

Public Document Pack



TRAFFORD COUNCIL

Tuesday, 9 February 2016

Trafford Town Hall
Talbot Road
Stretford
M32 0TH

Dear Councillor,

Your attendance is requested at a meeting of the Council of the Borough of Trafford on **WEDNESDAY, 17 FEBRUARY 2016**, at **7.00 P.M.** in the **COUNCIL CHAMBER, TRAFFORD TOWN HALL, TALBOT ROAD, STRETFORD**, for the transaction of the business set out below:

- | | Pages |
|--|--------------|
| 1. Minutes | |
| To approve as a correct record the Minutes of the Meeting of the Council held on 20 January 2016 for signature by the Mayor as Chairman. | 1 - 16 |
| 2. Announcements | |
| To receive any announcements from the Mayor, Leader of the Council, Members of the Executive, Chairmen of Scrutiny Committees and the Head of Paid Service. | |
| 3. Questions By Members | |
| This is an opportunity for Members of Council to ask the Mayor, Members of the Executive or the Chairman of any Committee or Sub-Committee a question on notice under Procedure Rule 10.2. | |
| 4. Designation of Section 151 Officer | 17 - 18 |
| To consider a report of the Director of Legal and Democratic Services. | |

5. Budget 2016/17

- To receive and consider the following joint reports of the Executive Member for Finance and the Director of Finance, presented to the Executive on 17 February 2016, and to adopt the resolutions therein:
 - (a) Executive's Revenue Budget Proposals 2016/17 to follow

The Council received the final government settlement on 8 February 2016 and is assessing what impact this will have on its budget.
 - (b) Fees, Charges and Allowances 2016/17 to follow

The Fees and Charges Book 2016/17 which supports the report is extensive, and is therefore not being circulated in hard copy. It will be made available on the Council Meetings page of the Council's website at www.trafford.gov.uk > Home > your Council > Councillors & committees > Committee meetings > Council > 17 Feb 2016 7.00 pm)
 - (c) Capital Programme and Prudential Indicators 2016-19 19 - 34
 - (d) Treasury Management Strategy 2016/17 - 2018/19 35 - 60
- To set and approve the Council Tax Requirement for the District for the year beginning 1 April 2016, in accordance with the Local Government Finance Act 1992, as amended.
- To set and approve, in accordance with the Local Government Finance Act 1992 as amended, the amounts as the amounts of the Council Tax for the year 2016/2017 for each of the categories of dwellings included in the respective valuation bands A to H.

Yours sincerely,



THERESA GRANT
Chief Executive

Informal Meeting of the Council

Note: At the conclusion of the meeting it is intended to hold an informal meeting of the Council to consider issuing invitations to Members of Council to be the Mayor and Deputy Mayor of the Borough for 2016/2017.

Council - Wednesday, 17 February 2016

Membership of the Council

Councillors J. Holden (Mayor), J. Lloyd (Deputy Mayor), D. Acton, S. Adshead, S.B. Anstee, S.K. Anstee, Dr. K. Barclay, J. Baugh, J. Bennett, Miss L. Blackburn, R. Bowker, C. Boyes, Mrs. A. Bruer-Morris, Mrs. J.E. Brophy, B. Brotherton, D. Bunting, D. Butt, C. Candish, K. Carter, M. Cawdrey, R. Chilton, M. Cordingley, M. Cornes, J. Coupe, L. Dagnall, Mrs. P. Dixon, A. Duffield, Mrs. L. Evans, N. Evans, T. Fishwick, M. Freeman, P. Gratrix, J. Harding, D. Hopps, M. Hyman, C. Hynes, D. Jarman, P. Lally, J. Lamb, E. Malik, A. Mitchell, P. Myers, D. O'Sullivan, I. Platt, K. Procter, J.R. Reilly, Mrs J. Reilly, B. Rigby, T. Ross, M. Sephton, B. Sharp, B. Shaw, J. Smith, E.W. Stennett, S. Taylor, L. Walsh, Mrs. V. Ward, A. Western, D. Western, M. Whetton, A. Williams, M. Young and Mrs. P. Young

Further Information

For help, advice and information about this meeting please contact:

Ian Cockill, Democratic Services Officer

Tel: 0161 912 1387

Email: ian.cockill@trafford.gov.uk

This Summons was issued on **Tuesday, 9 February 2016** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

Any person wishing to photograph, film or audio-record a public meeting is requested to inform Democratic Services in order that necessary arrangements can be made for the meeting.

Please contact the Democratic Services Officer 48 hours in advance of the meeting if you intend to do this or have any queries.

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TRAFFORD BOROUGH COUNCIL

20 JANUARY 2016

PRESENT

The Worshipful the Mayor (Councillor John Holden), in the Chair.

J. Lloyd	R. Chilton	P. Myers
D. Acton	M. Cordingley	D. O'Sullivan
S. Adshead	M. Cornes	K. Procter
S.B. Anstee	J. Coupe	Mrs J. Reilly
S.K. Anstee	Mrs. P. Dixon	T. Ross
Dr. K. Barclay	Mrs. L. Evans	M. Sephton
J. Baugh	N. Evans	B. Sharp
J. Bennett	T. Fishwick	B. Shaw
Miss L. Blackburn	M. Freeman	J. Smith
R. Bowker	P. Gratrix	S. Taylor
C. Boyes	J. Harding	L. Walsh
Mrs. A. Bruer-Morris	D. Hopps	Mrs. V. Ward
Mrs. J.E. Brophy	M. Hyman	A. Western
B. Brotherton	C. Hynes	D. Western
D. Bunting	D. Jarman	M. Whetton
D. Butt	P. Lally	A. Williams
C. Candish	J. Lamb	M. Young
K. Carter	E. Malik	Mrs. P. Young
M. Cawdrey	A. Mitchell	

In attendance

Chief Executive	Ms. T. Grant
Deputy Chief Executive and Corporate Director Economic Growth, Environment and Infrastructure	Mrs. H. Jones
Acting Corporate Director, Children, Families and Wellbeing	Mr. J. Pearce
Acting Corporate Director Transformation and Resources	Ms. J. Hyde
Director of Finance	Mr. I. Duncan
Director of Legal and Democratic Services	Ms. J. Le Fevre
Acting Director of Human Resources	Ms. L. Hooley
Democratic and Performance Services Manager	Mr. P. Forrester
Public Relations Manager	Mrs. K. Dooley
Senior Democratic and Scrutiny Officer	Mr. I. Cockill

APOLOGIES

Apologies for absence were received from Councillors L. Dagnall, A. Duffield, I. Platt, J.R. Reilly, B. Rigby and E.W. Stennett.

Members joined with the Mayor in conveying their best wishes to Councillor Dagnall for a speedy recovery after recently undergoing major surgery.

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55. MINUTES

That the Minutes of the Meeting of the Council held on 11 November 2015, be approved as a correct record and signed by the Chairman.

56. ANNOUNCEMENTS

(a) Her Majesty the Queen's New Year's Honours

The Council joined the Mayor in congratulating those residents who had received recognition in the Queen's New Year Honours List, namely:

Mr. Denis Law of Bowdon awarded the citation of Commander of the Most Excellent Order of the British Empire (CBE) for services to football and charity;

Ms. Jean Oglesby of Bowdon awarded the CBE for services to Philanthropy in the North West;

Mr. Andrew Scallan of Sale awarded the CBE for services to for services to electoral democracy;

Mr. Mark Cueto of Altrincham awarded the citation of Member of the Most Excellent Order of the British Empire (MBE) for services to Rugby Union;

Mr. John Howe of Urmston awarded the MBE for services to Diabetes UK and the community in Trafford;

Miss Jody Louisa Green of Stretford awarded the citation of Medallist of the Order of the British Empire (BEM) for services to Community Sport in Trafford; and

Ms. Rita Janet Jones of Stretford awarded the BEM for services to the community in Stretford.

On behalf of the Council, the Mayor had written to convey congratulations for their achievements.

(b) Holocaust Memorial Day, 27 January 2016

The Mayor informed Members that Trafford Council was supporting the annual Holocaust Memorial Day, on 27 January 2016. Schools, along with representatives from faith and other community groups had been invited to participate in a two hour event at the Robert Bolt theatre in Sale with the theme being "Don't stand by".

(c) Scrutiny Committee Update

Councillor Coupe, Chairman of Scrutiny Committee informed Council that Budget Scrutiny sessions had been held on 2 December and 8 December

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2015 and that the Committee had prepared a review of the Executive's draft budget proposals which would be submitted to the Executive on 25 January 2016.

The Chairman also advised that the 'Closing the Gap' Task and Finish Group; investigating education inequalities within the Borough, had now split into four smaller sub-topic groups to focus on areas agreed upon at the initial meetings in more detail. It was anticipated that the final report on the Group's findings and recommendations would be submitted to the Executive in March 2016.

(d) Health Scrutiny Committee Update

Councillor Lloyd, Chairman of Health Scrutiny Committee provided an update on the Committee's focus since the last meeting of Council.

The Care Quality Commission had conducted an inspection of Central Manchester University Hospitals NHS Foundation Trust (CMFT) in December 2015 and would be conducting an inspection of the University Hospital of South Manchester NHS Foundation Trust (UHSM) week commencing 25 January 2016.

The Chairman informed the Council that along with the Vice-Chairman, she had met with Matthew Colledge, the recently appointed Chairman of Trafford Clinical Commissioning Groups (CCGs) Governing Body, and Silas Nichols, Chief Operating Officer and Deputy Chief Executive of Wythenshawe Hospital, to discuss how Health Scrutiny could work with their respective organisations going forward.

Councillor Lloyd referred to a Manchester Evening News report that Trafford General was to be downgraded, which had been picked up by other news organisations, and stated that the downgrading from an Urgent Care Centre to a Minor Injuries Unit had always been a part of the New Health Deal for Trafford and had been through a full consultation process. Disappointed to hear from the press before officially being notified, the Chairman reiterated that assurances were sought by the Joint Health Scrutiny Committee at the end of the consultation process and that alongside the Vice-Chairman of Health Scrutiny Committee, she would work with NHS England, CMFT, UHSM and Trafford CCG to ensure these assurances were met before any further changes were implemented.

The Leader of the Council shared Councillor Lloyd's concerns about publication of the article and indicated that representations had been made to CMFT, though it was unsure of the source. Councillor Anstee repeated that the Council had been united in its response to the New Health Deal and would work to ensure that the conditions were met, with appropriate steps being taken to determine the Council's next action.

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57. QUESTIONS BY MEMBERS

The Mayor reported that 5 questions had been received under Procedure Rule 10.2.

- (a) Councillor Smith asked the following question for which he had given notice:

“Might the Executive Member tell us, considering the changes, both existing and aspirant to the whole gamut of small community grant funding, particularly those envisaged from Trafford Housing Trust, if he is satisfied they will sustain, or indeed improve their equitability and remain true to all principles stated at their inception and also re-assure the chamber that any implementation of revisions will be a matter for full council and not the Executive in isolation?”

(Note: Before responding, Councillor Lamb declared a personal interest in this matter as one of the Council’s nominated Non-Executive Directors of the Trafford Housing Trust (THT).)

Councillor Lamb, Executive Member for Communities and Partnerships reported that THT was currently reviewing its arrangements for the distribution of community grants, which was an aspect of the obligations that the Council placed on THT at the time of transfer back in 2003. The review was being carried out to ensure transparent accountability and strengthen community engagement. At this stage no proposals had been put to the Council as THT would carry out a consultation exercise about any proposed changes. All Members of Council would have the opportunity to comment on the proposals but the advice received at this stage, in terms of the potential level of change to be proposed, would indicate that a formal response to THT by the Executive would be required on behalf of the Council. Should, following consultation, proposals be received that were broader reaching than was currently suggested, advice would then be sought to confirm that this was still the most appropriate approval mechanism.

Thanking Councillor Lamb for his response, Councillor Smith sought clarity through a supplementary question, as to whether the Council would or would not have THT maintain the obligations that had been given to tenants?

The Executive Member acknowledged the importance and substantial nature of the obligations placed upon THT and that it was working to make the process more transparent. At the moment it was envisaged that the Executive will take the decision, though it was waiting what proposals came forward. Until that time, Councillor Lamb urged all Members to engage with the consultation process.

- (b) Councillor Freeman asked the following question for which he had given notice:

“How confident is the Executive Member for Stronger Communities that the New Trafford Partnership Strategy will deliver the building of strong communities across all of Trafford?”

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Councillor Lamb, Executive Member for Communities and Partnerships thanked Councillor Freeman for his question since it gave him the opportunity to update the Council on some important changes to the operation of the Trafford Partnership. For the past several months a review of the effectiveness of the Partnership had been undertaken to ensure that it was operating at its most effective in terms of the Trafford and Greater Manchester (GM) focus on economic growth and public sector reform. The Trafford Partnership would provide strategic direction and oversight of the activities designed to deliver economic growth and redesign of public services. The Partnership was also the body that links activity in Trafford with the wider GM devolution agenda.

