 2015	
Reporting Officer:	Corporate Support Manager	
<p>Title: Street Cleansing</p> <p>Summary and Conclusions:</p> <p>Provide Members with an update of the scrutiny review into street cleansing.</p> <p>Recommendation:</p> <p>Members are invited to consider the information and determine how this review should be progressed.</p>		

Report

Waste recycling

Introduction

BIFFA waste services currently collect waste and recycling from 33,000 properties around the borough on behalf of Barrow Borough Council. The Council receives an income from the Recycling Reward Scheme and a fixed revenue value from the sale of the recycled material. This is a significant income stream for the Council and is used to offset the cost of collection.

Biffa provide the Council with waste data on a weekly basis which is used to claim the recycling reward from Cumbria County Council. This report shows the change in recycling income from the first three quarters of this year (April - December) compared to the same time period in 2013-14.

The Council currently provides waste and recycling containers for the collection of waste and recycling and a comparison of the cost for these containers has also been analysed.

Recycling comparison

Recycling stream	Tonnes Q1-3 2013/14	Tonnes Q1-3 2014/15	Recycling reward Q1-3 2013/14	Recycling reward Q1-3 2014/15
Kerbside paper	830	702		
Kerbside co-mingled	2518	2574		
Bring site co-mingled	552	544		
Garden waste	3280	3294		
Total	7180	7114	£443,100	£446,300

The figures above show a 1% reduction in the tonnage of recycling collected which is attributable to 15% reduction in the amount of paper collected at the kerbside.

The income from recycling reward has increased by <1% whereas the value of the payments increases by 3% pa.

The decrease in the tonnage of recycling is of concern because it may impact on the financial viability of the service. It is also inconsistent with the number of requests for additional and replacement recycling containers which has increased by 30% compared to last year.

A work group meeting has been held to discuss the implications of this and I will provide verbal feedback at this meeting.

Background Papers

Nil.

Part One

OVERVIEW AND SCRUTINY COMMITTEE	(D) Agenda Item 8
Date of Meeting: 29th January, 2015	
Reporting Officer: Director of Resources	
Title: Finances and Performance	
Summary and Conclusions:	
The purpose of this report is to present Members with the executive summary of the quarterly Council Finances and Performance.	
Recommendations:	
Members are recommended to note the report.	

Report

Following the Overview and Scrutiny Committee meeting of the 4th December, 2014, I met with a sub group of Members to discuss the Budget Strategy and performance monitoring. The Budget Strategy and the Council Finances and Performance reports to the Executive Committee were discussed. A quarterly executive summary has been developed for officers and the sub group agreed that this would be useful for this committee to receive.

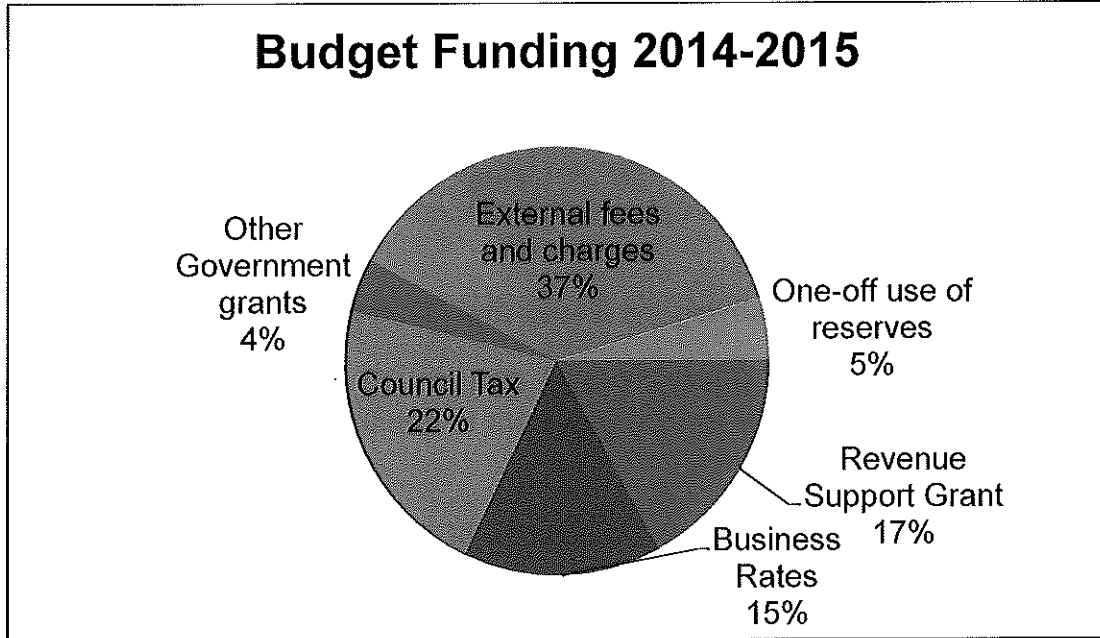
The executive summary for quarter 2 of 2014-2015, so at the 30th September, 2014, is attached at **Appendix 1**.

Background

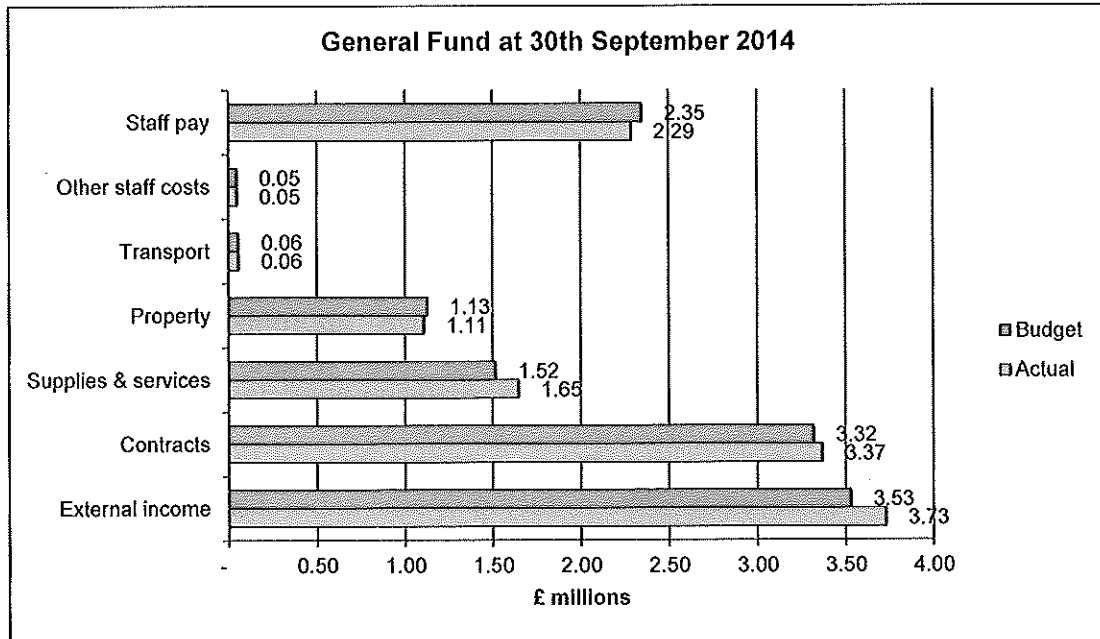
Nil

**Council Finances and Performance - Executive Summary
Quarter 2 of 2014-2015**

This is how the budget agreed in March 2014 for 2014-2015 is funded:



Direct costs and direct income at the 30th September, 2014 are:



At the 30th September 2014, the overall General Fund direct net expenditure is 2% less than half of the budget. All items are within tolerance levels.

Council Finances and Performance - Executive Summary Quarter 2 of 2014-2015

Priority: Housing - the Council is committed to continuing to provide a greater choice of good quality housing and regenerate the oldest and poorest housing in the Borough. Objectives:

- **On-going** - bringing empty properties back into use on Barrow Island; improving the choice and quality of properties in the Town Centre through group repair and securing development for the central clearance area; maintaining the decent homes standard for the Council's stock.
- **Completed** – approving the Issues and Options Draft Local Plan.

Priority: Regeneration and the Public Realm - the Council is committed to working with partners and service providers to enhance the built environment and public realm. Objectives:

- **On-going** - improving the amenities of the Borough through strategic waste management and street cleansing; improving the streetscape and central courtyard on Barrow Island.
- **Completed** – replacing Roa Island jetty; refurbishing Farm Street Play Area; supporting the new athletics facility at Furness Academy.

Priority: Local Economy - the Council is committed to work on mitigating the effects of cuts in public spending, their impact on the local economy and working to secure a long term economic recovery for our community. Objectives:

- **On-going** - continuing to support the Marina Village development, both residential and land assembly; awarding discretionary housing payments and disabled facilities grants.
- **Completed** – securing LEP support of the strategy for advanced manufacturing in Furness; recruiting five apprentices; supporting residents through the local Council Tax Support scheme and continuing support for assisted welfare advice agencies.

Priority: Service Delivery - the Council strives to provide good quality, efficient and effective services while reducing overall expenditure. Objectives:

- **On-going** – partnership working and shared services; improving the customer experience; measuring customer satisfaction.
- **Completed** - achieving the aim of the Budget Strategy and balancing the budget for 2015-2016; implementing the workforce strategy.

