TRAFFORD
COUNCIL

Tuesday, 14 February 2017

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, 22 FEBRUARY 2017**, 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 25 January 2017 for signature by the Mayor as Chairman.	1 - 14
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.	**Procurement of the External Auditor**	
	To consider a report of the Chief Finance Officer, recommended to Council by Accounts and Audit Committee on 7 February 2017.	15 - 22
5.	**Appointment of Returning Officer at Combined Authority Mayoral Elections**	
	To consider a report of the Director of Legal and Democratic Services.	23 - 24

6. **Budget 2017/18**

- To receive and consider the following joint reports of the Executive Member for Finance and the Chief Finance Officer, presented to the Executive on 22 February 2017, and to adopt the resolutions therein:

(a) Executive's Revenue Budget Proposals 2017/18 and Medium Term Financial Strategy 2018/19 - 2019/20 — 25 - 102

(b) Fees, Charges and Allowances 2017/18 — 103 - 108

The Fees and Charges Book 2017/18 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 > 22 Feb 2017 7.00 pm)

(c) Capital Programme and Prudential Indicators 2017-2020 — 109 - 126

(d) Treasury Management Strategy 2017/18 - 2019/20 — 127 - 152

- To set and approve the Council Tax Requirement for the District for the year beginning 1 April 2017, 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 2017/2018 for each of the categories of dwellings included in the respective valuation bands A to H.

Yours sincerely,

Theresa Grant

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 2017/2018.

Membership of the Council

Councillors J. Lloyd (Mayor), J. Coupe (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, K. Carter, M. Cawdrey, R. Chilton, M. Cordingley, M. Cornes, L. Dagnall, Mrs. P. Dixon, A. Duffield, Mrs. L. Evans, N. Evans, T. Fishwick, M. Freeman, P. Gratrix, Mrs. D.L. Haddad, J. Harding, J. Holden, D. Hopps, M. Hyman, C. Hynes, D. Jarman, P. Lally, J. Lamb, E. Malik, A. Mitchell, P. Myers, D. O'Sullivan, 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, J.A. Wright, 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, 14 February 2017** 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

25 JANUARY 2017

PRESENT

The Worshipful the Mayor (Councillor Mrs. Judith Ann Lloyd), in the Chair.

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

In attendance

Chief Executive	Ms. T. Grant
Deputy Chief Executive and Corporate Director Economic Growth, Environment and Infrastructure	Mrs. H. Jones
Corporate Director Transformation and Resources	Ms. J. Hyde
Director of Legal and Democratic Services	Ms. J. Le Fevre
Chief Finance Officer	Ms. N. Bishop
Head of Governance	Mr. P. Forrester
Public Relations Manager	Mrs. K. Dooley
Democratic Services Apprentice	Mr. R. Rea
Senior Democratic and Scrutiny Officer	Mr. I. Cockill

APOLOGIES

Apologies for absence were received from Councillors S. Adshead, J. Bennett, L. Dagnall, J. Holden, E. Malik, K. Procter, B. Rigby and M. Sephton.

50. MINUTES

That the Minutes of the Meeting of the Council held on 30 November 2016 and the Extraordinary Meeting of the Council held on 21 December 2016, be approved as a correct record and signed by the Chairman.

51. ANNOUNCEMENTS

(a) Former Councillor Ian Mullins

With sadness, the Mayor referred to the unexpected death of former Councillor Ian Mullins who died suddenly from what would appear to have been a massive heart attack on 7 January. Former Councillor Mullins represented the Hale and Hale Barns Wards as a Conservative Member from 2002 to 2008 and on behalf of the Council, the Mayor was to write to his family to convey condolences.

The Council stood for a moment's silence, as a mark of respect to its former friend and colleague.

(b) Her Majesty The Queen's New Year's Honours

The Mayor took the opportunity to recognise the local residents recently named in Her Majesty the Queen's New Year Honours List, namely:

Mr Ian Hamilton Munro of Altrincham awarded the citation of Officer of the Most Excellent Order of the British Empire (OBE) for services to Housing;

Mr Jon-Allan Butterworth of Sale and Ms Lora Marie Fachie of Timperley both awarded the citation of Member of the Most Excellent Order of the British Empire (MBE) for services to cycling; and

Council Employee Mark Riddell, Service Manager for Permanence and Care Leavers, also awarded an MBE for services to children.

On behalf of the Council, the Mayor had written to convey the Council's congratulations for their achievements and along with other recent recipients they would be invited to a reception at the Town Hall.

(c) Scrutiny Committee Update

Councillor M. Young, Chairman of Scrutiny reported that the Budget Scrutiny procedure had now been completed and the report passed to the Executive with the response now awaited.

(d) Health Scrutiny Committee Update

Councillor Harding, Chairman of Health Scrutiny Committee outlined developments in the Committee's work area since the last update to Council.