Key to the arrangements were Trafford's 4 Locality Partnerships, overseen by the Stronger Communities Board and an integral part of the Trafford Partnership. Over the past year, the Board had reviewed the work of and the effectiveness of the 4 Locality Partnerships and had championed Asset Based Community Development, which aimed to encourage groups of residents to identify what was strong about a community and work with that to bring about changes that make a real difference to people's lives. The 'Be Bold' campaign was similarly aimed at encouraging Trafford residents to engage in activity that improved the wellbeing of neighbours and improve neighbourhoods. It was an open invitation to all Trafford residents and the Council's Communities and Partnership Team respond to numerous requests for assistance and guidance.

The Executive Member concluded that the new Partnership arrangements would place a focus on community work and look for linkages to the work of our public, private and voluntary sector partners. He believed that GM had some of the most developed approaches to ensuring that our communities were strong and resilient and was confident that the new Trafford Partnership arrangements, together with the work of the Locality Partnerships would deliver strong communities across all of Trafford.

Asking a supplementary question, Councillor Freeman quoted from the new Trafford Partnership Strategy and enquired whether the Executive Member could please translate what the jargon meant and what guarantees could he give that charities and organisations that had previously been partly funded by the Council would continue to flourish under the new framework?

Councillor Lamb clarified that essentially the statement explained bringing public and voluntary sector partners together to jointly deliver more effective services. Partnership was a key central aspect for developing the Strategy as was the link to the devolution agenda.

(c) Councillor Baugh asked the following question for which she had given notice:

"A number of serious anti-social behaviour incidents involving young people have occurred across parts of Trafford in recent times which are causing a great deal of concern in our communities.

One such incident happened in my own Ward at Sale Water Park involving a

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large group of young people .We were not notified of this incident until a letter was sent out to all Councillors recently seven months after the incident. I understand other serious incidents have occurred in other areas of the Borough, including Urmston and the Trafford centre.

There appears to be a worrying trend developing and I am sure you would agree that Councillors should be kept fully briefed on such events.

I would like to know what action is being taken to tackle this problem, what action is being taken to reassure residents and how you intend to improve communication with Ward Councillors?"

Firstly, dealing with the issue of communication, Councillor Lamb, Executive Member for Communities and Partnerships agreed that Councillors should be kept informed of significant community safety issues. Residents would often ask Members for details of the more serious incidents and often Members can assist the Police by assuring the community of steps that are being taken to deal with incidents. Councillor Lamb accepted that the Sale Water Park incident should have been notified to the relevant ward Members and once the oversight was discovered an apology was emailed to Councillor Baugh on 22 December 2015.

Since the summer of 2015 there have been a series of incidents involving young people involved in violent assault in various parts of the borough. However, it only became apparent to the Police late in 2015 that the incidents were linked through the involvement of the same youngsters and was the reason why briefings for relevant ward Members were arranged before Christmas. Furthermore, another briefing had taken place within the previous 24 hours, therefore, believing that communications with ward Members on community safety issues was good, the Executive Member assured Members of the Council that he remained committed to sharing as much information as possible related to the more serious incidents.

Turning to the second aspect of the question, Councillor Lamb advised that the seriousness of the incidents had prompted, so far, two multi agency review meetings. A wide range of measures were being taken to protect the public and specifically the youngsters involved. The measures included:

- For the more serious offenders, Court Injunctions were sought under new 'civil' legislation which could be progressed quickly, whilst further criminal investigation /evidence gathering continued, which gave some immediate impact. In addition Court appearances to answer formal criminal charges had already taken place with some sentencing issued and adjournments until that day.
- Home visits to key offenders in an attempt to disrupt any further incidents. Also to give advice on consequences relating to any further disorderly behaviour.
- Extra Police visits and patrols at the schools most affected
- A joint letter from the Safer Trafford Partnership team sent to all parents of secondary school children, highlighting current issues and how they were being dealt with. The letter also included how parents / pupils / teachers could report incidents and intelligence anonymously and what the general

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youth offer was across Trafford. The letter has also been circulated to all Members.

- The Community Change Foundation had been commissioned to prevent other young people from being dragged into anti-social behaviour and criminality and to effect behaviour change for those already involved.
- Manchester Young Lives had been commissioned to ascertain locations of all incidents and deliver further outreach engagement with youth and deliver diversionary activities to prevent anti-social behaviour and effect behaviour change.

The Executive Member was sure Members could detect from the actions, not only a robust approach through the Courts to deal with the few persistent offenders but also an approach to those youngsters on the periphery which involved bringing about behaviour change through the commissioning of specialist interventions. He hoped that the approach in dealing with the series of incidents was reassuring to the Council and Trafford residents.

Suggesting that anti-social behaviour incidents had increased since the introduction of funding changes within youth and leisure services and the loss of police officers, Councillor Baugh asked as a supplementary question, whether the Executive Member agreed that this was due to cutbacks by his administration?

Councillor Lamb disagreed that any increase was as a result of any changes to the delivery of services and referring to the response he had just provided, emphasised there had been direct intervention. There had not been an intention to keep things from Members, with an apology being given and he asserted that throughout, the seriousness of the assaults had been the greatest concern.

- (d) Councillor Mrs. Brophy asked the following question, the first of two questions for which she had given notice:

“I have been contacted by many residents over the lack of street cleaning during the Christmas and New Year period.

I am also aware that many residents have reported a perceived degrading of street cleaning services with Amey including daily emptying of street bins.

Will street cleaning services be maintained at the next public holiday. Can the Executive Member provide Service Level Agreements with Amey for street cleaning during holiday periods such as Easter and Christmas?”

In the absence of the Executive Member for Environment and Operations, the Leader of the Council confirmed that not only would street cleaning services be maintained on the next public holiday but every day up to then, since there had been no change to service delivery. Councillor Sean Anstee also confirmed that the One Trafford Partnership operated services every day of the year, except for Christmas Day and that this year resources were deployed on New Year's Day. Reporting that performance figures for the last quarter exceeded the 80% target, the Leader indicated that the Executive Member would be happy to share operational data with Councillor Mrs. Brophy.

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Councillor Mrs. Brophy mentioned reports of leaves blocking drains and as a supplementary question asked if the Leader was aware of such instances? In response, Councillor Sean Anstee advised that he would ask the Executive Member to ensure a reply was provided to Councillor Mrs. Brophy outside of the meeting.

- (e) Councillor Mrs. Brophy asked the following question, the second of two questions for which she had given notice:

“In February 2014 I asked the Executive Member what is Trafford Council doing to mitigate against increased risk of flooding due to climate change in Trafford and across Greater Manchester. This was building on a previous question about changing weather and climate change in October 2009.

Most parts of Trafford were spared the extreme flooding in some areas of the county but we can't be complacent in our duties to our residents. What areas in Trafford are at increased risk of flooding?

Many areas in the country and across the North West and locally in Trafford we had severe weather, particularly increased rainfall and it is predicted that we could have more storms and other unsettled weather.

What is Trafford Council doing to continue to ensure that our residents are protected and warned about flooding and other forms of extreme weather, as climate change starts to impact on all our lives?

On behalf of the Executive Member for Environment and Operations, the Leader of the Council informed the Council of the locations within the Borough at risk of flooding and advised that the Environment Agency had confirmed that there had been no significant changes to flood risk in Trafford since 2009. Advice regarding the risks was available on the Council's website with the ability to search by postcode and location and emergency flooding procedures were maintained by the Council's strategic planning section.

Councillor Mrs. Brophy mentioned that the Council had a lower target for carbon dioxide levels and gave notice of a future question on this issue. Councillor Anstee confirmed the question could be considered at a future Council Meeting and a response be provided.

58. NEW REVISED TERMS OF REFERENCE FOR THE TRAFFORD HEALTH AND WELLBEING BOARD

The Corporate Director Children's, Families and Wellbeing submitted a report outlining recommendations made by the Health and Wellbeing Board to adopt new Terms of Reference following a review of the Board and its place within the new Trafford Partnership structures.

RESOLVED: That the contents of the report be noted and that the new revised Terms of Reference and membership for the Health and Wellbeing Board, be approved by the Council.

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59. TREASURY MANAGEMENT - MINIMUM REVENUE PROVISION

The Executive Member for Finance and Director of Finance submitted a joint report outlining the recent review undertaken of the Council's annual Minimum Revenue Provision (MRP) charge to the revenue budget in respect of capital expenditure financed by borrowing. The report had been recommended to the Council by the Executive on 16 November 2015 and the Accounts and Audit Committee on 25 November 2015.

RESOLVED: That with effect from 1 April 2015:

- (a) the Council's MRP policy, paragraph (a) only, be amended to, "For capital expenditure incurred before 1 April 2008: MRP will be calculated on a straight line basis over the expected average useful life of the assets"
- (b) the annual Public Finance Initiative lease charge be financed from the provision currently set-up to cover the final bullet payment and that capital receipts be used to replenish this provision to ensure this can still be made in 2028/29.

60. COUNCIL TAX SUPPORT SCHEME FOR 2016/17

The Executive Member for Finance and the Director of Finance submitted a joint report seeking approval of the Council's local Council Tax Support Scheme for the 2016/17 financial year. The report proposed minor amendments to reflect national changes to income related benefits and had been recommended to Council from the Executive Meeting held earlier that day.

RESOLVED: That, subject to the inclusion of the following amendments, the Council Tax Support scheme currently in operation, be adopted for 2016/17:

- (a) Applicable amounts for working age claimants are frozen in line with the national income related benefit rates (state pension age rates are contained within the prescribed regulations);
- (b) That the remaining funding allocated to the Council Tax Support discretionary fund from when it was first introduced in April 2013, be rolled over into 2016/17. This is estimated to be approximately £17,000 by the end of the financial year.

61. CITIES AND LOCAL GOVERNMENT DEVOLUTION BILL 2015/16

The Leader of the Council provided an update on progress with the Cities and Local Government Devolution Bill and circulated a report outlining the timetable for implementation of the Orders required. The Leader also advised that the Greater Manchester Combined Authority would also require the ability to exercise health related functions from April 2016 to enable it to play a full part in health and social care devolution.

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In accordance with a previous decision of the Council, the Chief Executive, in consultation, with the Leader of the Council would respond to any Orders regarding the establishment of the GMCA and report to Council on progress at appropriate times.

RESOLVED: That the Leader's report and the approach being taken be noted.

62. 6-MONTH CORPORATE REPORT ON HEALTH AND SAFETY - 1 APRIL TO 30 SEPTEMBER 2015

The Corporate Director Resources submitted a report providing information on council-wide health and safety performance and trends in workplace accidents. The report also provided a summary of other key developments in health and safety for the six month period 1 April to 30 September 2015.

Further to Minute No. 49 of the previous meeting, Councillor Mrs. Evans, Executive Member for Transformation and Resources, indicated that she would obtain a response for Councillor Baugh from the Council's partner Amey regarding the statistical reporting of incidents involving its staff.

RESOLVED: That the report be noted.

63. MOTION SUBMITTED BY THE LABOUR GROUP - POST-16 HOME TO SCHOOL TRANSPORT - BRENTWOOD SCHOOL

(Note: The Mayor, Councillor Holden declared a personal interest in this item since he was a Governor of Brentwood School and remained in the meeting during consideration of the matter.)

It was moved and seconded that:

"This Council notes the Home to School Transport Policy for Special Needs Children and in particular Annex A; Transport Guidance for young people aged 16-18 in Further Education and Continuing Students aged 19 – May 2011.

Council notes the withdrawal of School Transport to some of the 16 plus special needs teenage cohort attending Brentwood School in September this year, and further notes under the existing policy that this is the first year that the parents and carers of 16 plus teenagers attending Brentwood have had to apply for continuing transport. Indeed up until the Review of Transport Provision undertaken in May 2015 the parents and carers of pupils reaching the age of 16 were not asked to re-apply for travel assistance as long as they had been deemed eligible when starting school. This measure has caused considerable distress to the teenagers and families concerned, who are the parents of some of our most vulnerable children.

This Council notes the lack of meaningful consultation that has taken place with those affected by this policy change and therefore resolves with

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immediate effect to reinstate Transport to all the teenagers from whom the service has been withdrawn, and enter into meaningful consultation with Parents and Carers over future provision in a wholly open and transparent manner.”

It was moved and seconded as an amendment that:

“This Council notes the Home to School Transport Policy for Special Needs Children and in particular Annex A; Transport Guidance for young people aged 16-18 in Further Education and Continuing Students aged 19 – May 2011.

Council notes the changes to provision outlined for the cohort attending Brentwood School, including withdrawal of transport for a small number of pupils aged post 16 no longer eligible under the revised policy and the need to re-apply for transport provision annually.

The Council is aware that changes to provision of this nature may cause distress to families and young people who previously accessed the service however continues to target its reducing resources as best it can to support those who are eligible for transport provision across the Borough.