		<u>Part One</u>
OVERVIEW AND SCRUTINY COMMITTEE		(R)
Date of Meeting:	29th January, 2015	Agenda
Reporting Officer:	Director of Resources	Item
		9
Title: Budget Proposals 2015-2016		
Summary and Conclusions:		
The purpose of this report is to consider any items in the Council's Budget report for comment or scrutiny.		
Recommendations:		
Members are recommended to raise any concerns and provide any comments relating to the budget proposals for 2015-2016.		

Report

The Executive Committee considered the budget proposals for 2015-2016 on the 21st January, 2015, and their recommendations will be before Council on the 3rd March, 2015.

Members of this Committee have the opportunity to scrutinise the budget proposals and raise any concerns or comments to full Council at the meeting on the 3rd March 2015.

For Members' information the Executive Committee report with the related appendices is attached at **Appendix 2**.

Background

Nil

EXECUTIVE COMMITTEE		Part One (D/R) Agenda Item 9
Date of Meeting:	21st January, 2015	
Reporting Officer:	Director of Resources	
<p>Title: Budget Proposals 2015-2016</p> <p>Summary and Conclusions:</p> <p>This report presents the budget proposals for 2015-2016. The General Fund revenue budget is based on the Budget Strategy agreed on 24th January 2012; 2015-2016 will be the final year of the four year plan. The Housing Revenue Account for 2015-2016 is proposed as a balanced budget. The Capital Programme and Treasury Management Strategy Statement for 2015-2016 are also included as is the position on reserves.</p> <p>Recommendations:</p> <p>Members are recommended:</p> <p>(D) 1. To agree the proposed budget consultation set out in Section F.</p> <p>To recommend the Council:</p> <p>(R) 2. To set the 2015-2016 General Fund Revenue Budget as £11,471,040 including £94,110 for parish precepts and agree the movements in reserves set out in paragraph 5.8;</p> <p>(R) 3. To agree that Council Tax is not increased for 2015-2016;</p> <p>(R) 4. To agree that establishment matters, be delegated to the Executive Director and the Director of Resources as set out in paragraph 5.1.1;</p> <p>(R) 5. To agree the increases in fees and charges referred to in paragraph 6.6;</p> <p>(R) 6. To approve the Housing Revenue Account budget for 2015-2016 referred to in Section B;</p> <p>(R) 7. To approve the Capital Programme for 2014-2015 to 2017-2018 as referred to in Section D;</p> <p>(R) 8. To approve the Treasury Management Strategy Statement for 2015-2016 to 2017-2018 as referred to in Section E; and</p>		

Report

A. General Fund

1. Budget Strategy

The approved Budget Strategy covers the financial years 2012-2013 to 2015-2016. The Budget Strategy is designed to reduce the Council's core budget to the levels that will be supported by the financial settlement and income from Council Tax and Business Rates. The long term aim is to have a sustainable budget.

If no action had been taken and the Budget Strategy was not implemented, then by 2015-2016 the shortfall on the revenue budget was estimated to be £5m. The Budget Strategy policies were implemented at the start to allow their sustainability to be established over the strategy period. This allowed the early savings to release funds into reserves to control any variance in the assumptions used and to deal with any items outside of the sensitivity analysis of the Medium Term Financial Plan. The Budget Strategy has produced a balanced budget for 2015-2016.

2. Projected outturn for 2014-2015

The projected outturn for 2014-2015 is expected to be balanced budget and details will be reported in the quarter 3 Council Finances and Performance Report at the next meeting. As previously reported the budget is balanced without support from reserves, although reserves are funding specific one-off items of expenditure as approved.

The impact on reserves from 2014-2015 has been taken into the projected reserves figures in Section C.

3. Local Government Financial Settlement 2015-2016

The level of grant provided by the Settlement means the average reduction in Revenue Spending Power is 1.8%. Revenue Spending Power represents the money available to councils to provide local services and is broadly: Government grants, Business Rates and Council Tax. Additional funding has been provided to ensure that the Revenue Spending Power reduction is capped at 6.4%.

The Revenue Spending Power for the Council for the 2015-2016 is £11.152m compared to £11.915m for 2014-2015; a 6.4% reduction. The items within these figures are shown in the following table.

Item	2014-2015	2015-2016
Council Tax (excluding parishes)	£3.878m	£3.884m
Revenue Support Grant (net of parishes)	£3.098m	£3.275m
Business Rate Baseline	£2.787m	£2.840m
Business Rate adjustment (2% cap)	£0.030m	£0.041m
Efficiency Support Grant	£1.175m	£0.141m
New Homes Bonus	£0.382m	£0.476m

New Burdens	£0.094m	£0.023m
Benefit Admin Grant	£0.471m	£0.425m
Council Tax Freeze Grant	-	£0.047m
Total Spending	£11.915m	£11.152m

The £1.175m Efficiency Support Grant which was successfully bid for and used for transformation projects has been rolled into the ongoing Revenue Support Grant from 2015-2016.

Efficiency Support Grant was identified as a revenue grant in December 2012 for the 2013-2014 and 2014-2015 Settlements. The purpose of the grant was to provide funding to those local authorities with a Revenue Spending Power reduction of more than 8.8% (the cap).

For 2015-2016, the Efficiency Support Grant figure of £0.141m has been included to reduce the Revenue Spending Power reduction from 7.6% to the cap of 6.4%. This grant is not yet awarded to the Council and the application process is not yet open. The use of Efficiency Support Grant is ring-fenced to transformation projects; the grant has not been included in the proposed budget and nor has any project been set aside.

The Medium Term Financial Plan was based on the Efficiency Support Grant being rolled into the ongoing Revenue Support Grant. Aside from the new Efficiency Support Grant, the Settlement is in line with expectations.

The 2015-2016 Settlement is issued under consultation that ends on 15th January, 2015. A final settlement notice will be issued by mid-February and any significant changes will be included in the papers for the budget setting Full Council meeting.

5. Proposed budget for 2015-2016

The proposed General Fund revenue budget for 2015-2016 is £11,471,040 including £94,110 for parish precepts and a contribution of £89,260 to reserves.

The budget is set out at **Appendix 1** and includes the 2013-2014 actual outturn and 2014-2015 original budget for comparison.

As agreed in the budget assumptions at the Executive Committee of 10th September, 2014, the Council Tax has not been increased.

The major changes from 2014-2015 into 2015-2016 are identified in the following paragraphs.

5.1. Staff pay

Staff pay has increased by £68k from the 2014-2015 original budget.

The additional staff pay for 2015-2016 comes from:

- Impact of pay award £69k
- Net cost of new off-street parking establishment £30k

- Natural progression through the grades £46k
- Full year cost of apprentices £40k (partial first year; reserves funded)
- Impact of approved re-gradings in 2014-2015 £34k
- Removal of £34k staff turnover target saving
- Known maternity cover costs £11k
- Other changes £36k

The additions total £300k and are off-set by some savings:

- Removal of on-street parking establishment £110k
- Removal of posts ending/removed £50k
- Department restructures from voluntary redundancies £39k
- Full saving from Resources Directorate restructuring £33k

5.1.1. Establishment matters

The removal of the turnover target from the staff pay budget has two purposes, firstly the turnover is the money used to fund successful re-grading applications, any increases in hours, or cover requirements that Management Board receive a robust business case for. Currently, the Executive Committee has delegation to approve re-grading applications following Management Board's recommendation, but these must be within the overall budget; the second purpose is to seek Members approval to further delegate the approval of re-grading applications and cover arrangements to the Executive Director and the Director of Resources.

To clarify the delegation in respect of the establishment: Members are asked to delegate all establishment matters with the exception of; matters affecting Chief Officers; the creation of new posts; the deletion of old posts and spot salaries; to the Executive Director and the Director of Resources, provided that the amendments are within the staff pay budget as set with the approved budget or as varied thereafter through the usual budgetary controls set out in the Financial Regulations. This would not remove the Member Panel for early retirements, voluntary redundancies, re-grading and other staff-related appeals; this would remain as it is now.

5.2. Property costs

Property costs have reduced by £71k from the 2014-2015 original budget.

There are additional costs for:

- Inflation of £46k
- Maintenance contracts have increased by £16k

These additions total £62k and the reductions come from:

- A reduction in utilities of £49k
- Reductions in NNDR liabilities of £37k
- A reduction in planned public buildings maintenance of £20k
- A reduction in insurance premiums of £20k
- Other changes £7k

5.3. Contracts

Contracted services have increased by £43k from the 2014-2015 original budget.

Inflation on contracted services for 2015-2016 has been estimated at £147k. The recycling collection and processing costs have been reduced as street sweepings are no longer part of the contracted works, this reduces the budget by £42k; the recycling income has already been reduced for this. The housing benefit fraud responsibility transfers to the DWP Single Fraud Investigation Service in July 2015 and the grant received to fund benefit work has been reduced for this, to reflect the reduction the contract costs for benefit fraud work have also been reduced by £40k. The customer services contract costs have reduced in 2014-2015 following a review of the service demands (this excludes the revenues and benefits service) and the reduction is £28k.

5.4. Benefits

The net cost of housing benefits has increased by £34k from the 2014-2015 original budget. This reflects the subsidy settlements of recent years and may reduce if overpayment recoveries exceed expectations.