The Committee was continuing to monitor the Single Hospital Service and the project team were submitting the plans to NHS England to ensure that the plan was robust and in the best interests of the public. This was due to be completed by the summer with implementation of the plan scheduled to begin September 2017.

Health Scrutiny had expressed some concerns about the recent Care Quality Commission Inspection of North West Ambulance Service (NWAS) and had previously expressed concern that Trafford had the slowest response times in Greater Manchester. Councillor Harding had requested a meeting with representatives of NWAS and the Committee Vice-Chairman as soon as possible.

Health Scrutiny Members had continued their work on the task and finish groups on End of Life and Young People's Emotional Wellbeing and the Committee continues to monitor the Integration Agenda and Devolution.

52. QUESTIONS BY MEMBERS

The Mayor reported that 3 questions had been received under Procedure Rule 10.2.

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

Could the Executive Member for Finance please confirm this Council's strategy to help and assist the 140 residents in this borough that have been affected by the government's reduction in the benefit cap? If the member could focus on their Discretionary Housing Payment policy for benefit cap claimants and the routes to employment that would be much appreciated. Could the member also confirm how many residents have actually met and been seen by the Council's chosen partner Shelter since the introduction of the benefit cap and can you also confirm if any financial contribution (and how much) has been made by this council to Shelter for this service.

(Note: Councillor Myers declared a personal interest being one of the Council's appointed representatives on the Trafford Housing Trust Board and remained in the meeting.)

Councillor Myers, Executive Member for Finance reported that Shelter had been engaged by the Council from November 2016 to provide support to those affected by the Benefit Cap. Shelter worked closely with the Stronger Families Team to ensure that customers received consistent advice and Shelter also worked with Trafford Housing Trust who had the most tenants affected. Key parts of the service delivery model included support to move closer to the labour market and gain employment and assistance to access in work benefits.

The ten largest Registered Social Landlords in Trafford, Adactus; Arcon; Contour; Equity; Great Places; Irwell Valley; Mosscare; Guinness-Northern Counties; Your Housing Group and Trafford Housing Trust, were notified of the tenants affected by the Cap so that they could provide support.

All affected applicants were to be seen by Shelter to ensure that the additional Discretionary Housing Payment funding was used efficiently and to ensure that the necessary support and guidance could be provided to help claimants work towards a longer term solution for the shortfall in housing costs.

By 24 January 2017 Shelter had arranged 52 appointments but only 31 customers attended. Overall, 44 awards of Discretionary Housing Payment had been made. There were 28 Discretionary Housing Payment applications pending of which 17 appointments had been arranged with Shelter.

Shelter also provided a drop in session at the Partington Sure Start Centre to which all 27 customers affected in the Partington area were invited to attend but unfortunately nobody turned up.

Shelter had organised weekly sessions at Sale until the end of February 2017 with additional sessions at Stretford Children's Centre and Urmston Library.

Shelter had written, telephoned and sent text messages to everybody affected by the Benefit Cap and some had been contacted on more than one occasion. The good news was that the numbers of claimants attending at Shelter to take up the service was increasing. Claimants that had made Discretionary Housing Payments applications independently of Shelter were being informed that they needed to seek advice from Shelter before the claims were processed. The general feedback from Shelter was that Customers were finding the appointments very useful.

The Council had been awarded funding of £33,456 by the Department of Work and Pensions to support customers affected by the Benefit Cap and Shelter received a fee of approximately £150 per case for the support it provided.

As a supplementary question, Councillor Wright asked whether or not Discretionary Housing Payments were prioritised for those affected by the Benefit Cap, as on average in Trafford, residents were losing £64 per week out of Housing Benefit which could see rent arrears rise rapidly to high levels increasing the risk of homelessness, evictions and other associated problems.

Councillor Myers confirmed that payments were made at the discretion of the Council and to the most appropriate, acknowledging that people in severe rent arrears needed to be seen and prioritised and he believed that this was done. In context, the Benefit Cap in Trafford came in at £20,000 per couple and at £13,400 for a single person without children and the Executive Member considered this to be at a significantly high level.

(b) Councillor Mrs. Brophy asked the following question for which she had given notice:

Has the Council considered withdrawing from the Greater Manchester Special Framework in order to develop and promote local community developed plans instead of the top down plan which does not safeguard our green spaces, nor provide adequate affordable homes for Trafford?

The Leader of the Council, Councillor Sean Anstee indicated that he did not agree with the premise of the second part of the question and, therefore the short answer was no, the Council had not considered withdrawing from the Greater Manchester Spatial Framework (GMSF).

As a supplementary question, Councillor Brophy, asked under what circumstances the Leader would think the Council should withdraw from the GMSF.