This Council is presently consulting on an All Age Travel Assistance policy as part of the 2016/17 budget round, and recognises that some concern has been raised on previous consultation.

The Council resolves to consider carefully all responses received in a wholly open and transparent manner, including consideration on the merits or otherwise of reinstatement of transport provision.”

Following a debate on the matter, the amendment was put to the vote and in accordance with Procedure Rule 16.5 a recorded vote was called for. This resulted as follows:

Those in favour of the amendment: Councillors S.A. Anstee, S.K. Anstee, Dr. Barclay, Miss Blackburn, Boyes, Mrs. Bruer-Morris, Bunting, Butt, Candish, Cawdrey, Chilton, Cornes, Coupe, Mrs. Dixon, Mrs. Evans, N. Evans, Holden (the Mayor), Hopps, Hyman, Lally, Lamb, Mitchell, Myers, Mrs. Reilly, Sephton, Sharp, Shaw, Mrs. Ward, Whetton, Williams M. Young and Mrs. Young.

Those against the amendment: Councillors Acton, Adshead, Baugh, Bennett, Bowker, Mrs. Brophy, Brotherton, Carter, Cordingley, Fishwick, Freeman, Gratrix, Harding, Hynes, Jarman, Lloyd, Malik, O’Sullivan, Procter, Ross, Smith, Taylor, Walsh, A. Western and D. Western.

With the result of the vote being 32 in favour and 25 against, with 0 abstentions, the amendment was declared carried. The substantive Motion was then put to the vote and declared carried.

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RESOLVED: That this Council notes the Home to School Transport Policy for Special Needs Children and in particular Annex A; Transport Guidance for young people aged 16-18 in Further Education and Continuing Students aged 19 – May 2011.

Council notes the changes to provision outlined for the cohort attending Brentwood School, including withdrawal of transport for a small number of pupils aged post 16 no longer eligible under the revised policy and the need to re-apply for transport provision annually.

The Council is aware that changes to provision of this nature may cause distress to families and young people who previously accessed the service however continues to target its reducing resources as best it can to support those who are eligible for transport provision across the Borough.

This Council is presently consulting on an All Age Travel Assistance policy as part of the 2016/17 budget round, and recognises that some concern has been raised on previous consultation.

The Council resolves to consider carefully all responses received in a wholly open and transparent manner, including consideration on the merits or otherwise of reinstatement of transport provision.

64. MOTION SUBMITTED BY THE LABOUR GROUP - FRACKING IN TRAFFORD

It was moved and seconded that:

“This Council is deeply concerned by the announcement on the 17 December 2015 that the Conservative Government's Oil and Gas Authority has awarded a Petroleum Exploration and Development Licence (PEDL) to the company Ineos covering an area incorporating much of the south of Trafford. This is the first stage in a process that could ultimately lead to 'fracking' taking place in Trafford.

Council condemns the decision to award this licence and reaffirms its previous statement, as agreed by all parties on the 12 November 2014, that “The Council is opposed to ‘fracking’ until such time as it can be proved to be safe.” In light of this statement of opposition to hydraulic fracturing in Trafford, Council agrees to write to the Secretary of State for Energy and Climate Change, and to the Oil and Gas Authority directly, outlining our concerns and asking that the decision to award this licence be reconsidered.”

It was moved and seconded as an amendment that:

“This Council notes the announcement of the 17 December 2015 that the Oil and Gas Authority has awarded a Petroleum Exploration and Development Licence (PEDL) to the company Ineos covering an area incorporating much of the south of Trafford. This is the first stage in a process that could ultimately lead to 'fracking' taking place in Trafford.

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Council is concerned by the decision to award this licence and reaffirms its previous statement, as agreed by all parties on the 12 November 2014, that "The Council is opposed to 'fracking' until such time as it can be proved to be safe." In light of this statement of opposition to hydraulic fracturing in Trafford, Council agrees to write to the Secretary of State for Energy and Climate Change, and to the Oil and Gas Authority directly, outlining our concerns and asking that the decision to award this licence be reconsidered."

Following a debate on the matter, the amendment was agreed with the unanimous consent of the Council. Consequently, the substantive Motion was declared carried.

RESOLVED: That this Council notes the announcement of the 17 December 2015 that the Oil and Gas Authority has awarded a Petroleum Exploration and Development Licence (PEDL) to the company Ineos covering an area incorporating much of the south of Trafford. This is the first stage in a process that could ultimately lead to 'fracking' taking place in Trafford.

Council is concerned by the decision to award this licence and reaffirms its previous statement, as agreed by all parties on the 12 November 2014, that "The Council is opposed to 'fracking' until such time as it can be proved to be safe." In light of this statement of opposition to hydraulic fracturing in Trafford, Council agrees to write to the Secretary of State for Energy and Climate Change, and to the Oil and Gas Authority directly, outlining our concerns and asking that the decision to award this licence be reconsidered.

65. MOTION SUBMITTED BY THE LABOUR GROUP - GREATER MANCHESTER FIRE AND RESCUE SERVICE

(Note: As Council representatives on the Greater Manchester Fire and Rescue Service, Councillor Acton who was also its Chair and Councillor Whetton, each declared a personal interest in this item and remained in the meeting during consideration of the matter.)

It was moved and seconded that:

"The recent severe weather conditions and floods across Greater Manchester, in Salford, Rochdale, Littleborough, Bury, Manchester, and across the North West and elsewhere has highlighted the frontline role Greater Manchester Fire and Rescue Service (GMFRS) plays in times of severe local and national crises.

GMFRS budgets have been cut by £28 million over the last five years resulting in the loss of 450 firefighter posts and 10 fire engines being taken off the run, as well as significantly cutting "back office" and management. This has left Greater Manchester stretched to the limit in terms of its resilience to be able to tackle local and national crises such as those which have taken place recently and to keep our communities safe.

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The recent Comprehensive Spending Review announcement has meant a further cut to GMFRS of £15.8 million over the next 4 years which will seriously reduce further the resilience of GMFRS to be able to respond effectively to such crises in the future, which inevitably will put Greater Manchester residents, including Trafford residents, at further risk.

As the country's second largest fire and rescue service GMFRS plays a pivotal role in our local and national security and resilience, protecting homes and businesses, saving lives, and helping those in times of crises.

In light of the above Trafford MBC calls on the Government to reconsider their announcement to cut further GMFRS' budget at the level they propose, and consider offering similar protection to that rightly granted to the Police in the recent spending review, in recognition of the key role in local and national resilience provided by our superb fire and rescue service in Greater Manchester.”

It was moved and seconded as an amendment that:

“Council recognises the vital role Greater Manchester Fire and Rescue Service (GMFRS) plays in time of severe local and national emergency situations and places on record its appreciation for the front line role firefighters hold in keeping residents and businesses safe.

Since 2010, GMFRS has seen a reduction in Government grant funding of £28 million, and has responded locally by reducing the number of firefighter posts by 450, the number of fire engines by 10 and service efficiencies in back office and management costs.

The recent Comprehensive Spending Review announcement details a reduction, in core spending power available to GMFRS of £3.72 million over the next 4 four years, which may impact further the resilience of GMFRS to be able to respond effectively to emergency situations in the future.

As the country's second largest fire and rescue service, GMFRS plays a pivotal role in our local and national security and resilience, protecting homes and businesses, saving lives, and helping those in times of crises.

Council notes the forthcoming governance changes to GMFRS to bring the service under the authority of the Elected Mayor which will help to ensure a co-ordinated and efficient blue light operation with other emergency services.

In light of the above, the Council calls on the Government to consider the consultation response from GMFRS, in recognition of the key role in local and national resilience provided by our superb fire and rescue service in Greater Manchester.”

Following a debate on the matter, the amendment was put to the vote and declared carried. The substantive Motion was then put to the vote and declared carried.

**Meeting of the Council
20 January 2016**

RESOLVED: That Council recognises the vital role Greater Manchester Fire and Rescue Service (GMFRS) plays in time of severe local and national emergency situations and places on record its appreciation for the front line role firefighters hold in keeping residents and businesses safe.

Since 2010, GMFRS has seen a reduction in Government grant funding of £28 million, and has responded locally by reducing the number of firefighter posts by 450, the number of fire engines by 10 and service efficiencies in back office and management costs.

The recent Comprehensive Spending Review announcement details a reduction, in core spending power available to GMFRS of £3.72 million over the next 4 four years, which may impact further the resilience of GMFRS to be able to respond effectively to emergency situations in the future.

As the country's second largest fire and rescue service, GMFRS plays a pivotal role in our local and national security and resilience, protecting homes and businesses, saving lives, and helping those in times of crises.

Council notes the forthcoming governance changes to GMFRS to bring the service under the authority of the Elected Mayor which will help to ensure a co-ordinated and efficient blue light operation with other emergency services.

In light of the above, the Council calls on the Government to consider the consultation response from GMFRS, in recognition of the key role in local and national resilience provided by our superb fire and rescue service in Greater Manchester.

66. MOTION SUBMITTED BY THE LABOUR GROUP - POLITICAL EDUCATION IN SCHOOLS

(Note: Prior to the debate on this item, the time being 9.22 p.m., the Mayor indicated that all speeches would be limited to a maximum of one minute per speaker.)

It was moved and seconded that:

“This Council recognises the concerns raised by the young people of Trafford and supports their campaign and the petition to introduce basic political education in to the education system. They believe that there is still a large proportion of young people who do not hold the basic knowledge of politics and that if we want to engage more people and address the disengagement we need to appropriately educate them.”

Following a debate on the matter, the Motion was put to the vote and in accordance with Procedure Rule 16.5 a recorded vote was called for. This resulted as follows:

**Meeting of the Council
20 January 2016**

Those in favour of the Motion: Councillors Acton, Adshead, Baugh, Bennett, Bowker, Mrs. Brophy, Brotherton, Carter, Cordingley, Fishwick, Freeman, Gratrix, Harding, Hynes, Jarman, Lloyd, Malik, O'Sullivan, Procter, Ross, Smith, Taylor, Walsh, A. Western and D. Western.

Those against the Motion: Councillors S.A. Anstee, S.K. Anstee, Dr. Barclay, Miss Blackburn, Boyes, Mrs. Bruer-Morris, Bunting, Butt, Candish, Cawdrey, Chilton, Cornes, Coupe, Mrs. Dixon, Mrs. Evans, N. Evans, Holden (the Mayor), Hopps, Hyman, Lally, Lamb, Mitchell, Myers, Mrs. Reilly, Sephton, Sharp, Shaw, Mrs. Ward, Whetton, Williams M. Young and Mrs. Young.

With the result of the vote being 25 in favour and 32 against, with 0 abstentions, the Motion was declared lost.

67. MOTION SUBMITTED BY THE CONSERVATIVE GROUP - NORTHERN RAIL FRANCHISE

RESOLVED: That, the time being 9.30 p.m., consideration of this Motion be deferred to the Council meeting scheduled to be held on 23 March 2016.

The meeting commenced at 7.03 p.m. and finished at 9.30 p.m.

TRAFFORD COUNCIL

Report to: Council
Date: 17 February 2016
Report for: For approval
Report of: Director of Legal and Democratic Services

Report Title

Designation of Section 151 Officer

Summary

To designate the post of Chief Finance Officer as the Council's Statutory 151 Officer.

Recommendation(s)

That, with effect from 1 March 2016, the post of Chief Finance Officer be designated as the Council's Statutory 151 Officer and that the scheme of delegation be amended so that the Chief Finance Officer be authorised to perform all financial duties previously the responsibility of the post of Director of Finance.

That the Director of Legal and Democratic Services make the necessary amendments to the constitution.

Contact person for access to background papers and further information:

Name: Peter Forrester
Extension: 1815

Background Papers: None

Report - Section 151 Officer

- 1.1 The Local Government Act 1972 directs that a local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.
- 1.2 The Council currently designate the post of Director of Finance to this position. However, this post is to be disestablished and the new post of Chief Finance Officer has been created in its place. It is therefore recommended that the Chief Finance Officer post be designated as the Section 151 Officer with effect from 1 March 2016.

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TRAFFORD COUNCIL

Report to: Executive and Council

Date: 17 February 2016

Report for: Decision

Report of: The Executive Member for Finance and the Director of Finance

Report Title

CAPITAL PROGRAMME & PRUDENTIAL INDICATORS 2016/19

Summary

This report consists of two main areas for the Executive to consider:

Capital Programme – This report highlights the Council’s investment plans for the next three years taking into account the estimated resources to be made available from Government as well as the Council’s own resources. The level of resources forecasted to be available for capital investment purposes during the period 2016/19 is £89.4m.

New schemes with a value of £19.7m are recommended for approval (Appendix 1). If agreed this would result in a total Capital Programme for 2016/19 of £90.7m (Appendix 2). This equates to £1.3m of over-programming which will be reviewed in future years.