5.5. External income

External income has reduced by £277k from the 2014-2015 original budget.

The reductions are:

- On-street enforcement £128k
- Contribution towards on-street enforcement £45k
- Commercial rent income total reduction £138k, including:
 - Burlington House £10k
 - Woodbridge Haven £57k (ring-fenced reserve)
 - Phoenix Business Centre £62k (leased, so costs also removed)
- Housing benefit administration grant £40k
- Crematorium two week closure for re-lining £34k
- Grants and contributions £39k

The total of the reductions is £424k which is off-set by additional income from:

- Planning applications £40k
- Prices increases (see paragraph 6.6.) £37k
- Licensing £30k
- Fitness suite fees £20k
- Forum sales £20k

The bulk of the costs of the items funded by the on-street enforcement income are also removed from the budget. The remaining costs together with the existing off-street parking costs and the new establishment are included in the proposed budget.

5.6. Treasury portfolio

The treasury items in the budget are lower than the 2014-2015 original budget by £64k as a result of prudent capital financing and treasury management.

5.7. Pension funding

The 'Item included in Council Tax' is pension deficit funding. The budget has increased by £51k over the original 2014-2015 budget; the annual amount is fixed by the triennial review of the Pension Fund.

5.8. Reserves

There are a number of movements in reserves to be agreed and these are specified below. There is no use of reserves to balance the budget and there is an addition to reserves of £89,260 which is primarily attributed to one-off income:

- Prior year Council Tax surplus £148,580
- Prior year Business Rates surplus £137,110
- Council Tax freeze grant £47,170

These total £332,860.

£250,000 of the Weekly Collection Support Scheme ring-fenced grant was to be used to mitigate the sustained loss of recycling credits, but the items listed above have been used instead and the grant held to mitigate a future year when contract changes can be introduced to achieve the required saving.

The movements in reserves included in the proposed budget are shown below, with specific approval already given by the Executive Committee noted:

- Renewals reserve
 - Capital expenditure £410,830 (approved)
 - Cremator relining £49,800
 - Planned public buildings maintenance £24,510
- Insurance reserve
 - Excesses £20,000
- Budget Contingency reserve
 - Consultancy services for Environmental Health £59,000
 - Furness Enterprise £50,000 (approved)
 - Local elections (combined) £40,000
 - Budget variations £30,000
 - Work in default £10,000
 - Keep Our Future Afloat Campaign £5,000 (approved)
 - £89,260 added to the Contingency reserve
- Apprenticeships
 - Staff pay £86,050 (approved)

- Welfare support
 - Barrow Citizen's Advice Bureau £49,640 (approved)
 - Barrow and District Disability Association £7,330 (approved)
- CCTV
 - Residual costs £11,160
- Earmarked revenue grants (ring-fenced)
 - Funding matched with expenditure £61,820
- James Freel Close reserve (ring-fenced)
 - Surplus on the year added to the reserve £150,180

The projected balances at 31st March are shown in Section C.

5.9. Total revenue financing

In this section of the budget some items can be compared to 2014-2015 and some items are explained rather than compared.

- Revenue Support Grant increased on the 2014-2015 original budget due to the roll-in of Efficiency Support Grant:

Item	2014-2015	2015-2016
Lower tier funding	£2.988m	£2.000m
2011-2012 freeze compensation	£0.064m	£0.063m
Homelessness	£0.054m	£0.054m
Returned funding	£0.008m	-
Efficiency Support funding	-	£1.175m
Total	£3.114m	£3.292m

- The Business Rates items are shown as separate components. The prior year surplus is the Council's share of the projected surplus on the Collection Fund at 31st March, 2015. An amount from the Cumbria Business Rates Pool has also been estimated.
- The New Homes Bonus has increased and this can mainly be attributed to the empty homes review carried out during the summer of 2014.
- The new burdens funding relates to the Local Council Tax Reduction Scheme.
- The Council Tax freeze grant is included.
- The other Government grants all relate to the compensation received for the 2015-2016 Business Rate initiatives; small business rate relief, multiplier cap, retail and empty reliefs.

- The Council Tax requirement for 2015-2016 is based on the Council Tax base and current band D tax. The tax base for 2015-2016 has been set at:
 - The Whole Borough area 18,061.47
 - Barrow unparished 14,556.56
 - Dalton with Newton Town Council 2,217.03
 - Askam and Ireleth Town Council 1,032.61
 - Lindal and Marton Parish Council 255.27

The prior year surplus is the Council's share of the projected surplus on the Collection Fund at 31st March, 2015.

6. Items within the proposed budget

The following items are included in the 2015-2016 proposed budget:

6.1. Budget variations

The Council does not allocate contingent amounts within the revenue budget. However, in order to deal with small alterations to the budget and one-off items, £30,000 has been identified from the Budget Contingency reserve. This will be used in accordance with the Reserves and Balances Policy.

6.2. Borrowing costs

No new borrowing for capital purposes has been included in the proposed budget. Projections for 2015-2016 show that existing resources and cashflow can sustain the under-borrowing position.

6.3. Inflationary pressures

The cost of inflation included in the proposed budget is £194,460 and includes:

- 5% for utilities
- 2.3% for NNDR
- 3.2% for contracted grounds maintenance
- 1.8% for contracted refuse, recycling and street cleansing
- 2.6% for contracted revenues, benefits and customer services

6.4. Car parking income

No increase is proposed for car parking pay and display tickets, contract parking permits or staff parking permits.

6.5. Leisure income

Pricing for income in relation to the Park Leisure Centre and The Forum are delegated to the venue managers in accordance with the agreed policy.

6.6. Other income

The fees and charges set out in **Appendix 2** have been increased by approximately 2.5% unless otherwise stated. The Building Regulation Scheme of Charges will be increased by 2.5% for Building Control income.

7. Medium Term Financial Plan

The current approved Medium Term Financial Plan summary is shown below:

	2016-17	2017-18	2018-19	2019-20
Net Revenue Budget	£10.964m	£11.169m	£10.818m	£10.361m
Total Revenue Financing	£9.934m	£9.979m	£10.168m	£10.361m
Deficit	£1.030m	£1.190m	£0.650m	-
Restructuring Reserve	£1.030m	£1.190m	£0.650m	-

Restructuring Reserve	2016-17	2017-18	2018-19	2019-20
Brought forward	£2.870m	£1.840m	£0.650m	-
Used	£1.030m	£1.190m	£0.650m	-
Carried forward	£1.840m	£0.650m	-	-

The Restructuring Reserve for the Medium Term Financial Plan (MTFP) is required to be £2.87m.

The fully revised Medium Term Financial Plan will be presented to this committee following the Budget Setting for 2015-2016.

B. Housing Revenue Account

The Housing Revenue Account budget was presented to the Housing Management Forum on 15th January, 2015. The report is attached as **Appendix 3** and Members are asked to consider the report and recommend the Housing Revenue Account budget to Council for approval.

The Housing Revenue Account is a balanced budget for 2015-2016 with a 2.2% rent increase for dwellings and garages.

C. Reserves

The projected balances of reserves at 31st March are:

Reserves	31/3/2015	31/3/2016
General Fund Balance	£2.300m	£2.300m
Restructuring Reserve – MTFP	£2.870m	£2.870m
Restructuring Reserve – transformation	£0.250m	£0.250m
Renewals Reserve	£0.907m	£0.422m
Insurance Reserve	£0.100m	£0.080m
Losses Reserve	£0.590m	£0.590m
Budget Contingency	£0.459m	£0.354m

Apprenticeships	£0.204m	£0.118m
Welfare Support	£0.185m	£0.128m
CCTV	£0.055m	£0.044m
Total	£7.920m	£7.156m

The General Fund balance is calculated from a risk based assessment which is attached as **Appendix 4**. The assessment is calculated when setting the budget and again when closing the accounts for each financial year. The items that are included are reviewed and updated to reflect the current position.

The balance on the CCTV reserve is likely to be used within the next 3-4 months, but timing is not certain.

The projected balances of ring-fenced reserves at 31st March are:

Reserves	31/3/2015	31/3/2016
Woodbridge Haven	£0.074m	£0.074m
James Freel Close	£0.458m	£0.608m
Earmarked revenue grants	£0.606m	£0.544m
Total	£1.138m	£1.226m

The revised Medium Term Financial Plan will include the projection of reserves out to 2019-2020.

Level of reserves and balances

In accordance with Section 25 of the Local Government Act 2003, I confirm that I am satisfied that the budget assumptions and estimates are robust, and that I consider the level of reserves held by the Council to be adequate.

D. Capital Programme

The Capital Programme was last presented to this Committee on 10th September, 2014. The variations made to the programme and the revised Capital Programme for 2014-2015 to 2017-2018 are attached at **Appendix 5**.