Prudential Indicators – the Council is required to set indicators in accordance with the CIPFA Prudential Code which are designed to support and record decisions taken on affordability, sustainability and professional good practice and these are outlined at Appendix 3.

Recommendations

That the Executive :

- 1) approve the Capital Programme as detailed in the report.
- 2) recommends the Council to approve the Capital Programme in the sum of £90.7m for the period 2016/19.
- 3) recommends the Council to approve the Prudential Indicators as set out at Appendix 3 of this report.

Contact person for access to background papers and further information:

Name: Graeme Bentley

Extension: 4336

Background Papers – None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial Implications	Planned capital expenditure over the next three year period will be contained within available capital resources.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Staffing/E-Government/Asset Management Implications	A number of improvement schemes are being undertaken in 2016/19.
Risk Management Implications	Not Applicable
Health and Safety Implications	A number of schemes are being undertaken in 2016/19 on the grounds of health and safety.

INTRODUCTION

1. Annually the Council sets a three year Capital Programme and the purpose of this report is to :
 - review the decisions taken in February 2015 with regard to the 2016/17 and 2017/18 budgets in light of any new priorities and bids for capital support
 - to amend 2016/17 and 2017/18 budgets for any updated central government grant allocations
 - propose an indicative 2016/19 Capital Programme taking into account the issues reported above and
 - ensure that there are adequate levels of resources available to finance the three year Capital Programme.
 - Update the prudential indicators for 2016/19.

STRATEGIC CONTEXT

2. The Capital Strategy outlines the Council's approach to capital investment with the purpose of providing clear direction for the Council's capital investment plans.
3. The aim of the Capital Strategy is to:-
 - **Link capital investment to Council priorities** by ensuring resources are allocated to schemes using a transparent prioritisation process
 - **Achieve value for money from available capital resources by using** options appraisal techniques for all new projects and adopting the Council's Procurement Policies for managing capital projects.
 - **Ensure Council resources are used to their maximum potential** by ensuring that resources are employed to either generate additional revenue or reduce revenue liabilities.
 - **Develop an affordable Capital Programme by:-**
 - Adopting a robust budget preparation and challenge process
 - Ensuring compliance with the CIPFA Prudential Code to ensure spending plans are prudent, affordable and sustainable
 - Considering the full extent of revenue implications in the Medium Term Financial Plan
 - Optimising the level of capital receipts from asset disposals
 - Maximising the use of external support towards capital projects

- **Manage the Capital Programme effectively** with projects completed on time and within budget by:-
 - Effective budget monitoring and reporting, including milestone monitoring
 - Effective project management methods
 - Identifying and managing risks; and implementing measures to mitigate them

CURRENT CAPITAL PROGRAMME 2015-18

4. The current forecasted expenditure for 2015/16 to 2017/18 is £105.8m with estimated resources available to support this programme of £109.8m, summarised below

Table 1 : 2015-18 Capital Programme & Resourcing	2015/16 £'000	2016/17 £'000	2017/18 £'000	Total £'000
Service Area				
• Children, Families & Wellbeing	21,590	14,949	11,142	47,681
• Economic Growth, Environment & Infrastructure	20,068	24,120	9,094	53,282
• Transformation & Resources	2,915	1,900	0	4,815
Capital Programme total	44,573	40,969	20,236	105,778
Resourcing				
• Capital Grants	26,582	19,027	12,211	57,820
• External contributions	6,751	5,291	2,000	14,042
External Resources	33,333	24,318	14,211	71,862
• Capital Receipts	8,121	3,938	6,273	18,332
• Borrowing	2,093	8,855	3,550	14,498
• LSVT VAT Income	3,421	400	0	3,821
• Revenue & Reserves	992	300	0	1,292
Internal Resources	14,627	13,493	9,823	37,943
Resourcing total	47,960	37,811	24,034	109,805
(Surplus) / Deficit	(3,387)	3,158	(3,798)	(4,027)

5. As part of the budget process the Programme has been reviewed to ensure it continues to meet Council priorities and remains affordable within the level of resources available.
6. The 2015/16 programme of £44.6m includes the delivery of a number of key projects including:-
- School Places and condition works of £38.6m - £16.2m in 2015/16
 - Adult Social Care of £9.0m - £4.1m in 2015/16
 - Corporate Landlord investment of £4.5m - £2.7m in 2015/16
 - Town Centre regeneration and investment of £12.4m - £3.8m in 2015/16
 - Highways improvements of £25.5m - £8.2m in 2015/16
 - Metrolink extension contribution of £7.0m - £3.0m in 2015/16
 - Parks and Open Space improvements of £1.5m - £1.0m in 2015/16
 - ICT investment of £4.5m - £2.6m in 2015/16

Capital Investment Resources 2016/19

7. The level of resources forecasted to be available for capital investment purposes during the period 2016/19 is £89.4m comprising external resources totalling £54.2m and internal totalling £35.2m.
8. External resources available to support the Capital Programme are received from a number of sources. These include grants from central government departments and agencies, developer contributions in the form of S.106 agreements and contributions from bodies interested in specific projects. These resources can be very specific with little, if any, discretion on how they can be applied.
9. We have previously been notified, or have made assumptions of our external grant allocations for 2016/17 and 2017/18. Whilst announcements on some allocations are still awaited a number of assumptions have been updated from the numbers shown in Table 1. In order to set a three year programme assumptions have also been made for 2018/19 and these are listed below.

Table 2 : Grants & External Contributions	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000
Government Grants				
• Schools Basic Need	7,889	6,573	6,000	20,462
• Schools Devolved Formula	790	390	390	1,570
• Schools Maintenance	3,304	1,929	1,900	7,133
• Disabled Facilities	950	950	950	2,850
• Highways Structural Maintenance	2,134	2,069	2,100	6,303
• Highways – TfGM	3,660	0	0	3,660
Sub-total	18,727	11,911	11,340	41,978
Developer Contributions				
• External Contributions	3,291			3,291
• S.106 – Metrolink extension (note)	2,000	2,000	5,000	9,000
Sub-total	5,291	2,000	5,000	12,291
Total	24,018	13,911	16,340	54,269

note : The Council's agreed contribution toward the Metrolink extension is £20m which is to be financed by S.106 contributions. To date we have received £3.5m, have the ability to drawdown £12.2m from the Barton Square development contribution and have identified £2.2m to be received by 2018/19 that has potential to be utilised toward the scheme. This leaves £2.1m still to be identified to support Trafford's contribution. At this stage it is not proposed to earmark resources currently available as the phasing of the contributions means that sufficient resources will be available to cover the contributions for the first few years and the position can be reviewed when setting the 2017/18 programme. In addition it is expected receipts from the Community Infrastructure Levy will also become available over the next few years and these can be made available to cover the shortfall.

10. In addition internal resources are estimated to amount to £35.2m for the three year period. These mainly comprise of capital receipts from the disposal of surplus assets, borrowing and the balance of LSVT VAT Income.

Table 3 : Internal Resources	2016/17 £000	2017/18 £000	2018/19 £000	Total £000
Current Resources				
Capital Receipts(*)	8,182	6,273	1,500	15,955
Prudential Borrowing	14,555	3,950		18,505
Revenue & Reserves	700	0		700
Total current resources	23,437	10,223	1,500	35,160

(*) Includes surplus from 2015/16 of £4,244k (allowing for the uncommitted 2015/16 budgets of £857k - see table 5). The above figures for 2016/17 and 2017/18 take account of latest updates of the land sale programme and are net of the sum required to repay the principal repayment element of the Sale PFI costs. The Old Trafford Masterplan has identified sites which can be released for sale. Receipts of £1.0m are expected to be realised in 2017/18.

11. At this stage no estimate has been made on levels of capital receipts from the sale of surplus property beyond 2017/18 and the first call of any new capital receipts from the land sales programme in 2018/19 will be in respect of the commitment on the PFI scheme. The capital receipt figures for 2018/19 relate to:
- The Local Authority Mortgage Scheme (LAMS) was first included in the Capital Programme in 2012/13 and we are due to receive repayments of our advances. Repayment of our 1st tranche of investment is due to be received in 2017/18 £1.5m and 2018/19 £0.5m. The current programme assumes a £1.5m LAMS repayment, therefore £0.5m is available to support new investment.
 - Altair Premium of £2m is expected by 2018/19 over a maximum of four instalments linked to the phases of the development; this represents an increase of £1m over current assumptions detailed in Table 1. There is potential for part of this to be received after 2018/19.
12. Borrowing of £12.4m is included in the current capital programme to support major investment in LED street lighting and the continued redevelopment of Lancashire CCC. It is expected that savings achieved in energy and running costs and returns from LCCC will be sufficient to repay the borrowing costs and provide for additional savings to the revenue budget.
13. Included in the Prudential Indicators is a further amount of £6.1m in respect of the future relocation of the Council's depot facilities. A further report will be presented to the Executive over the next few months detailing all the options considered and the specific financial implications, but at this stage it is assumed any costs associated with new prudential borrowing will be neutral on the revenue budget.
14. The level of estimated discretionary resources available to the programme is £5.5m as summarised below :

Table 4 : Discretionary Resource Available	£'000
Current position:	
Current Surplus (per Q3 monitor report – See Table 1)	4,027
Additional receipts assumptions :	
Additional LAMS Repayment (see para.11)	500
Altair Development premium (see para.11)	1,000
Total Discretionary Resources Available for investment	5,527

Capital Investment Bids Received

15. The value of bids received for 2016/19 total £23.1m and is significantly higher than the level of resources available. The majority of the bids relate to required maintenance of the Council's assets (property and highways). The value of bids is clearly unaffordable within the available resource envelope and therefore an assessment of the bids is required to identify key priority works.
16. The restrictions on the ability to apply external resources to specific schemes means that only internal resources are available for application on discretionary investment.
17. The current capital strategy details how capital projects are prioritised and affords priority to the following factors:-
 - Schemes of a mandatory / contractual nature
 - Invest to save schemes
 - Schemes that protect the asset base
 - Schemes that meet Council priorities
 - Schemes that meet Other priorities
 - Schemes funded by prudential borrowing.
18. The capital strategy will be reviewed but a key priority for future programmes will be to support investment which has the impact of improving the taxbase, whether that be housing or commercial, for example the continuation of programmes of town centre investment.
19. In the recent Comprehensive Spending Review announcement, local authorities will be able to use capital receipts to pay for transformational reform programmes. The current assumption is that the Council's transformation programme will continue to be financed from a combination of savings and earmarked revenue reserve. This will be kept under review. If capital receipts were to be used then this would reduce the size of the capital investment programme.
20. Similarly, capital receipts can be used to finance the cost of redundancy payments. The Council has an earmarked reserve for such payments (£3.1m) but when this is fully utilised an alternative source of funding will be required.
21. Given the value of bids it is appropriate to consider them against schemes in the current programme that are as yet uncommitted. The table below details these and the budgets totalling £6.6m which could be redirected in support of new priorities in light of the bids coming forward.

Table 5 : Uncommitted schemes in the current programme				
	2015/16	2016/17	2017/18	Total
	£'000	£000	£000	£000
Disabled Facility Grants		1,000	1,000	2,000
Asbestos Management	50	50	50	150
Legionella Control Remedial Works	59	50	50	159
Energy Efficiency & Sustainability Works	100	50	25	175
DDA Compliance Works		100	100	200
Mechanical & Electrical Works	65	200	200	465
Public Building Repair Works		300	300	600
Community Asset Transfer	483	500		983
Allotments - Welfare & Security Works		50		50
Countryside Infrastructure		75		75
Parks Infrastructure		225	200	425
Assistance to Owner Occupiers		100	50	150
Housing Standards / Empty Property Initiatives	100	100		200
Integrated Transport Schemes		500	500	1,000
TOTAL	857	3,300	2,475	6,632

22. Taking into account the level of available internal resources (see table 4) and those budgets as yet uncommitted there is a total of £12.2m to support investment in 2016/19.

23. The total value of new bids received is £23.1m which, if all were added to the Capital Programme, would move the current surplus position to a deficit of £10.9m. This is too large an amount to over-programme given the dwindling level of discretionary resources available.

24. Appendix 1 provides a proposed list of schemes with an estimated cost of £19.7m to be financed from discretionary resources, of which £13.5m are to be funded from capital receipts. The inclusion of these schemes would result in an over-programming position of £1.3m.

2016/19 INDICATIVE PROGRAMME

25. The value of the indicative three year Capital Programme is £90.7m and a summary shown in the table below. At this stage the figures for 2016/17 are known in detail, whereas the external resource position for 2017/18 and 2018/19 is less certain, which means that the programme we are aware of for those two years is at a lower level than in 2016/17, but may increase as additional resources are confirmed.

Table 6: Capital Programme 2016/19 - Analysis by Priority	Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget Total
	£000	£000	£000	£000
Protecting the Asset Base	9,303	4,239	4,050	17,592
Supporting Service Provision	13,164	8,892	8,290	30,346
Supporting the Local Economy	6,535	4,000	1,950	12,485
Investing in New Technology	2,425	0	0	2,425
Investing in Major Infrastructure	18,632	4,200	5,000	27,832
Total Investment	50,059	21,331	19,290	90,680

26. Performance on delivering the investment proposals has been an issue over recent years, with only 65% of the budget utilised in 2014/15 and an expected outturn of 84% of the budget in 2015/16. In order to address this procedures are being implemented to ensure that a full detailed programme of works is provided prior to any new budgets being included in the Capital Programme.

27. In light of this the opportunity has been taken to review the phasing of the proposals and other budgets already included to better reflect the expected delivery of the investment, taking into consideration any funding constraints on external grants. For new internally funded schemes approx. 25% of the budget has been re-phased from 2016/17 and known re-profiling has also been incorporated (e.g. LED Replacement Programme £2.5m).

28. The overall 2016-19 budget remains the same, with the exercise allowing for re-profiling of £6.4m from 2016/17 to 2017/18 and 2018/19. If however there is the potential for any of this to be undertaken in 2016/17 it can be accommodated in the projected resourcing envelope.

29. The result of this re-profiling is shown in an amended summary table below with scheme detail provided in Appendix 2.

Table 7 : Capital Programme 2016/19 - Analysis by Priority	Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget Total
	£000	£000	£000	£000
Protecting the Asset Base	7,263	5,654	4,675	17,592
Supporting Service Provision	12,798	9,158	8,390	30,346
Supporting the Local Economy	5,585	4,850	2,050	12,485
Investing in New Technology	2,015	410	0	2,425
Investing in Major Infrastructure	16,042	6,790	5,000	27,832
Total Investment	43,703	26,862	20,115	90,680

Protecting the Asset Base – This includes investment in public buildings and infrastructure which is crucial in ensuring much needed facilities, used by the public, are kept open as lack of investment will lead to health and safety issues and potential closures.

Supporting Service Provision – This predominantly relates to the continuation of investment in school buildings including a programme that will create 1,750 additional school places across the Borough to address the shortage of primary school places as well as address secondary condition needs.

Supporting the Local Economy – Includes major investment in the Borough's town centres

Investing in New Technology – This investment will support the completion of a number of corporate improvements. Also investment in Telecare products which monitor people at risk in their own homes, improving their safety and helping them to stay independent and healthy for longer.

Investing in Major Infrastructure – This investment includes improvements to 65km of carriageway, 66km of footways, 750 new street lighting columns and replacement of all luminaires, major bridge refurbishments and junction improvements.

PRUDENTIAL INDICATORS

30. The Council is required to set indicators that are designed to support and record decisions taken on affordability and sustainability. There is also a requirement to impose *limits* on the Council's treasury management activities to ensure decisions are made in accordance with professional good practice and risks are appropriate (These are included in the Treasury Management Strategy Report). The Director of Finance will monitor these and report on them at appropriate times. The Council can revise these indicators and limits at any time.
31. All the indicators take account of the proposals in this report and a list of Prudential Indicators is included at Appendix 3.

RECOMMENDATIONS

32. That the Executive:-

- approve the Capital Programme as detailed in the report.
- recommend the Council approve the Capital Programme in the sum of £90.7m for the period 2016/19.
- recommend the Council approve the Prudential Indicators.

Other Options

The Executive could decide to use capital receipts to repay debt which would generate revenue savings on the Medium Term Financial Plan. Based on the level of receipts available this could save approximately £0.2m in 2017/18 rising to £0.3m by 2019/20. However, the proposed application of the capital receipts are to schemes with mandatory requirements or schemes to protect the long-term viability of the Council's assets; enabling efficient and effective service delivery and avoiding potential increases in maintenance costs in future years, the benefits of which are greater than just using the receipts to repay debt.

Consultation

Consultation has taken place with budget holders, responsible officers and professional services to ascertain the new projects to be put forward for inclusion in the Capital Investment Programme for 2016/19.

Reasons for the Recommendation

The Authority is regularly assessed on the performance of its Capital Programme and how delivery matches corporate policies and proposed spending plans. To reflect budgets in line with revised expectations will assist in evidencing that compliance with the above is being met.

Finance Officer Clearance (type in initials)GB.....

Legal Officer Clearance (type in initials)HK.....

Director of Finance *Signature appended in hard copy*

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

2016/19 CAPITAL PROGRAMME : NEW START PROPOSALS	Service Area	2016/17	2017/18	2018/19	Total
		£'000	£'000	£'000	£'000
Schemes of a Mandatory / Contractual Nature					
Disabled Facilities Grants	CFW	650	650	650	1,950
Disabled Access Works (DDA)	EGEI	200	200	200	600
Timperley Sports Club – Artificial Pitch Replacement	T&R			350	350
Sub-total		850	850	1,200	2,900
Invest to save schemes					
Adult Social Care - Assistive Technology	CFW	300			300
Corporate Landlord – Asset Management System	EGEI	250			250
Sub-total		550			550
Schemes that protect the asset base					
Mechanical & Electrical Works	EGEI	100	100	100	300
Public Building Repairs	EGEI	800	750	750	2,300
Leisure Assets – Property repairs	EGEI	502			502
Altrincham Leisure Centre - Roof	EGEI	102			102
Stretford Leisure Centre - Roof	EGEI	100			100
Highway Structural Maintenance Works	EGEI	1,700	400	400	2,500
Street Lighting Column Replacement	EGEI		650		650
Car park Improvements	EGEI	115			115
Parking – Electronic Permit Signs	EGEI	30			30
Allotments - Welfare & Security Works	EGEI	50			50
Countryside Infrastructure	EGEI	75			75
Parks Infrastructure	EGEI	225	200		425
Park Gates - Replacements	EGEI	35	20		55
Play Area Refurbishments	EGEI	250			250
Waterside Arts Centre – Lighting Upgrade	T&R	95			95
ICT – Wifi controller upgrade	T&R	45			45
Sub-total		4,224	2,120	1,250	7,594
Council Priorities					
CCTV – Upgrade to equipment and connectivity	T&R	320			320
Trafford & GMP – HR Shared Service	T&R	485			485
Libraries – RFID Self-serve Kiosks	T&R	180			180
Sub-total		985			985

2016/19 CAPITAL PROGRAMME : NEW START PROPOSALS	Service Area	2016/17	2017/18	2018/19	Total
		£'000	£'000	£'000	£'000
Other Priorities					
Integrated Transport Plan Works	EGEI	500	500	500	1,500
Sub-total		500	500	500	1,500
Prudential Borrowing					
Dunham Cemetery Bungalow - Development	EGEI	35			35
Relocation of depot facilities	EGEI	5,700	400		6,100
Sub-total		5,735	400		6,135
TOTAL PROPOSALS		12,844	3,870	2,950	19,664

2016/2019 INDICATIVE CAPITAL PROGRAMME			
	2016/17	2017/18	2018/19
DESCRIPTION	£000	£000	£000
Children's			
Basic Need : School Places & Condition Issues	8,139	6,573	6,000
Devolved Formula Capital	590	490	490
Capital Maintenance Grant	3,294	1,929	1,900
UIFSM – Flixton Infant School	10		
Sub-total	12,033	8,992	8,390
Adults			
Assistive Technology – Care Support	300		
Disabled Facility Grants	1,800	1,700	1,700
Sub-total	2,100	1,700	1,700
Economic Growth, Environment & Infrastructure			
Mechanical & Electrical Works	75	100	125
DDA Compliance	150	225	225
Public Building Repairs	600	750	950
Leisure Services Assets – Improvement Programme	527	127	50
Corporate Landlord – Asset Management System	185	65	
Relocation of Depot Facilities	5,700	400	
Lancashire CCC – New hotel development	1,600	2,400	
Altrincham – Library / Community Facility	1,000	700	
Altrincham Town Centre – Public Realm	1,150		
Stretford Town Centre – Public Realm	1,000	750	
Integrated Transport Schemes	392	558	550
Congestion Performance Works	77		
Altrincham Interchange	850		
A56/Davyhulme Rd East, Stretford – Junction Improvements	50		
Public Transport - S106s Projects	190	100	
Trans Pennine Trail – Urmston to Ashton-on-Mersey	97		
Altrincham Town Centre – Cycle Link	400		
Cycle City Ambition Grant	1,413		
Trafford Park Metrolink - S106 Contribution	2,000	2,000	5,000
Highways Structural Maintenance	3,234	2,869	2,700
Street Lighting – LED Programme & Column Replacement	4,765	4,290	

	2016/17	2017/18	2018/19
DESCRIPTION	£000	£000	£000
Parks Infrastructure	225	125	75
Countryside Infrastructure	75		
Allotments - Welfare & Security Works	50		
Parks Gates – Replacements	35	20	
Play Areas Refurbishments	175	75	
Housing Standards / Empty Property Initiatives	100	46	
Car Park Improvements	115		
Parking – Electronic Permit Signs	30		
Sub-total	27,095	15,600	9,675
Transformation & Resources			
Timperley Sports Club – Artificial Pitch			350
Waterside Arts Centre – Building Improvements	70	25	
CCTV – Upgrade to system & connectivity	240	80	
Libraries – RFID self-serve kiosks	135	45	
Trafford & GMP- HR Shared Service Centre	365	120	
CRM Upgrade & Project Team	1,000		
Electronic Data Records Management System (EDRMS)	400	200	
Web / Customer Strategy	200	100	
WiFi controller upgrade	45		
Insurance – Claims Management System	20		
Sub-total	2,475	570	350
TOTAL	43,703	26,862	20,115

Prudential Indicators – Estimates 2016/19

Capital Prudential Indicators	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Capital Expenditure	44.6	43.7	26.9	20.1
Capital expenditure - the table above shows the estimated capital expenditure to be incurred for 2015/16 and the following three years.				
Capital Financing Requirement as at 31 March	135.4	144.0	146.3	141.0
Capital Financing Requirement (CFR) - this reflects the estimated need to borrow for capital investment (i.e. the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts).				
Financing Cost to Net Revenue Stream	6.1%	6.2%	7.0%	7.0%
Financing costs to net revenue stream - this indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the Council's net revenue stream. The increase at 2017/18 is due to a reduction in the net revenue stream as a result of a reduction in settlement funding.				
Incremental Impact on Band D Council Tax (£)	0.00	0.00	0.00	0.00
Incremental impact on band D council tax – reflects the incremental impact on the Council Tax arising from new borrowing undertaken in order to finance the capital investment decisions taken by the Council during the budget cycle. The figures above reflect that any additional borrowing is supported by revenue savings or external support.				

All the prudential indicators are monitored on a regular basis. If the situation arises that any of the prudential indicators appear that they will be breached for a sustained period, then this will be reported to the Council at the earliest opportunity.

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TRAFFORD COUNCIL

Report to: Accounts & Audit Committee
Executive & Council Meetings
Date: 9 February 2016
17 February 2016
Report for: Decision
Report of: The Executive Member for Finance and Director of Finance

Report Title

TREASURY MANAGEMENT STRATEGY 2016/17 – 2018/19

Summary

This report outlines the:-

- strategy to be followed during this period for investments and borrowing,
- outlook for interest rates,
- management of associated risks,
- policy to be adopted on Minimum Revenue Provision and
- Prudential Indicators for 2016/17 – 2018/19.

Recommendations

That the Accounts & Audit Committee & Executive recommend to Council for approval the:

- policy on debt strategy for 2016/17 to 2018/19 as set out in section 3;
- investment strategy for 2016/17 to 2018/19 as set out in section 5;
- Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), Operational Boundary, Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

Contact person for access to background papers and further information:

Name: Graham Perkins
Extension: 4017

Background papers: None

Relationship to Policy Framework / Corporate Priorities	Value for Money
Financial	The treasury management strategy will aim to maximise investment interest whilst minimising risk to the Council. The Council's debt position will be administered effectively with any new loans taken at rates of interest in-line with the Medium Term Financial Plan provision.
Legal Implications:	Actions being taken are in accordance with legislation, Department of Communities & Local Government (DCLG) Guidance, Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice.
Equality/Diversity Implications	Any equality and diversity implications are as set out in this report
Sustainability Implications	Not applicable
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the treasury management systems and procedures which are independently tested on a regular basis. The Council's in-house treasury management team continually monitor to ensure that the main risks associated with this function of adverse or unforeseen fluctuations in interest rates are avoided and security of capital sums are maintained at all times.
Health and Safety Implications	Not applicable

Summary

This report outlines the expected treasury activities for the forthcoming three years and has been prepared in accordance with the Council's Financial Procedure Rules. Additional treasury management reports are produced during the course of the year reporting actual activity for the preceding year and a mid-year update.

Economic situation (Appendix 2)

The World economic situation continues to remain finely balanced with the US & UK reporting respectable growth figures compared to the other major economies.