The summarised programme is shown in the following tables:

Investment	2014-15	2015-16	2016-17	2017-18
Public Housing	£1.817m	£1.817m	£1.817m	£1.817m
Private Housing	£0.619m	£0.560m	£0.560m	£0.560m
Housing Market Renewal	£0.536m	£1.991m	£0.559m	£0.503m
Public Buildings	£0.753m	£0.667m	£0.150m	£0.150m
Industrial & Commercial Properties	£1.134m	£0.100m	£0.200m	£0.200m
Other Public Assets	£1.174m	£0.210m	£0.060m	£0.060m
Community Initiatives	£0.664m	-	-	-
Retentions	£0.009m	£0.010m	£0.010m	£0.010m
Asset Investment Fund	£0.003m	£0.100m	£0.150m	£0.784m
Total Capital Programme	£6.709m	£5.455m	£3.506m	£4.084m

The financing is shown in the following table:

Financing	2014-15	2015-16	2016-17	2017-18
Borrowing	-	£0.890m	£0.934m	£1.000m
Government Grants	£2.010m	£1.460m	£0.560m	£0.560m
Private Contributions	£0.135m	-	-	-
HRA Major Repairs Reserve	£1.817m	£1.817m	£1.817m	£1.817m
Reserves	£2.747m	£0.660m	-	£0.503m
Capital Receipts	-	£0.628m	£0.195m	£0.204m
Total Capital Programme	£6.709m	£5.455m	£3.506m	£4.084m

The capital financing for the programme is included in the Treasury Management Strategy and Prudential Indicators. The revenue impacts of financing are included in the proposed budget, but do not include the cost of borrowing. The revenue impacts of the programme will also be included in the Medium Term Financial Plan.

The programme requires £570k of usable capital receipts to be fully funded. The projects in future years will not be commissioned until sufficient funding is in place as usual. Members are asked to recommend the Capital Programme to Council for approval.

E. Treasury Management

The Treasury Management Strategy Statement is reported in **Appendix 6**. The strategy covers 2015-2016 to 2017-2018 and is based on a low risk, prudent approach providing adequate security and liquidity before considering investment return. The strategy is based on the current treasury management portfolio and the proposed Capital Programme. The impact of the strategy is included in the General Fund and Housing Revenue Account budgets and is in line with the Budget Strategy, Medium Term Financial Plan and self-financing requirements for the HRA. Members are asked to recommend that Council approve and adopt Treasury Management Strategy Statement and the Prudential Indicators that it sets out.

F. Budget consultation

Once the budget proposals are agreed by this Committee, public consultation will commence immediately and run until 18th February, 2015. This report will be made available via a link on the website with the prompt: *"Do you have any comments in relation to the recommendations contained in the budget report?"*

The Overview and Scrutiny Committee will meet to discuss the budget proposals on 29th January, 2015. The Council will meet on 3rd March, 2015, to consider the results of the consultation process and recommend any amendments as necessary. At this meeting, the Council is to approve the budgets and set the Council Tax for 2015-2016.

(i) Legal Implications

It is a statutory requirement to set the budgets, prudential indicators and the Council Tax.

(ii) Risk Assessment

The recommendation has no significant implications. The latest available information and available trends have been used in setting the budget.

(iii) Financial Implications

The financial implications are included in the report.

(iv) Health and Safety Implications

The recommendation has no significant implications.

(v) Equality and Diversity

The recommendation has no detrimental impact on service users showing any of the protected characteristics under current Equalities legislation.

(vi) Health and Well-being Implications

The recommendation has no adverse effect on the Health and Wellbeing of users of this service.

Background Papers

Nil

General Fund
Budget 2015-2016

Appendix

	Actual Outturn 2013-2014	Original Budget 2014-2015	Proposed Budget 2015-2016
Staff pay	4,431,800	4,676,750	4,745,120
Pension accounting	442,054	0	0
Staff other costs	194,351	109,180	101,490
Transport	96,241	102,460	102,730
Property	2,043,854	2,037,940	1,966,960
Supplies and services	2,358,505	2,585,170	2,593,820
Contracts	6,518,512	6,704,460	6,747,390
Benefits	20,308,364	21,142,050	21,745,670
Benefits grants	(20,312,917)	(21,069,070)	(21,638,380)
External income	(7,621,469)	(6,858,750)	(6,581,810)
Direct Costs	8,459,295	9,430,190	9,782,990
Internal income from HRA and Capital	(743,321)	(736,030)	(745,090)
Capital charges	2,079,863	1,594,570	1,375,170
Indirect Costs	1,336,542	858,540	630,080
Net Expenditure	9,795,837	10,288,730	10,413,070
External interest earned	(77,280)	(48,000)	(50,000)
External interest paid	584,643	584,650	584,640
Minimum Revenue Provision	903,166	959,280	896,830
Capital expenditure financed from revenue resources	1,379,959	0	460,630
Items excluded from Council Tax	(2,816,729)	(1,594,570)	(1,375,170)
Items included in Council Tax	1,155,266	1,135,410	1,186,740
Movements in reserves	2,080,297	(687,010)	(675,700)
Budget variances	0	0	30,000
Net Revenue Budget	13,005,159	10,638,490	11,471,040
Budget Funded by:			
Revenue Support Grant	(4,109,382)	(3,113,620)	(3,291,720)
Retained Business Rates	(8,947,802)	(8,949,740)	(9,434,510)
Retained Business Rates Tariff	6,044,857	6,162,620	6,280,380
Retained Business Rates Levy	211,929	0	354,260
Business Rates Pool	0	0	(99,200)
Business Rates - prior year surplus	0	0	(137,110)
New Homes Bonus	(212,974)	(372,860)	(476,150)
New burdens	(94,120)	(94,120)	(22,690)
Weekly Collection Support Scheme	(400,000)	(250,000)	0
Council Tax freeze grant	0	0	(47,170)
Other Government grants	(1,651,591)	(29,590)	(436,180)
Council Tax - Barrow Borough Council precept	(3,823,640)	(3,971,460)	(4,012,370)
Council Tax - prior year surplus	(22,436)	(19,720)	(148,580)
Total Revenue Financing	(13,005,159)	(10,638,490)	(11,471,040)

Fees & Charges				Appendix
		Charges 2014/2015	Charges 2015-2016	% Increase
Cemetery & Crematorium				
Sale of Grave		£461.00	£472.00	2.39%
Interment for 1		£442.00	£453.00	2.49%
Interment for 2		£442.00	£453.00	2.49%
Interment for 3		£474.00	£486.00	2.53%
Headstone		£84.00	£86.00	2.38%
Full Kerb		£84.00	£86.00	2.38%
Headstone & Kerb		£106.00	£109.00	2.83%
Small Headstone		£27.00	£28.00	3.70%
Vase		£27.00	£28.00	3.70%
Crem kerbs		£27.00	£28.00	3.70%
Small Headstone & Crem Kerbs		£37.00	£38.00	2.70%
Standard Tablet		£27.00	£28.00	3.70%
Small Tablet	6" x 10" by tree	£12.00	£12.00	0.00%
Additional Inscription		£27.00	£28.00	3.70%
Grave Maintenance	Planting twice yearly	£261.67	£269.00	2.80%
Grave Maintenance	2nd year heather	£157.50	£162.00	2.86%
Grave Maintenance	Rate 1	£262.40	£268.00	2.13%
Grave Maintenance	Rate 2	£157.85	£162.00	2.63%
Book of Remembrance	2 lines	£32.40	£33.60	3.70%
Book of Remembrance	5 lines	£50.40	£51.60	2.38%
Book of Remembrance	5 lines & emblem	£88.80	£91.20	2.70%
Book of Remembrance	8 lines	£76.80	£79.20	3.13%
Book of Remembrance	8 lines & emblem	£114.00	£117.60	3.16%
White Memorial Card		£26.80	£27.60	2.99%
Coloured Memorial Card		£50.40	£51.60	2.38%
Leather Bound Booklet		£76.80	£79.20	3.13%
Additional Fee for Emblem (cards/books)		£50.40	£51.60	2.38%
Cremation	Resident	£652.00	£668.00	2.45%
Cremation	Non Resident	£652.00	£668.00	2.45%
Cremation	Environmental surcharge	£53.00	£53.00	0.00%
Cremation	Memorial service	£106.00	£109.00	2.83%
Cremation	Body parts	£16.50	£17.00	3.03%
Cremation Grave		£159.00	£163.00	2.52%
Interment of Ashes	Resident	£170.00	£174.00	2.35%
Interment of Ashes	Non-resident	£170.00	£174.00	2.35%
Plastic urn		£21.50	£22.00	2.33%
Wooden casket		£42.00	£43.00	2.38%
Scattering of ashes		£21.50	£22.00	2.33%
Memorial Plaques	Green slate tablet & plaque	£168.00	£172.00	2.38%
Memorial Plaques	Bronze plaque	£106.00	£109.00	2.83%
Memorial Plaques	Renewal fee - 10 years	£32.00	£33.00	3.13%
Memorial Plaques	Rose & plaque	£151.20	£154.80	2.38%
Memorial Plaques	Memorial tree	£100.80	£103.20	2.38%
Memorial Plaques	Perspex plaque	£44.40	£45.60	2.70%
Memorial Plaques	Memorial seat	£462.00	£474.00	2.60%
Memorial Plaques	Seat plaque	£84.00	£86.00	2.38%
Miscellaneous	Records search fee	£16.50	£17.00	3.03%
Miscellaneous	Plastic urn	£21.50	£22.00	2.33%
Miscellaneous	Wooden casket	£42.00	£43.00	2.38%

Fees & Charges				Appendix
		Charges 2014/2015	Charges 2015-2016	% Increase
Allotments				
Allotment Small Plot	40 to 200 sq. yards	£45.00	£46.15	2.56%
Allotment Standard Plot	201-400 sq. yards	£90.50	£92.75	2.49%
Allotment Large Plot	401-600 sq. yards	£135.50	£138.90	2.51%
Allotments Very Large Plot	601-800 sq. yards	£180.70	£185.25	2.52%
Garage Plots		£90.35	£92.60	2.49%
Barrow Park				
Bowling	OAP Green Hire	£10.50	£10.75	2.38%
Bowling	Evening Green Hire	£18.00	£18.50	2.78%
Bowling	1 hour casual user	£1.35	£1.40	3.70%
Bowling	Child	£0.50	£0.50	0.00%
Putting	Adult	£1.60	£1.65	3.12%
Putting	Child	£1.00	£1.00	0.00%
Indoor Market <i>Rent increases applicable from 1st September 2015</i>				
Stall	Single	£41.75	£42.80	2.51%
Stall	Double	£79.50	£81.50	2.52%
Miscellaneous	Charity table	£5.00	£5.00	0.00%
Miscellaneous	Promotional space	£10.00	£10.00	0.00%
Miscellaneous	Stockroom	£17.30	£17.75	2.60%
Outdoor Market				
Small stall	Day	£10.75	£11.00	2.33%
Small stall	3 days - paid in advance	£27.20	£27.90	2.57%
Medium stall	Day	£13.35	£13.70	2.62%
Medium stall	3 days - paid in advance	£33.60	£34.50	2.68%
Corner stall	Day	£15.40	£15.80	2.60%
Corner stall	3 days - paid in advance	£38.50	£39.50	2.60%
Small /medium/corner	Non-market day per day	£5.60	£5.75	2.68%
Small /medium/corner	Charity	50% reduction on all stall rates		
Land Charges				
Full search		£99.00	£99.00	0.00%
LLC1 Form		£46.00	£41.00	-10.87%
Con 29 Form (Part 1)		£53.00	£58.00	9.43%
Parcel of land full official search		£20.00	£20.50	2.50%
Parcel of land con 29 only		£18.00	£18.50	2.78%
Con 29 part II optional enquiries		£10.75	£11.00	2.33%
Part II Optional Enquiry No 22 when submitted with Part I		£22.00	£22.50	2.27%
Verification of information NOT supplied by Barrow Borough Council		£19.50	£20.00	2.56%
<i>An analysis of the LLC1 and CON 29 costs identified that a recovery adjustment was required.</i>				
<i>Together these items have not increased.</i>				
Estates				
Grazing - per acre		£205.00	£210.00	2.44%
Legal Fees		£77.50	£79.50	2.58%
Stable Licence Fee		£102.50	£105.00	2.44%

Fees & Charges				Appendix
		Charges 2014/2015	Charges 2015-2016	% Increase
Town Hall				
Banqueting Hall/ Drawing Room/ Council Chamber	Subsidised rate - Hourly	£38.70	£39.70	2.58%
	Subsidised rate - Half Day	£92.80	£95.00	2.37%
	Subsidised rate - Full Day	£115.80	£118.70	2.50%
Banqueting Hall/ Drawing Room/ Council Chamber	Non-profit Making Bodies - Hourly	£77.30	£79.20	2.46%
	Non-profit Making Bodies - Half Day	£115.80	£118.70	2.50%
	Non-profit Making Bodies - Full Day	£200.00	£205.00	2.50%
Banqueting Hall/ Drawing Room/ Council Chamber	Commercial Rate - Hourly	£154.60	£158.50	2.52%
	Commercial Rate - Half Day	£231.90	£237.70	2.50%
	Commercial Rate - Full Day	£386.50	£396.20	2.51%
Committee Room No 4/ Law Library	Subsidised rate - Hourly	£12.40	£12.75	2.82%
	Subsidised rate - Half Day	£58.00	£59.50	2.59%
	Subsidised rate - Full Day	£85.00	£87.00	2.35%
Committee Room No 4/ Law Library	Non-profit Making Bodies - Hourly	£24.70	£25.40	2.83%
	Non-profit Making Bodies - Half Day	£58.00	£59.50	2.59%
	Non-profit Making Bodies - Full Day	£85.00	£87.20	2.59%
<i>Charges apply Monday - Friday 9.00am till 4.00 pm</i>				
<i>Sundays and Bank Holidays - All charges double</i>				
<i>30% discount for multiple room hire</i>				

Part One	
HOUSING MANAGEMENT FORUM	(R) Agenda Item 6
Date of Meeting: 15th January, 2015	
Reporting Officer: Colin Garnett, Assistant Director - Housing	
<p>Title: Housing Revenue Account 2015/16</p> <p>Summary and Conclusions:</p> <p>The purpose of this report is to agree a Housing Revenue Account Budget for the financial year 2015/16.</p> <p>The report also provides an Expected Outturn Budget for the current year 2014/15 and information regarding balances.</p> <p>Recommendations:</p> <p>Members are asked to:</p> <ol style="list-style-type: none"> 1. Note the information at (1) 2. Note the information on balances and Voluntary Repayment Provision at (2) 3. Agree the Dwelling and Garage Rent increases of 2.2% at (3) and note the information in Appendix B 4. Note the information in point (4) and agree 2015/16 budgets as shown in Appendix A. 5. Note the information at (5) 	

Report

The purpose of this report is to agree a Housing Revenue Account Budget for the coming financial year 2015/16. Information about the Expected Outturn Budget and balances for the current year is also included (attached at **Appendix A**).

Last year we asked and you agreed that we could bring forward convergence to Target Rents early so that we could dispense with Target rents in any future rent considerations. The additional uplift was minimal.

The anticipation that the additional uplift to bring rents in line with Target Rents would be removed has been confirmed. Guidelines are that we should use the annual CPI (1.2%) + 1% to determine future rent increases.

Our rents match Target Rents.

Rents within the HRA 30-year business plan are predicated at 3%.

Attached at **Appendix B** are examples of the effect of applying the increases to a range of property types. The effects of convergence mean that, for the first time, you will see that the same % increase is applied across all property types. Some lines of property types have been deleted as rents are identical for example, 1 bedroom ground floor and upper floor flats and bungalows.

In line with previous practice I have applied the same increase to Garage rents.

We are expected to manage expenditure incurred in maintaining tenancies and stock from the rents collected and we suggest that any surpluses be applied across the following:

- (1) debt repayment
- (2) debt provision
- (3) increased investment in stock
- (4) investment projects where the need or the return is clearly identifiable

1. Expected Outturn Budget 2014/15

The outturn for the year forecasts a net loss of (£176,550). Key factors are:

- HRA Income is in line with expectations
- The increase in expenditure is due to the additional costs associated with relocation to the town hall as and the cost of settling the dilapidations.
- Right to Buy sales are likely to exceed expectations of 13 for this year. We have had 13 to 1/12/14 and would expect another 4-6 to convert from applications in progress. This would leave a dwelling stock of 2,657* at year end. * Excludes Adelphi Court
- From January we are expecting to take the 12 Adelphi Court flats out of ordinary management and will show these properties as a separate rent group in future stock figures*.
- Tenancy terminations appear to have stabilised but although lower than last year when we experienced the effects of under/over occupation the numbers are still higher than we had previously experienced. 54% of all terminations are from 1 bedroom flats.

Whilst we suspect that young single tenants who are wholly dependent on benefits cannot afford the upkeep of a home and independent living costs we will carry out additional work to gather and analyse data. This will be reported back to members

2. Balances on the Expected Outturn for 2014/15

The above is likely to result in the following movement in balances.

2.1 Major Repair Reserve balance as at 31 March 2014 : £597,385

The above funds are not expected to be spent by year end and will carry forward.

2.2 Housing Revenue Account balance 31 March 2014 : £2,376,816

2.3 Breakdown of Balance on Account

Housing Revenue Account as at 31 March 2014	: <u>£2,376,816</u>
Forecast (Deficit)/Surplus 2014/15	: <u>(£ 176,550)</u>

Estimated Balance at year end	: <u>£2,200,266</u>
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2.4 Voluntary Repayment Provision

Provision as at 31 March 2015	: <u>£3,975,704</u>
Forecast 2015/16	: <u>£1,222,410</u>

Provision at 31 st March 2016	: <u>£5,198,114</u>
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3. Proposed Dwelling Rents and Other Charges 2015/16

In proposing the rents and charges for 2015/16 the following factors have been taken into account:

3.1 The Settlements Payments Determination provided a budgetary and business planning framework for rental income and the management of tenancies, major repairs and maintenance expenditure. The guidelines are that we apply inflationary increases determined by CPI of 1.2% + 1%.

3.2 Last year we brought forward convergence so that our rents now match target rents and no further uplifts are needed.

3.3 The Calculation for 2015/16 for this authority is as follows:

CPI in September 2014 = 1.2% + 1% = 2.2% increase to Barrow Borough Council rents

	52 Weeks	48 Weeks
2014/15	£75.33	£81.60
2015/16	£76.99	£83.40
Increase	2.20%	2.20%

Average Rent increase
over 48 weeks

£1.80

- 3.3 Further details are further details of the resultant rents for different property types are attached at Appendix B. Rents on an individual property basis will differ
- 3.4 The proposed budget includes a 2.2% increase on garage rents. The effect on individual garage rents:

	No.	2014/15	2.20%	Increased revenue 15/16
Garage rate 1	31	£6.81	£6.96	£4,677
Garage rate 2	458	£9.21	£9.41	
TOTALS	489	£212,60	£217,28	

There is a 100+ strong waiting list garages with few vacancies and the proposed new rent appear on par with the private sector.