During 2015 the main economic headlines were:

- UK reported positive growth throughout 2015 with the economy continuing to be one of the strongest of the developed nations. Unemployment reached 5.2% in October, its lowest level since May 2008;
- The Euro Central Bank commenced a €1.1 trillion programme of quantitative easing and Greece continues to remain an issue;
- US Central bank increased its bank rate from 0.25% to 0.50% in December, the first increase since 2008; and
- China's Government implemented several stimulus measures in order to ensure the economy hit a growth target of 7%, however despite this action a return of 6.9% was achieved, the lowest level in 25 years. Many commentators still have concerns that recent growth figures may have been massaged to hide a more accurate lower growth position. In addition to this, during the Summer months, China's stock market encountered a period of falling prices.
- Japan entered recession for the 4th time in 5 years.

Debt (Section 3)

Borrowing interest rates are expected to continue at their historically low levels during the next 12 months before steadily increasing. Any new external borrowing will be taken in order to (a) assist finance the Council's capital Investment programme and (b) commence to address the current underborrowed position, as described at paragraph 3.2 and outlined at paragraph 3.3.

Debt restructuring exercises will only be undertaken in order to produce revenue savings or lower overall treasury risk.

Investments (See Section 5 and Appendix 3)

The primary principles governing the Council's investment criteria remains unchanged from that previously adopted of security of capital first, liquidity of its cash flows and finally yield.

The Council is required to agree the lending criteria, which is primarily determined by credit ratings issued by the 3 major credit rating agencies as detailed at Appendix 3.

Prudential Indicators and limits (Section 7 and Appendix 3)

The Council is required to approve a set of Prudential Indicators and limits which ensure the Council's capital expenditure plans and borrowing remain robust, prudent, affordable and sustainable. These are detailed at Appendix 3 for Member approval.

1. Background

1.1 The main treasury management activities are outlined below:

- ensure that adequate cash is available to meet the Council's cash flow requirements;
- manage its long and short term loans;
- invest any temporary surplus monies which become available during the year in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity before considering investment return;
- undertake any long term funding requirements of the Council's capital investment programme with the use of longer term cash flow planning and may involve arranging long or short term loans; and
- on occasion, carry out any debt restructuring exercises on its existing loans in order to meet Council risk or cost objective.

1.2 All transactions undertaken as part of the treasury management operation will comply with all the statutory requirements together with the DCLG Guidance, CIPFA Treasury Management Code of Practice which the Council has adopted. A brief outline of these has been provided at Appendix 1.

1.3 Each year in order to comply with the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code), Members are required to receive, consider, scrutinise and approve, a minimum of three reports annually, which incorporate a variety of policies, estimates and actuals as follows;

- Annual treasury strategy for the year ahead (February i.e. this report).
- Mid-year update report (November).
- Annual report on the activity undertaken compared to the strategy (June).

1.4 The Council uses Capita Asset Services as its treasury management advisors who provide a range of services on all treasury matters from the supply of credit ratings to technical support and this service is subject to regular review.

1.5 Whilst the advisors provide support to the internal treasury management team, the Council recognises that the final decision on all treasury management matters remains with the organisation at all times.

1.6 The Council recognises the importance of ensuring that all Members and staff involved in the treasury management function receive adequate training and are fully equipped to undertake the duties and responsibilities allocated to them by ensuring that;

- Members will continue to have access to training which will be relevant to their needs & responsibilities;
- Officers will attend courses / seminars presented by CIPFA, Advisors and any other suitable professional organisation, in accordance with Council policy on this issue.

1.7 Excluded from this report are the activities carried out by the Council's schools, which operate within a separate criteria as stipulated by the Director of Finance and in accordance with the Council's Financial Procedure Rules.

2. Economic & Interest Rate forecast

- 2.1 The Worldwide economic situation, continues to remain in a delicate position with only the US & UK reporting respective levels of Gross Domestic Product compared to other countries economies during 2015. Markets are closely following the current economic situation in China and Greece continues to remain an issue.
- 2.2 Further details on the major economic events which occurred during 2015 and forecasts for 2016/17 are outlined at Appendix 2 for reference.
- 2.3 Capita, the Council's external treasury management advisors, produces interest rate forecasts periodically throughout the year and the latest position, up to March 2019 are highlighted in the table below;

Annual Average	Bank Rate (%)	Investment Rates (%)		Borrowing Rates (%)	
		3 month LIBID	1 year LIBID	5 year	25 year
2015/16	0.50	0.52	1.00	2.00	3.40
2016/17	0.63	0.70	1.15	2.25	3.55
2017/18	1.13	1.20	1.70	2.65	3.85
2018/19	1.63	1.70	2.20	3.05	4.08

- 2.4 The risk to the above forecast will be if the economic recovery from the recession proves to be weaker and slower than currently expected, it is likely rates would remain low for longer.
- 2.5 The Council's advisors have stated that the economic situation and outlook still remains uncertain and as a result of this the Council will therefore continue to take a cautious approach to its treasury strategy during this period.

3. Debt Strategy 2016/17 – 2018/19

- 3.1 The Council has the powers to borrow new funds from the Government (Public Works Loan Board, (PWLB) and dedicated Publicly funded companies set up to solely lend funds to the public sector e.g. Salix), Municipal Bond Agency or the money market providing it is to assist short term cash flow or finance longer term capital investment.
- 3.2 The table below shows the actual current external debt levels, with forward projections, against the underlying capital borrowing need (the Capital Financing Requirement - CFR) highlighting the Council's under-borrowing position. Interest rates are at historically low long term levels and the table includes an assumed take up of new borrowing during the remainder of 2015/16 and 2016/17.

	2015/16	2016/17	2017/18	2018/19
	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Debt at 1 April	94,992	104,107	114,915	116,181
Debt maturing	(1,770)	(3,747)	(2,684)	(2,578)
New Debt	10,885	14,555	3,950	0
Debt at 31 March	104,107	114,915	116,181	113,603
Capital Financing Requirement at 31 March	135,431	144,007	146,343	141,022
Under borrow at 31 March	31,324	29,092	30,162	27,419

- 3.3 It can be seen from the above table that the Council is currently maintaining an under-borrowed position arising from decisions taken previously not to finance capital spending from new external loans. Instead cash supporting the Council's reserves, balances and cash flow has been temporarily used to finance this requirement.
- 3.4 The Director of Finance will monitor the interest rate market and adopt a pragmatic approach to changing circumstances within the 2016/17 treasury operations. Any new borrowing undertaken will be to (a) assist finance the Council's capital Investment programme and (b) start to replace funds previously used to finance capital spend (underborrowed position) and will be subject to favourable interest rates, being available permitting this course of action.
- 3.5 The Council holds £56m of Lender's Option Borrower's Option (LOBO) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. Currently, £51m, of these loans have options during 2016/17 and although the Director of Finance understands that lenders are unlikely to exercise their option in the current low interest rate environment, there remains a possibility that this could occur. In accordance with the Director of Finance's delegated authority, should an opportunity present itself to repay a LOBO loan at no cost, then this option will be taken and the situation assessed as to whether or not a replacement loan is taken from the PWLB.
- 3.6 In addition to the borrowing undertaken directly, the Council is also responsible for a further £0.8m which is administered by Tameside Borough Council. This follows the conversion in February 2010 of loans previously held on behalf of Manchester International Airport into an equity rated instrument.
- 3.7 As short term borrowing rates will be cheaper than longer term fixed interest rates, there may be potential opportunities in the future to generate revenue savings by switching from long term debt to short term debt. However the cost of premiums incurred, due to early repayment, will also need to be taken into account before any restructuring is undertaken.
- 3.8 The Council retains the flexibility to borrow funds in advance of requirement should market conditions unexpectedly change i.e. anticipate a sharp rise in interest rates, however funds will not be taken purely in order to profit from investment of the extra sums borrowed. This course of action will be done in accordance with the Director of Finance's delegated powers and reported to Members through either the mid-year or annual reporting mechanism.

- 3.9 Any borrowing undertaken in this way by The Director of Finance will be done within the constraints stated below;
- no more than 50% of the expected increase in borrowing need (CFR) over the three year planning period is to be taken in this manner and
 - borrowing only up to a maximum 12 months in advance of need.
- 3.10 A breakdown of the Council's expected debt maturity profile as at 31 March 2016 is provided at Appendix 4 for reference which also shows, in accordance with the Code of Practice, the potential first date the lending banks could amend the rate of interest for the market loans.
- 3.11 The Council is required to approve;
- the above debt strategy and
 - as part of the Prudential Indicators and Limits requirement, the limits for external debt in accordance with the Local Government Act 2003, having regard for CIPFA's prudential code before the commencement of each financial year. These limits are detailed at Appendix 3 for Council approval.

4. Minimum Revenue Provision Strategy

- 4.1 The Council is required to set aside an amount each year for the repayment of debt (by reducing the CFR), through a revenue charge called the Minimum Revenue Provision (MRP). In addition, the Council is also allowed to undertake voluntary revenue payments (VRP).
- 4.2 During 2015/16 the Council undertook an extensive exercise reviewing how it calculates MRP costs for debt incurred on capital expenditure prior to 2008.
- 4.3 As a result of this review, a change in policy was approved by Council at its January 2016 meeting and there will be no change to this in 2016/17. As part of the Prudential Indicators and Limits requirement Members are requested to approve the MRP statement as detailed at Appendix 3.

5. Investment Strategy

- 5.1 The Council undertakes investments, from income temporarily available which has been received in advance of spend and from its balances and reserves which it holds. This function is undertaken with regard to the DCLG's Guidance on Local Government Investments together with the revised CIPFA Treasury Management in Public Services Code of Practice.
- 5.2 The primary principle governing the Council's investment criteria is the security of its investments, followed by liquidity whilst ensuring that a reasonable level of return is also achieved. After these main principles, the Council will ensure that it maintains a policy covering 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 at Appendix 3.
- 5.3 To ensure that investments are only placed with strong creditworthy institutions, a counterparty list is produced and maintained based on credit ratings from two of the three independent rating agencies (Fitch, Moody's and Standard and Poor's) and these must meet the minimum levels required by the Council as shown at Appendix 3.

- 5.4 This approach uses real time credit rating information provided by the Council's advisers Capita and enables an institution to be included on this list, using the latest ratings.
- 5.5 Any institution featuring on the Council's approved list which incurs a negative rating change taking it below the minimum credit criteria required, will immediately be suspended from use and removed from the authorised list.
- 5.6 Whilst investment risk cannot entirely be eliminated, it can be minimised and in order to reduce the risk of an institution defaulting, the Director of Finance recommends to continue with the current practice of institutions only being included on the Council's lending list which have minimum credit rating as follows;
- Short Term – Fitch F1 or equivalent
 - Long Term – Fitch A- or equivalent
- 5.7 A full explanation of the credit ratings determining the institutions which the Council will use can be found at Appendix 5.
- 5.8 Whilst Members are asked to approve this base criteria, the Director of Finance may temporarily restrict further investment activity to those institutions considered of higher credit quality than the minimum criteria set out for approval should any exceptional market conditions be encountered.
- 5.9 The Council's officers further 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 each institution in relation to the economic and political environments in which they operate. For this purpose, the Council will with the assistance of its advisers, monitor market opinions, financial press, equity & credit default swap prices and overlay this information on top of the credit ratings. This additional market information is detailed for Members' reference at Appendix 5.
- 5.10 In addition to the Council's list of high quality investment institutions, further factors will also be used in order to reduce any potential exposure of its investments including time and value limits as explained in more detail at Appendix 3 together with how much in total can be placed in non-UK institutions, Groups and Sectors which is shown in more detail at Appendix 5.
- 5.11 Investments will continue to be placed into three categories as follows;
- Short-term – cash required to meet known cash flow outgoings in the next month, plus a contingency to cover any unexpected transaction over the same period with bank call accounts, money market funds and certificates of deposits being the main methods used for this purpose.
 - Medium-term – cash required to manage the annual seasonal cash flow cycle covering the next 12 months and will generally be in the form of fixed term deposits and enhanced money market funds.
 - Long-term – cash not required to meet any forthcoming cash flow requirements which can be used primarily to generate investment income by using fixed or structured term deposits, certificates of deposits, government bonds or the Local Authority Property Investment fund, after taking into consideration the forecasted interest rate yield curve.
- 5.12 The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded and will be limited to the Prudential Indicator detailed at Appendix 3.

- 5.13 A breakdown of the Council's investments as at 31 January 2016 is provided for reference at Appendix 6.
- 5.14 The Council is requested to approve;
- the adoption of above Investment strategy and
 - the minimum criteria for providing a list of high quality investment institutions, instruments and limits to be applied are highlighted at Appendix 3.

6. Investment Risk Benchmarking

- 6.1 The Code of Practice and DCLG Investment Guidance require that appropriate security and liquidity benchmarks are considered and reported to Members and these are explained in more detail in Appendix 5.
- 6.2 These benchmarks are simple guides to maximum risk (not limits) for use with cash deposits and so may be exceeded from time to time, depending on movements in interest rates and institution criteria. The purpose of the benchmark is to assist officers to 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 to Members, with supporting reasons in the Mid-Year or Annual Report. For reference these benchmarks will be;
- Security - each individual year the security benchmark is:

1 year investments	2 year investments	3 year investments
0.077%	0.056%	0.077%

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

- Liquidity – Weighted Average Life (WAL) - benchmark for 2016/17 is set at 6 months, with a maximum of 3 years for cash time deposits
Liquid short term deposits - at least £15m are available with a week's notice
- Yield - Internal returns are required to achieve above the 7 day London Interbank Deposit (LIBID) rate.

7. Prudential Indicators

- 7.1 A number of prudential indicators have been devised for both the treasury management and capital operations. These are designed to assist managing risk and reducing the impact of an adverse movement in interest rate as well as ensuring that the Council's capital expenditure plans are prudent, affordable and sustainable. These indicators have been set in order that they are not too restrictive thereby impairing the opportunities to reduce costs and reflect the capital programme proposals, included within the main budget report.
- 7.2 Members are requested to approve the Prudential Indicators for Council's treasury management activities as detailed at Appendix 3.

8. Recommendations

That the Accounts & Audit Committee and Executive recommend to Council the key elements of this report for approval which are as follows;-

- policy on debt strategy for 2016/17 to 2018/19 as set out in section 3;
- investment strategy for 2016/17 to 2018/19 as set out in section 5;
- Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), The Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

Other Options

This report has been produced in order to comply with Financial Procedure Rules and relevant legislation. It provides a plan of action for the period 2016/17 to 2018/19, which is flexible enough to take account of changes in financial markets.

Consultation

Advice has been obtained from Capita, the Council's external advisors.

Reasons for Recommendation

The Financial Procedure Rules, incorporating the requirements of the revised CIPFA Prudential Code and the CIPFA Treasury Management Code requires that the annual strategy report is an essential control over treasury management activities whereby Members approve the parameters under which officers will operate. In addition The Local Government Act 2003 requires that the Council approves an annual borrowing limit (the Authorised Limit) and DCLG Guidance an annual investment strategy (setting out the limits to investment activities) prior to the commencement of each financial year.

Key Decision

This will be a key decision likely to be taken in: February 2016

This is a key decision currently on the Forward Plan: Yes

Finance Officer Clearance *...ID... ..*

Legal Officer Clearance *...HK*

Director of Finance Signature *..... Signature appended in hard copy.....*

STATUTORY FRAMEWORK

Local Government Act 2003

In accordance with the Local Government Act 2003 (and supporting regulations and guidance) each Council must before the commencement of each financial year, produce a report fulfilling three key requirements as stipulated below;

- The debt strategy in accordance with the CIPFA Code of Practice on Treasury Management (section 3);
- The investment strategy in accordance with the DCLG investment guidance (section 5);
- The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities (Appendix 3).

CIPFA Code of Practice

The Council's treasury activities are strictly regulated by statutory requirements in conjunction with a professional code of practice (the CIPFA Treasury Management Code of Practice). This Council adopted the Code of Practice on Treasury Management on 24 April 2002 and followed recommended practices by considering an annual Treasury Management Strategy before the commencement of each financial year. These Codes are revised from time to time and the Council complies with any revisions.

CIPFA defines treasury management as *“The management of the organisation's investments and cash flows, its banking, money market and capital market transactions(debt); the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”*.

Investment Guidance

DCLG issued Investment Guidance in March 2010 and this forms the structure of the Council's policy below:

- The strategic guidelines for decision making on investments, particularly non-specified investments;
- Specified investments that the Council will use. These are high security (no guidelines are given defining what this should consist of and each individual Council is required to state what this should be i.e. high credit ratings), 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 principles to be used to determine the maximum periods for which funds can be committed.

MAIN ECONOMIC HEADLINES DURING 2015/16

UK -

- Annualised Gross Domestic Product (GDP) grew by 2.2% in 2015 and despite this being slower to that reported for 2014 of 2.9%, it is still one of the strongest economies of the developed nations;
- Consumer Price Index (CPI) was around 0% for the majority of 2015, with the latest position showing 0.20% for December 2015;
- Average weekly earnings were 3.0%;
- Monetary Policy Committee (MPC) left both the Bank Rate and Quantative Easing levels unchanged at 0.5% (the lowest level since 1692) and £375bn respectively;
- The level of unemployment benefit claimants fell to 5.2% in October 2015, it's lowest since May 2008 years.

Eurozone –

- GDP remains weak at 1.5% with concerns on how the slowdown in both the Chinese and Japanese economies will effect this;
- CPI continued to hover around 0% for 2015 and includes some countries with negative rate (deflation). The latest position for December was unchanged from that reported in November of 0.2%;
- Unemployment rate continues to be a problem at 10.7%;
- Greece continued to be a cause for concern but finally relented to EU demands for a major programme of austerity to be implemented, receiving a third bailout package of €86bn, its banking systems being damaged and holding a surprise general election. Concerns remain as to whether the size of cuts and degree of reforms required can be fully implemented thereby avoiding a Greek exit from the euro.
- European Central Bank in March 2015 commenced a €1.1 trillion programme of quantitative easing buying up high credit quality government and other debt of selected EZ countries which is intended to run to September 2016. Its central policy rate remains at 0.05%.

US –

- GDP is currently forecasted to be 2.1% for 2015;
- The Federal Reserve for the first time since 2008, increased the Bank rate in December by 0.25% to 0.50%;
- Unemployment levels fall to 5.0% in November 2015, their lowest levels in 7 years;
- CPI 0.2% in November 2015.

Other –

- China's Growth rate for 2015 was 6.9% the lowest level in 25 years. There are market concerns that recent growth figures have been massaged to mask a downturn to a lower growth figure. During the Summer months China's stock market encountered a period of falling prices.

- Japan is causing considerable concern as growth in quarters 2 & 3 shrank by 0.7% & 0.8% respectively pushing it back into recession for the fourth time in five years.

MAIN ECONOMIC FORECASTS FOR 2016/17

Economic forecasting remains difficult, particularly with many so external influences affecting the UK and currently forecasters are predicting the following average levels of activity;

Indicator	UK	Eurozone	US	China
Growth Domestic Product	2.5%	1.6%	2.2%	6.6%
Consumer Price Index	1.2%	0.4%	0.9%	2.3%
Unemployment Rate	5.9%	10.6%	5.1%	4.0%
Bank Rate	0.75% (0.25% increase to 0.75% expected Qtr 4 2016)	0.05%	1.30%	4.00%

ELEMENTS FOR COUNCIL APPROVAL
(including Prudential and Treasury Indicators, Minimum Revenue Provision & Investment Criteria)

In accordance with DCLG Guidance, the CIPFA Prudential Code and the CIPFA Code of Practice on Treasury Management each council is required to set, before the commencement of each financial year, Treasury Management Prudential Indicators and limits, a Minimum Revenue Provision Statement and Investment criteria.

The Accounts and Audit Committee and Executive are requested to recommend that Council approve these for the period 2016/17 – 2018/19 as detailed below.

TREASURY PRUDENTIAL INDICATORS AND LIMITS –

In accordance with the CIPFA Prudential code, the Council is required to produce prudential indicators and limits reflecting the expected capital activity regarding its capital investment programme. These have an impact on the Council's treasury management activities and the Council is required to approve the prudential indicators and limits affecting treasury management performance as shown below;

	2015/16 estimate £m	2016/17 estimate £m	2017/18 estimate £m	2018/19 estimate £m
Upper Limits – Fixed interest rate exposure	2.7	2.8	2.7	2.4
Upper Limits – Variable interest rate exposure	3.2	3.3	3.3	3.5
Upper Interest Limits – identifies the maximum limit for both fixed and variable interest rates exposure based upon the Council's debt position net of investments (debt interest payable less investment interest receivable).				
Authorised Limit for External debt				
-External debt (01.04)	130.0	136.0	134.0	133.0
-Other long term Liabilities (PFI)	6.0	5.8	5.6	5.4
Total	136.0	141.8	139.6	138.4
Authorised external debt limit - maximum level of external debt that the authority will require to cover all known potential requirements and includes headroom to cover the risk of short-term cash flow variations that could lead to a need for temporary borrowing. This limit needs to be set or revised by Council and is the statutory limit determined under section 3(1) of the Local Government Act 2003.				

	2015/16 estimate £m	2016/17 estimate £m	2017/18 estimate £m	2018/19 estimate £m
Operational Boundary for External debt				
-External debt (01.04)	115.0	120.0	120.0	118.0
-Other long term Liabilities (PFI)	6.0	5.8	5.6	5.4
Total	121.0	125.8	125.6	123.4
Operational boundary - calculated on a similar basis as the authorised limit but represents the likely level of external debt that may be reached during the course of the year excluding any temporary borrowing and is not a limit.				
Upper limit for sums invested over 364 days	70	70	70	70
Upper Limit for sums invested for over 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. Included within this limit are Manchester Airport Shares which at 31 March 2015 were independently valued at £41.0m and the Church Commissioners Local Authorities Property Investment Fund investment of £5m.				
Gross debt and Capital Financing Requirement				
-External debt (01.04)	115.0	120.0	120.0	118.0
-Other long term Liabilities (PFI)	6.0	5.8	5.6	5.4
Gross debt	121.0	125.8	125.6	123.4
-C.F.R.	135.4	144.0	146.3	141.0
Excess C.F.R.	14.4	18.2	20.7	17.6
Gross Debt and the Capital Financing Requirement – this indicator reflects that over the medium term, debt will only be for capital purposes. The Director of Finance will ensure that all external debt does not exceed the capital financing requirement with any exceptions being reported to Council.				
Maturity structure of borrowing – 2016/17 to 2018/19	Lower limit %		Upper limit %	
Under 12 months	0		70	
12 months to 2 years	0		30	
2 years to 5 years	0		30	
5 years to 10 years	0		30	
10 years to 20 years	0		30	

Maturity structure of borrowing – 2016/17 to 2018/19 (cont.)	Lower limit %	Upper limit %
20 years to 30 years	0	30
30 years to 40 years	0	30
40 years and above	0	30
<p>Maturity Structure of Borrowing – these gross limits are set to reduce the Council’s exposure to large sums falling due for refinancing and this indicator reflects the next date on which the lending bank can amend the interest rate for the Lender Option Borrower Option loans.</p>		

All the treasury prudential indicators and limits are monitored on a regular basis. If the situation arises that any of these appear that they will be breached for a sustained period, then this will be reported to Council at the earliest opportunity.

MINIMUM REVENUE PROVISION - (no change from the policy approved January 2016 by Council)

In accordance with DCLG Guidance, the Council shall determine for the current financial year, an amount of minimum revenue provision that it considers to be prudent and submit an MRP Statement setting out its policy for its annual MRP to Council for approval. The following MRP Statement has been prepared in accordance with the Council’s accounting procedures and is recommended for approval:

- Capital expenditure incurred before 1 April 2008 financed by Supported Borrowing: MRP will be calculated on a straight line basis over the expected average useful life of the assets (50yrs);
- Capital expenditure incurred after 1 April 2008 financed by Prudential Borrowing: MRP will be based on the estimated life of the assets once operational charged on a straight line basis or annuity basis in accordance with the Guidance;
- PFI schemes and leases shown on the balance sheet: MRP will be based on the amount of the principal element within the annual unitary service payment and financed from the provision set-up to cover the final bullet payment. Capital receipts are to be used to replenish this provision to ensure this final bullet payment can still be made in 2028/29
- For expenditure that does not create an asset, or following the use of a Capitalisation Direction: provision will be made over a period not exceeding 20 years, in accordance with Guidance.
- In instances where the Council incurs borrowing and a third party is obliged to repay the principal (serviced debt arrangements): the Council will not charge MRP to the revenue account. An example of such an instance can be demonstrated when the Council participated in the national Local Authority Mortgage Scheme using the cash backed option with Lloyds bank. This involved the Council placing a five year deposit totalling £1m, in 2013/14, with the bank matching the five year life of the indemnities. This deposit provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The C.F.R.will increase by the amount of the total indemnity. The deposit is due to be returned in full at maturity and once received will be classed as a capital receipt, and the CFR will reduce

accordingly. As this is a temporary (five years) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application.