- 3.5 The service and facility charges for supported, furnished and dispersed properties are about right. I suggest that we leave them as is, provided that we continue to recover their cost.
- 3.6 Members will be aware that we do occasionally sell parcels of land and charge £100 upfront to deter frivolous applications and recover some of the cost. Those costs have risen and I would like to propose that we raise the fee to £200.

4 Proposed HRA Budget 2015/16

- 4.1 Universal Credit has started in our area and although the initial roll out is for new claimants only it is expected that we will see an increase in arrears. It is difficult to forecast what that increase might be but based on the experience of the pilots and the early adopters collection rates for those on direct payments could be as low as 80%. The more significant risk will be in future years (possibly 2016/17) when all our tenants will be migrated to Direct Payments. The risk to the HRA will be re assessed as part of the Welfare Reform project and is covered in more detail in that report. In the meantime we consider it prudent to build up the bad debt provision and add £100k.

Our collection rates currently run at 97.9%

- 4.2 Members approved a review of Housing's Information, Communication and Management systems in August 2014 because our needs are not met by the current system. The review, completed by Capita, assesses and outlines

what the gaps are now and against future needs and the options available to us. The options with outline costs will be presented to members and approval will be sought to agree the Housing ICT strategy and any case for investment.

Although the final outcome is not yet known or agreed it is anticipated that we will have to invest further in our management systems and that we will require the services of a specialist Housing IT advisor/consultant to provide the detailed design requirement and take us through any procurement and implementation. The estimated cost of such services is £45k which has been provided for in the budget.

It is envisaged that the cost of any additional or replacement Housing Management systems would be met from reserves.

- 4.3 Although there is no compulsory requirement to survey Tenants, it is seen as good practice to obtain a current view of how well we meet tenants' needs and to gain their perspective of how services should develop in the future. The last STAR survey was carried out in 2012 and is now due. A budget of £12k has been allocated to conduct the survey during 2015.
- 4.4 The budget has allowed for investment projects to be considered which improve the appearance and safety of certain neighbourhoods and this is further considered within the Maintenance budget elsewhere on this agenda.
- 4.5 In recent years we have set aside a budget of £25k for Area Improvements. We would like to propose that £20k be retained for that purpose under the management of area Tenancy Officers. As we move towards generic area based officers it would seem a motivational tool to encourage and instill ownership for the appearance and well-being of their area and community. Each Tenancy Officer would have a £1k budget to be used for enhancements. Details of the scheme will be formalised with the Tenants Forum so that they are kept aware of the initiatives that are being delivered.
- 4.6 To enhance the Welfare Reform project plan it is proposed that we set aside a £20k Opportunities Fund which supports initiatives that help tenants into work and training. by improving employment opportunities and their employability.
- 4.7 The housing Major Repairs and maintenance budget has been increased to allow for additional stock investment and environmental improvements and allows a total £2,102 per dwelling based on a stock level of 2,669 *(includes Adelphi Court).

5 Business Improvement Initiatives

Initiatives for 2015/16 will include:

- Gearing up for the changes brought about by Welfare Reforms and Universal Credit in particular to ensure a smooth transition.

- Adapting practices and procedures to protect cash flow and arrears
- In consultation with tenants review United Utility water charge collection
- Improving IT systems to manage rent collection as Universal Credit gathers momentum. Maximise the online technology to improve customer access and need for information
- The 30 year business plan will be updated and re-forecasted from the results of the stock condition survey and the revised rent and arrears projections

(i) Legal Implications

The recommendation has no legal implications.

(ii) Risk Assessment

The recommendation has no, minor or significant implications.

(iii) Financial Implications

The recommendation has financial implications as detailed.

(iv) Health and Safety Implications

The recommendation has no detrimental impact the built environment or public realm.

(v) Equality and Diversity

The recommendation has little impact on users with disabilities and Furness Equality and Diversity Partnership have been consulted.

(vi) Health and Well-being Implications

The recommendation has no adverse effect on the Health and Wellbeing of users of this service.

Background Papers

Nil

APPENDIX A

Housing Revenue Account				
Budget 2015-2016	Actual 2013-2014	Original 2014-15	Revised 2014-2015	Budget 2015-16
Expenditure				
Repairs and maintenance	2,780,366	3,650,300	3,650,300	3,578,960
Supervision and management	2,912,173	3,204,620	3,456,480	3,224,520
Rents, rates, taxes and other charges	8,075	3,700	7,710	9,440
Depreciation and impairment of dwellings	1,948,610	1,660,950	1,660,950	1,648,750
Depreciation and impairment of non-dwelling assets	133,745	126,460	126,460	130,730
Debt management costs	9,987	13,910	13,910	12,210
Movement in the allowance for bad debts	328,589	247,290	247,290	147,290
Total Expenditure	8,121,545	8,907,230	9,163,100	8,751,900
Income				
Dwelling rents	(9,793,218)	(10,280,770)	(10,280,000)	(10,377,540)
Non-dwelling rents	(334,697)	(348,610)	(348,840)	(354,680)
Charges for services and facilities	(1,127,892)	(1,136,440)	(1,216,300)	(1,040,060)
Total Income	(11,255,807)	(11,765,820)	(11,845,140)	(11,772,280)
Net Total	(3,134,262)	(2,858,590)	(2,682,040)	(3,020,380)
HRA services' share of Corporate and Democratic Core	288,287	246,590	246,590	223,000
HRA share of other Non Distributed Costs	(813)	(820)	(820)	(820)
Net (Income)/Expenditure for HRA Services	(2,846,788)	(2,612,820)	(2,436,270)	(2,798,200)
HRA share of operating income and expenditure:				
Gain or (loss) on sale of HRA non-current assets	(76,552)	0	(527,380)	0
Interest payable and similar charges	930,420	945,930	945,930	945,170
Pensions interest cost and expected return on pension assets	250,541	190,000	190,000	251,000
(Surplus) or deficit for the year on HRA services	(1,742,379)	(1,476,890)	(1,827,720)	(1,602,030)
Adjustments between accounting basis & funding basis under regulations				
Reversal of depreciation and impairment of non-current assets	(1,660,908)	(1,660,950)	(1,660,950)	(1,648,750)
Reversal of revaluation losses on Property, Plant and Equipment	(760,935)	0	0	0
Reversal of amounts of non-current assets written off on disposal or sale	76,552	0	527,380	0
Add the voluntary provision for the financing of capital investment	1,069,970	1,165,800	1,165,800	1,222,410
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	473,233	0	0	0
Reversal of Major Repairs Reserve credited to the HRA	2,265,920	1,922,000	1,922,000	2,031,000
Debt rescheduling premium and discounts released	33,366	(1,030)	(1,030)	440
Reversal of technical items relating to retirement benefits	(351,537)	(190,000)	(190,000)	(251,000)
Employer's pension costs	208,758	241,070	241,070	247,930
Reversal of accumulated absences charges	2,238	0	0	0
Total Adjustments	1,356,657	1,476,890	2,004,270	1,602,030
(Surplus)/Deficit for the Year	(385,722)	0	176,550	0

APPENDIX B

Sample Rents 2015-16									
Basic Rents Charged									
Archetype		No. Beds	Area/Sub Area	48 Week Rent 2013/14	48 Week Rent 2014/15	48 Week Rent 2015/16	Week Difference	% Change	52 week Rent 2015/16
House	End Terrace	2	ORM/OR1	£77.92	£81.28	£83.07	£1.79	2.2%	£76.68
Ground Floor Flat	Low Rise	1	ORM/OR1	£64.65	£67.41	£68.89	£1.48	2.2%	£63.59
Ground Floor Flat	Medium Rise	3	CEN/CEN	£82.11	£85.46	£87.33	£1.87	2.2%	£80.61
Bungalow	Semi Detached	1	ORM/GRI	£72.84	£75.55	£77.21	£1.66	2.2%	£71.27
House	Mid Terrace	3	WAL/NWA	£89.24	£94.57	£96.64	£2.07	2.2%	£89.21
Ground Floor Flat	Medium Rise	2	ROO/NBN	£76.00	£80.13	£81.89	£1.76	2.2%	£75.59
House	Mid Terrace	2	CEN/HIN	£78.96	£82.91	£84.73	£1.82	2.2%	£78.21
House	End Terrace	3	ROO/ROO	£85.09	£89.78	£91.77	£1.99	2.2%	£84.71
Ground Floor Flat	Medium Rise	1	CEN/CEN	£67.78	£71.46	£73.03	£1.57	2.2%	£67.41
Upper Floor Flat	Low Rise	1	WAL/NWA	£67.89	£72.03	£73.61	£1.58	2.2%	£67.95
House	Semi Detached	2	ROO/GGS	£80.26	£84.23	£86.08	£1.85	2.2%	£79.46
House	Mid Terrace	4	ROO/GGS	£94.52	£100.50	£102.71	£2.21	2.2%	£94.81
Upper Floor Flat	Low Rise	3	ROO/NBN	£81.79	£87.12	£89.04	£1.92	2.2%	£82.19
House	End Terrace	5	ROO/GGS	£101.77	£107.39	£109.75	£2.36	2.2%	£101.31
Bungalow	Mid Terrace	3	ORM/OR2	£91.18	£95.51	£97.62	£2.11	2.2%	£90.11
Upper Floor Flat	Low Rise	2	ORM/OR2	£73.77	£78.01	£79.73	£1.72	2.2%	£73.60
Ground Floor Flat	Low Rise	2	ORM/GRI	£76.95	£81.23	£83.03	£1.80	2.2%	£76.64
House	Semi Detached	3	WAL/WAL	£90.80	£95.51	£97.62	£2.11	2.2%	£90.11
Upper Floor Flat	Medium Rise	1	CEN/LHI	£66.05	£69.46	£70.99	£1.53	2.2%	£65.53
House	End Terrace	4	ROO/ROO	£92.89	£98.15	£100.31	£2.16	2.2%	£92.59
House	Semi Detached	5	ROO/ROO	£109.94	£117.70	£120.29	£2.59	2.2%	£111.04
Bungalow	Semi Detached	3	ROO/NBN	£91.57	£95.51	£97.62	£2.11	2.2%	£90.11
House	Semi Detached	4	DAL/DAL	£98.55	£103.55	£105.83	£2.28	2.2%	£97.69
Bungalow	Semi Detached	2	DAL/DAL	£81.43	£84.67	£86.53	£1.86	2.2%	£79.87