INVESTMENT CRITERIA – (recommended changes as highlighted)

Counterparty Selection

The minimum criteria for providing a list of high quality investment counterparties is highlighted in the categories 1 to 4 below and are to be applied for both Specified (maximum period 1Year) and Non-specified investments (maximum period 3 Years). Category 5 applies to The Church Commissioners Local Authorities Property Investment fund only;

	Fitch (or equivalent) – Long Term	Maximum Group Limit	Maximum Time Limit	
<p>Category 1 – All UK or Non UK banks with their subsidiaries which meet the necessary ratings or has a parent bank guarantee in place and building societies domiciled in a non-UK country which has a minimum Sovereign long term rating of AA- and individual credit rating issued by Fitch, Moody’s and Standard and Poor’s of:</p> <ul style="list-style-type: none"> • Short Term – Fitch F1 or equivalent • Long Term – Fitch A- or equivalent <p>This amendment is reflective that the rating agencies have concluded their reassessment of their ratings under their revised methodologies. This action has generated more certainty over underlying ratings thereby allowing the Council to become more prescriptive in the limits it applies. Importantly there is no change to the minimum credit rating required.</p>	AA to AAA	£20m	3yrs	
	A+ to AA-	£10m	1Yr	
	A- to A	£5m	1yr	
	Current limit			
	AA to AAA A- to AA-	£20m £5m	3yrs 1yr	
<p>Category 2 – UK Banks part nationalised - Royal Bank of Scotland. This bank or its subsidiaries can be included provided it continues to be part nationalised or meets the ratings in category1 above.</p>		£20m	1yr	
<p>Category 3 – The Council’s own banker for transactional purposes if the bank falls below the above criteria.</p>		n/a	1day	
<p>Category 4 –</p> <ul style="list-style-type: none"> • Money Market Funds – must be AAA credit rated • Enhanced Money Market Funds – must be AAA credit rated • UK Government (including treasury bills, 		£20m	3yrs	

gilts and the DMO) • Local Authorities • Greater Manchester Pension Fund • Supranational Institutions • Corporate bonds (Manchester Airport Group)			
Category 5 – • Local Authority Property Investment fund		£10m	10yrs

Specified and Non Specified Investments – (recommended changes as highlighted)

In accordance with the Code of Practice, the Council is required to set a criteria which identifies its investments between Specified and Non Specified investments and these are classified as follows;

- Specified investments are high security and high liquidity investments with a maturity of no more than a year 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. All investments can be held under this definition,
- Non specified investments are any other type of investment not defined as specified above. A maximum of £70m is permitted to be held in this classification as detailed in Appendix 3, Prudential Indicator (5) Upper limit for sums invested over 364 days and
- Local Authority Mortgage Scheme. Under this scheme, which is designed for first time buyers to be able purchase a property in the area, the Council is required to place funds of £3m with Lloyds bank for a period of 5 years to match the 5 year life of the indemnity. This is classified as being a service investment, rather than a treasury management investment and is therefore outside of the specified / non specified categories.

Instruments & Maximum period

All Investments will be undertaken in Sterling in the form of Term Deposits, Money Market Funds, Treasury Bills, Gilts or Certificates of Deposits unless otherwise stated below.

Specified Investments

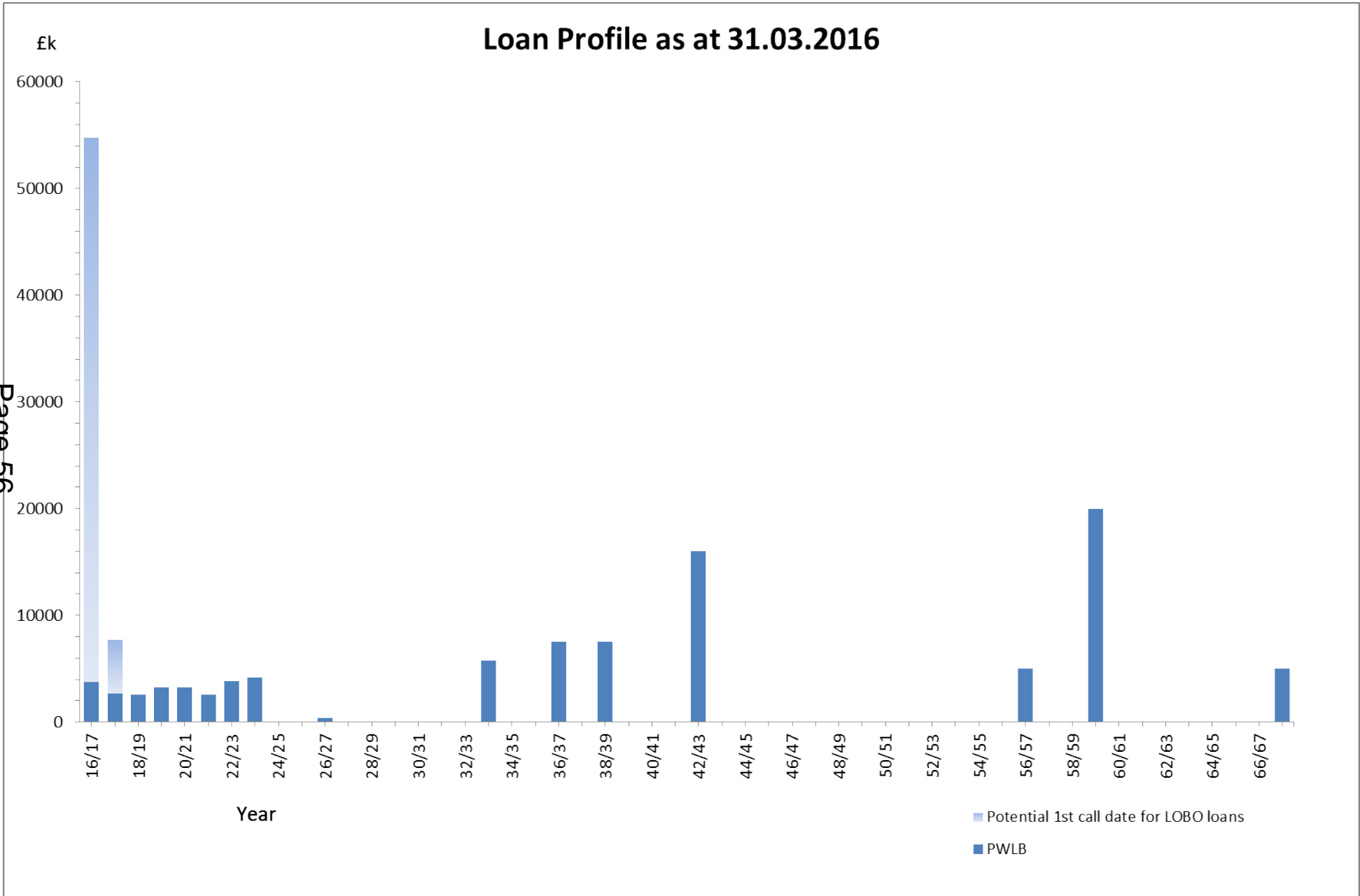
Investment	Maximum Maturity
The UK Government including Local Authorities and Debt Management Office.	1 Year
Supranational bonds of less than one year duration (e.g. European Investment Bank)	1 Year
Pooled investment vehicles that have been awarded a AAA credit rating by Fitch, a credit rating agency, such as money market funds	1 Year

An institution that has been awarded a high short term credit rating (minimum F1 or equivalent) by a credit rating agency, such as a bank or building society.	1 Year
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Non-Specified Investments

Investment	Maximum Maturity
<p>Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p>The security of interest and principal on maturity is on a par with the Government and so are very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	3 Years
<p>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.</p>	3 Years
<p>The Council's own bank if it fails to meet the basic credit criteria with balances being kept to a minimum.</p>	1 Day
<p>UK Banks which have significant Government holdings</p>	1 Year
<p>Any bank or building society which meets the minimum long term credit criteria detailed in Appendix 3, for deposits with a maturity of greater than one year (including forward deals in excess of 1 year from inception to repayment).</p>	3 Years
<p>The UK Government including Local Authorities and Debt Management Office.</p>	3 Years
<p>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 being guaranteed from the parent company and is included for clarity and transparency purposes.</p>	3 Years
<p>Share capital or loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. It is envisaged this facility will apply to the Manchester Airport share-holding which the Council holds at a historical value of £41m as reported in the 2014/15 statement of accounts. It is not envisaged that this type of investment will be undertaken in the future.</p>	Unspecified
<p>Manchester Airport Group – This is in response to the restructuring of the airports existing debt and is included for clarity and transparency purposes only.</p>	Term of loans

Church Commissioners Local Authorities Property Investment Fund - This fund is aimed solely for use by public sector organisations wishing to invest in the property market whilst at the same time generating a favourable rate of return.	10 Years
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INVESTMENT CREDIT AND INSTITUTION RISK MANAGEMENT

The Council receives credit rating advice from its treasury management advisers, as and when ratings change and institutions are checked promptly to ensure it complies with the Council's criteria. The criteria used are such that any minor downgrading should not affect the full receipt of the principal and interest. Any institution failing to meet the criteria, or those on the minimum criteria placed on negative credit watch, will be removed from the list immediately, and if required new institutions which meet the criteria will be added to the list.

Classification	Description	Credit Rating Agency		
		Fitch (Minimum)	Moody's (Minimum)	Standard & Poors (Minimum)
Short Term	Ensures that an institution is able to meet its financial obligations within 12 months	F1 (Range F1+ , F2 A to D)	P1 (Range P1 to P3)	A1 (Range A-1 , to C)
Long Term	Ensures that an institution is able to meet its financial obligations greater than 12 months	A- (Range AAA to D)	A3 (Range AAA to C)	A- (Range AAA to CC)

Investment Institution information.

Whilst the Council's Investment institutions list is prepared primarily using credit rating information, full regard will also be given to other available information on the credit quality of each institutions in which it invests. The information below will continue to be considered when undertaking investments;

- Credit default swaps - CDS created in 1997 and are a financial instrument for swapping the risk of debt default. Essentially the owner of the position would enter into an agreement with a third party who would receive a payment in return for protection against a particular credit event – such as default. Whilst absolute prices can be unreliable, trends in CDS spreads do give an indicator of relative confidence about credit risk.
- Equity prices – like CDS prices, equities are sensitive to a wide array of factors and a decline in share price may not necessarily signal that the institution in question is in difficulty.
- Interest rates being paid - If an institution is offering an interest rate which is out of line with the rest of the market this could indicate that the investment is likely to carry a high risk.
- Information provided by management advisors – this is may include some information detailed above together with weekly investment market updates.
- Market & Financial Press information – information obtained from the money market brokers used by the Council in respect of interest rates & institutions will also be considered.

No investment will be made with an institution if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

Investment Limits

In order to safeguard the Council’s investments and in addition to the information shown at Appendix 3, due care will be taken to consider country, group and sector exposure as follows;

- **Country** – this will be chosen by the credit rating of the Sovereign state as shown at Appendix 3 and no more than 40% of the Council’s total investments will be directly placed with non-UK counterparties at any time;
- **Group** – this will apply where a number of financial institutions are under one ownership (e.g. Royal Bank of Scotland / Nat West) and the Group limit will be the same as the individual limit for any one institution within that group;
- **Sector** limits will be monitored regularly for appropriateness.

Investment Risk benchmarking

Security and liquidity benchmarks are central to the approved treasury strategy through the institution selection criteria and proposed benchmarks for these are set out below.

Security - A method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council’s investment strategy. The table below shows average defaults for differing periods of investment grade products for each Fitch/Moody’s and Standard and Poors long term rating category over the period 1981 to 2014.

Long term rating	Average 1 yr default	Average 2 yr default	Average 3 yr default	Average 4 yr default	Average 5 yr default
AAA	0.000%	0.014%	0.051%	0.099%	0.165%
AA	0.027%	0.056%	0.077%	0.140%	0.205%
A	0.077%	0.215%	0.367%	0.517%	0.699%
BBB	0.235%	0.685%	1.191%	1.788%	2.422%
BB	1.219%	3.242%	5.341%	7.311%	9.139%
B	4.062%	8.822%	12.716%	16.245%	19.155%
C	24.031%	31.915%	37.727%	41.538%	45.215%

The Council’s minimum long term rating criteria is currently “A”, meaning the average expectation of default for a one year investment in an institution with a “A” long term rating would be 0.077% of the total investment (e.g. for a £1m investment the average loss would be £770). This is only an average as any specific institution loss is likely to be higher.

Liquidity – The CIPFA Treasury Management Code of Practice defines this as *“having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable at all times to have the level of funds available which are necessary for the achievement of its business/service objectives”*.

The availability of liquidity and the period of risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio (shorter WAL would generally represent less risk).

INVESTMENT & EXTERNAL DEBT POSITION AS AT 31.01.2016

	Principal £m	Average Rate %
DEBT		
Fixed rate:		
- PWLB	37.2	6.97
- Market	5.0	4.41
Sub-total	42.2	6.67
Variable rate:		
- PWLB	0.0	0.0
- Market	51.0	5.52
Sub-total	51.0	5.52
Total debt	93.2	6.04
INVESTMENTS		
- Fixed rate	(69.5)	0.90
- Variable rate	(33.6)	1.03
Total Investments	(103.1)	0.95
NET ACTUAL DEBT / (INVESTMENTS)	(9.9)	

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