Risk Based Assessment of the Level of General Fund Balance

Risk Area	Comments including any mitigation factors	Calculated Risk		
		Estimated Income £	Likelihood Percentage	Balance Required £
Income from areas within the base budget where the Council raises fees and charges	Potential risk that the budgeted level of income from activities where the Council is charging for services will not be achieved. This is anticipated largely to be as a result of a downturn in the economy, but could also be as a result of poor weather or new competition. All fees and charges income is reviewed as part of the monthly/quarterly budget monitoring process. All budgets are set based on previous experience and to reflect any new requirements.			
Specific Areas				
Car parking pay and display ticket sales		623,020	10%	62,302
Development and building control		371,060	10%	37,106
Land charges income		118,510	10%	11,851
Recycling income		540,000	20%	108,000
Indoor market		268,190	5%	13,410
Leisure income		830,020	10%	83,002
Commercial property income		1,106,050	5%	55,303
Total				370,974
Risk Area	Comments including any mitigation factors	Calculated Risk		
Demand led budgets	Potential risk that spending on parts of the budget where the Council has a legal duty to provide the service increases significantly. Individual budgets are reviewed as part of the budget monitoring process.	Estimated Exposure £	Likelihood Percentage	Balance Required £
Housing benefit maximum risk based on not meeting minimum threshold for Local Authority errors.		103,860	90%	93,474
Total				93,474

Risk Area	Comments including any mitigation factors		
Changes since the budget was set	Potential risk that things change since the budget estimates were made and the estimates are then under budgeted for.		
	Calculated Risk		
Specific Areas	Estimated Exposure £	Likelihood Percentage	Balance Required £
Staff pay	4,745,120	1%	47,451
Contractual inflation	6,747,390	1%	67,474
Utility inflation	699,970	1%	7,000
Total			121,925

Risk Area	Comments including any mitigation factors		
Estimated balances required for any over spend or under recovery of expenditure and income	This calculation is based on the Council's net revenue budget and services to cushion the impact of uneven cash flows.		
	Calculated Risk		
Specific Areas	Estimated Exposure £	Likelihood Percentage	Balance Required £
Gross income	39,741,230	1.5%	596,118
Gross expenditure	39,774,560	1.5%	596,618
Total			1,192,736

Risk Area	Comments including any mitigation factors	Calculated Risk		
Other risks	Potential risk that savings will not be realised, that contract renewals require additional funding, that under-borrowing for cashflow purposes cannot be maintained and that Business Rates drop below the Safety Net.			
Specific Areas		Estimated Exposure £	Likelihood Percentage	Balance Required £
Service saving options		986,770	5%	49,339
Service saving options		472,950	40%	189,180
Major contract renewals		3,910,020	5%	195,501
Borrowing costs		2,823,590	2.5%	70,590
Safety Net for Business Rates		213,028	5%	10,651
Total				515,261

Calculated level of balance for General Fund based on risk

2,294,370

Minimum level of General Fund balance

2,300,000

APPENDIX No. 5

Capital Programme 2014/2018

Appendix

	2014/2015 £	2015/2016 £	2016/2017 £	2017/2018 £
Capitalised planned maintenance	1,817,000	1,817,000	1,817,000	1,817,000
Total Investment in public housing	1,817,000	1,817,000	1,817,000	1,817,000
Disabled facilities grants	600,000	560,000	560,000	560,000
Private Sector Housing Condition Survey	18,967			
Total Investment in private housing	618,967	560,000	560,000	560,000
Group Repair - Central Area A & E	74,533			
Rawlinson Street Corridor	288,945			
Group Repair - Greengate Street		600,000		
Group Repair - Rawlinson Street		150,000	500,000	
Barrow Island Environmental Improvements	172,374	1,241,000	59,000	
Barrow Island Private Sector Housing				502,600
Investment in Housing Market Renewal	535,852	1,991,000	559,000	502,600
Total Investment in housing	2,971,819	4,368,000	2,936,000	2,879,600
Cemetery	1,800			
Crematorium	56,000	499,800		
Dock Museum	80,068			
Forum 28	11,520	17,500		
Leisure Centre	40,000			
Market Hall	220,512			
Public Conveniences	21,082			
Roof Top Car Park	126,679	50,000		
Town Hall	195,241			
Public Buildings Investment Fund		100,000	150,000	150,000
Total Investment in Public Buildings	752,902	667,300	150,000	150,000
Craven House	100,000			
James Freel Close Business Units	268,870			
102 Abbey Road	26,618			
Marina Village	738,330			
Industrial & Commercial Property Investment Fund		100,000	200,000	200,000
Total Industrial & Commercial Properties	1,133,818	100,000	200,000	200,000
Barrow Park	46,400			
Farm Street Pay Area (The Rec)	205,534			
Town Centre Shop Front Grants	129,724	150,000		
Miscellaneous Properties	15,000			
Link Road	57,286			
IT Equipment & Development	612,217	60,000	60,000	60,000
Refuse and Recycling Containers				
CCTV Equipment	38,890			
Car Parking Pay & Display Machines	68,926			
Total Investment in other public assets	1,173,977	210,000	60,000	60,000

Capital Programme 2014/2018

Appendix

	2014/2015 £	2015/2016 £	2016/2017 £	2017/2018 £
Ireleth Road Watercourse	397			
Coastal Defence Work West Shore Park	425,802			
Rural Regeneration - Piel Island	578			
Rural Regeneration - Roa Island Jetty	213,175			
Rural Regeneration - Coastal Protection	24,000			
Total Investment in Community Initiatives	663,952	-	-	
Retentions	9,025	10,000	10,000	10,000
Asset Investment Fund	3,666	100,000	150,000	784,590
Total	6,709,159	5,455,300	3,506,000	4,084,190

Funding of Capital Programme

Borrowing Requirement Non Housing		890,000	933,590	1,000,000
DCLG Grant	1,159,928	560,000	560,000	560,000
Area Based Grant	100,805			
Cluster Empty Homes	172,374	900,000		
Lottery & WREN	205,534			
DEFRA & Environment Agency	239,000			
Cumbria County Council	132,286			
Private Contributions	135,000			
HRA Major Repairs Reserve	1,817,000	1,817,000	1,817,000	1,817,000
Contributions from Earmarked Reserves	2,697,162	460,621		
Contributions from Revenue	50,070	200,000		502,600
Usable Capital Receipts		627,679	195,410	204,590
Total	6,709,159	5,455,300	3,506,000	4,084,190

Capital Programme Variations

Project	Adjustments	2014/2015 £	2015/2016 £	2016/2017 £	2017/2018 £
Capital Programme as at 10th September 2014		7,974,357	4,137,000	3,442,000	-
Disabled Facilities Grant	Revised budget		(40,000)	(40,000)	
Barrow Island Environmental Improvements	Funded from repayment of Barrow Island Cluster of Empty Homes Loans		200,000		
Barrow Island Environmental Improvements	Re-profile budget	(900,000)	841,000	59,000	
Crematorium	Crematorium re-fit - remedial works, additional accommodation redesign and refurbishment capital bid		450,000		
Crematorium	Revised price Cremator re-line		4,800		
Dock Museum	Warping Pier fencing capital bid	10,000			
Dock Museum	New auditorium funded Furness Maritime Trust & BAE	30,000			
Forum	Replacement Building Control panel capital bid		17,500		
Leisure Centre	Splash Zone capital bid funded from ESG	40,000			
Craven House	Common areas lighting and decoration, fire detection system upgrades and car park resurfacing capital bid funded from ESG	100,000			
Farm Street Play Area (the Rec)	Additional Big Lottery Funding	1,692			
102 Abbey Road	Remove project from programme	(350,000)			
Marina Village	Cavendish Dock Road Drainage capital bid	65,000			
IT Equipment & Development	Web Content Management System capital bid funded from ESG	43,910			
Refuse & Recycling Containers	To be funded from revenue	(52,725)	(40,000)	(40,000)	
Retentions	Revised budget	(15,000)	(15,000)	(15,000)	
Public Buildings Investment Fund	Revised budget		(50,000)		
Industrial & Commercial Property Investment Fund	New budget transferred from asset investment fund		100,000	200,000	
Asset Investment Fund	movement in period	(238,075)	(150,000)	(100,000)	
Capitalised Planned Maintenance	2017/2018 base budget				1,817,000
Disabled Facilities Grant	2017/2018 base budget				560,000
Barrow Island Private Sector Housing	2017/2018 base budget				502,600
IT Equipment & Development	2017/2018 base budget				60,000
Public Buildings Investment Fund	2017/2018 base budget				150,000
Industrial & Commercial Property Investment Fund	2017/2018 base budget				200,000
Retentions	2017/2018 base budget				10,000
Asset Investment Fund	2017/2018 base budget				784,590
Capital Programme		6,709,159	5,455,300	3,506,000	4,084,190

Treasury Management Strategy Statement

1 INTRODUCTION

1.1 Background

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

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

CIPFA defines treasury management as:

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

1.2 Reporting requirements

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

Prudential and treasury indicators and treasury strategy (this report) -
The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A treasury management monitoring report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision. This is incorporated into the quarterly finance reports.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

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

1.3 Treasury Management Strategy for 2015-2016

The strategy for 2015-2016 covers two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) strategy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

1.4 Treasury management consultants

The Council uses Capita Asset Services as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon 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.

2 THE CAPITAL PRUDENTIAL INDICATORS 2015-2016 – 2017-2018

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is

reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need:

Capital expenditure	2014-15 Estimate	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate
HRA	£1.817m	£1.817m	£1.817m	£1.817m
Non-HRA	£4.892m	£3.638m	£1.689m	£2.267m
Total	£6.709m	£5.455m	£3.506m	£4.084m
Financed by:				
Capital receipts	-	£0.628m	£0.195m	£0.204m
Capital grants	£2.145m	£1.460m	£0.560m	£0.560m
Reserves	£4.564m	£2.477m	£1.817m	£2.320m
Total	£6.709m	£4.565m	£2.572m	£3.084m
Net financing need for the year	-	£0.890m	£0.934m	£1.000m

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life. The Council is asked to approve the CFR projections below:

	2014-15 Estimate	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate
Capital Financing Requirement				
CFR – HRA	£22.119m	£20.897m	£20.027m	£19.157m
CFR – non-HRA	£22.596m	£22.621m	£22.689m	£22.821m
Total CFR	£44.715m	£43.518m	£42.716m	£41.978m
Movement in CFR	(£2.062m)	(£1.197m)	(£0.802m)	(£0.738m)

Movement in CFR represented by:				
Net financing need for the year (above)	-	£0.890m	£0.934m	£1.000m
Less MRP/VRP and other financing movements	(£2.062m)	(£2.087m)	(£1.736m)	(£1.738m)
Movement in CFR	(£2.062m)	(£1.197m)	(£0.802m)	(£0.738m)

2.3 Minimum revenue provision (MRP) policy statement

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

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

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

- **Based on CFR** – MRP will be based on the CFR (option 2);

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing the MRP policy will be:

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

These options provide for a reduction in the borrowing need over approximately the asset's life.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place). The HRA Business Plan under self-financing includes a voluntary revenue provision to repay the debt on the account.

2.4 Use of 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.).

2.5 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

2.6 Ratio of financing costs to net revenue stream.

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2014-15 Estimate	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate
HRA	18%	18%	15%	15%
Non-HRA	13%	12%	13%	13%

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

2.7 Incremental impact of capital investment decisions on council tax.

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

Incremental impact of capital investment decisions on the band D council tax

£	2014-15 Estimate	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate
Council tax band D	-	-	-	-

2.8 Estimates of the incremental impact of capital investment decisions on housing rent levels.

Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

Incremental impact of capital investment decisions on housing rent levels

£	2014-15 Estimate	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate
Weekly housing rent levels	-	-	-	-

This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2014, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£000	2013-14 Actual	2014-15 Estimate	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate
External Debt					
Debt at 1 April	£39.479m	£39.479m	£39.479m	£39.479m	£39.479m
Expected change in Debt	-	-	-	-	-
Actual gross debt at 31 March	£39.479m	£39.479m	£39.479m	£39.479m	£39.479m
The Capital Financing Requirement	£46.777m	£44.715m	£43.518m	£42.716m	£41.978m
Under / (over) borrowing	£7.298m	£5.236m	£4.039m	£3.237m	£2.499m

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2015-16 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

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

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary	2014-15 Estimate	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate
Total	£43m	£43m	£43m	£43m

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

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

2. The Council is asked to approve the following authorised limit:

Authorised limit	2014-15 Estimate	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate
Total	£55m	£55m	£55m	£55m

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

HRA Debt Limit	2014-15 Estimate	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate
Total	£36.367m	£36.367m	£36.367m	£36.367m

3.3 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high. Against this background and the risks within the economic forecast, caution will be adopted with the 2015-16 treasury operations. The Director of Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.*

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

The Council will maintain the current prudent borrowing strategy to support the approach of minimising counterparty risk.

Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

	2015-16	2016-17	2017-18
Interest rate exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	£43m	£43m	£43m
Limits on variable interest rates based on net debt	£13m	£13m	£13m
Maturity structure of fixed interest rate borrowing 2015-16			
		Lower	Upper
Under 12 months		0%	20%
12 months to 2 years		0%	20%
2 years to 5 years		0%	50%
5 years to 10 years		0%	75%
10 years and above		0%	100%

3.4 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting.

3.5 Debt rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Executive Committee, at the earliest meeting following its action

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

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

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of these reflect in the eyes of each agency. Using the Sector ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use in the financial year are listed in paragraph 5 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

4.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, 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; and
- 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 Resources 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. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

The minimum rating criteria uses 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, then the institution will fall outside the lending criteria. Credit rating information is supplied by Sector, our treasury consultants, on all active counterparties that comply with the criteria below. 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. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 - good credit quality – the Council will only use banks which:
 - i. are UK banks; and/or
 - ii. are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAAand have, as a minimum, the following Fitch, Moody's and Standard and Poor credit ratings (where rated):
 - i. Short term – F1, P-1,A-1
 - ii. Long term – AA-, Aa3, AA-
 - iii. Viability / financial strength – B (Fitch / Moody's only)
 - iv. Support – 2 (Fitch only)
- Banks 2 – Part nationalised UK banks – Lloyds Banking Group and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Building societies. The Council will use all societies which:
 - i. meet the ratings for banks outlined above;
 - ii. Have assets in excess of £500 million;or meet both criteria.
- Money market funds
- UK Government (including gilts and the DMADF)
- Local authorities and parish councils

Country and sector considerations - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part, the country selection will be chosen by the credit rating of the sovereign state in Banks 1 above. In addition:

- no more than 10% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies 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 are set out in paragraph 5 for approval.

4.3 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ from Fitch. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4 Investment strategy

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

Investment returns expectations - Bank Rate is forecast to remain unchanged at present, so the revenue budget is based on achieving a weighted average return of 0.5%.

Investment treasury indicator and limit - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 364 days			
£m	2015-16	2016-17	2017-18
Principal sums invested > 364 days	£1m	£1m	£1m

4.5 Investment risk benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark 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.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- **0.1% historic risk of default when compared to the whole portfolio.**

Liquidity – in respect of this area the Council seeks to maintain:

- Liquid short term deposits of at least £2m available with a week's notice.
- Weighted average life benchmark is expected to be 0.15 years, with a maximum of 0.75 years.

Yield - local measures of yield benchmark

- Investments – internal returns above the 7 day LIBID rate

and in addition that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	0.03%	0.12%	0.10%	0.08%	0.06%

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5 TREASURY MANAGEMENT PRACTICE (TMP1) – Credit and Counterparty Risk Management

The CLG issued Investment Guidance in 2010, 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 adopted the Code on 14/3/2002 and will apply its principles to all investment activity. In accordance with the Code, the Director of Resources has produced its treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury 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 (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), 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 which would not be defined as capital expenditure 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. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated F1, P-1, A-1 by Standard and Poor's, Moody's or Fitch rating agencies.
4. A body that is considered of a high credit quality (such as a bank or building society. For category 5 this covers bodies with a minimum short term rating of F1, P-1, A-1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies.

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. This criteria is:

	Fitch Long term Rating (or equivalent)	Money Limit	Time Limit
Limit 1: long term	AA-	£2m	5 years
Limit 2: short term Council's own bank	F1	£10m	1 year
Limit 3: Short term banks and building societies	<i>F1 or eligible institution with £500m of assets</i>	£3m	1 year
Other institutions limit	-	£5m	1 year
DMADF	AAA	Unlimited	1 year
Local authorities	-	£5m	1 year

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.	Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. The value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£5m 5 years
b.	The Council's own banker - HSBC	£10m
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 have a minimum asset size of £500m, but will restrict these type of investments to £3m and a time limit of 1 year.	£3m 1 year
d.	Any bank or building society that has a minimum long term credit rating of AA-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£3m 1 year
e.	Any non-rated subsidiary of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to the parent bank having the necessary credit rating to qualify in its own right.	£5m 1 year
f.	Local authorities	£5m 1 year

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. 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. 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 Resources, and if required new counterparties which meet the criteria will be added to the list.