Councillor Sean Anstee referred to the debate on the Spatial Framework at the previous meeting on 21 December when there was a clear view that in order for Greater Manchester and Trafford to plan for growth and ensure that the consequences of not having a plan in place were avoided, the Council needed the ability to contribute through the GMSF consultation process. Citing the serious consequences of withdrawal, specifically, homes of multiple occupation; an extra strain on public services; an all-day 'rush hour'; an inability to control where development took place; a housing free for all; the inability to offer greater protection to green spaces than currently provided; an inability to respond to homelessness or the borough's young people and to provide the homes they deserved; the Leader commented that the position being put forward by Councillor Mrs. Brophy was not one his Group supported.

(c) <u>Councillor Cordingley asked the following question for which he had given notice:</u>

We have heard a lot about using greenbelt, but what are measures are the council taking to identify and utilise brownfield sites for meeting the borough's housing development needs?

Councillor Sean Anstee, the Leader of the Council considered that the Council had a good track record of preparing for the delivery of sites from within the existing urban area with examples including Trafford Waters, Carrington, Alt-Air and Pomona. The Council was supportive of initiatives to bring forward brownfield sites for development to assist with urban renewal and regeneration of those areas.

The new Mayor of Greater Manchester would receive new enhanced compulsory purchase order powers to be exercised only with the consent of the host local authority which would assist with land assembly and scheme viability. In addition, the Greater Manchester Land Commission and Mayoral Development Corporations would help to bring forward brownfield sites across the borough and the city region. In addition, the Government had announced in the Autumn Statement a new £2.3 billion Infrastructure Fund to help unlock unviable brownfield sites and bring them forward for development. The fund would complement the Greater Manchester Housing Investment Fund which had already helped to release over 1500 previously stalled developments to get building started again.

The Leader of the Council believed there was a range of tools available to help bring forward brownfield sites through both the new powers the Combined Authority receives and the continued work on the Spatial Framework. The Spatial Framework would help to ensure that the Council met its obligations to have a supply of land to meet housing need over a 5 year period, would help to control where developers built and would offer greater protection over green belt and open spaces from speculative planning applications by landowners than was afforded at present.

In view of the controversy surrounding Flixton fields and equally other areas throughout Greater Manchester, Councillor Cordingley asked as a supplementary question, how the Council could reassure the public that it was doing everything it could, and acknowledging that the Leader of the Council had just provided details of what the Council was doing, how could the public find the information to feel confident that it was always going to be brownfield first.

Councillor Sean Anstee recognised that over the coming months, as the Greater Manchester Spatial Strategy moved into its next reiteration, the Council needed to have an open conversation with its residents and the public across Greater Manchester and that the debate needed to be framed around the factual positions of what the Council was seeking to achieve. Referring to the answer given to Cllr Mrs. Brophy on the consequences of not having a Plan (Minute 52 (b) above) it was important to make it public and Members of the Council had a responsibility to inform.

The Leader considered the Spatial Framework critical for the future prosperity of Greater Manchester and for the ability to grow sustainably and avoid the consequences of not having a plan. It had generated significant interest and it was right to continue the discussions over the next few months. Naturally, people would want to identify sites in need of regeneration within the existing area first, however, Councillor Sean Anstee also appealed for Members to consider whether new powers might be called for in the Housing and Planning White Paper, when published, to enable the Council to be able to control the release of land and other activity.

53. MEMBERSHIP OF COMMITTEES

The Director of Legal and Democratic Services submitted a report advising Council of membership changes on Committees and Sub-Committees. The report also formally recorded that there had been a change to the political composition of the Council.

RESOLVED –

(1) That the following appointments to the membership of Committees and Sub-Committees be noted:

Scrutiny Committee – Councillor Nathan Evans
Public Protection Sub-Committee – Councillor Mrs. Haddad
Safety at Sports Grounds Sub- Committee – Councillor Cawdrey (as Vice-Chairman)
Licensing Committee – *one vacancy*

(2) That the current composition of the political groups on the Council, as set out in the report be noted; and

(3) That the Council notes that there will be no consequential change to the allocation of Committee places.

54. EXTENSION OF SIX MONTH ATTENDANCE RULE

The Director of Legal and Democratic Services submitted a report requesting the Council to consider a waiver of the six-month rule under the Local Government Act 1972 and to excuse the non-attendance of Councillor Louise Dagnall at Council meetings for a further 6 months having regard to the circumstances of her absence from meetings.

RESOLVED –

(1) That, having regard to the circumstances of the absence of Councillor Louise Dagnall from Council meetings, the requirements of Section 85 of the Local Government Act 1972, be waived and that an extension of 6 months from the date of the meeting be approved.

(2) That the Council expresses its best wishes to Councillor Dagnall and wishes her a speedy recovery.

55. COUNCIL TAX SUPPORT SCHEME FOR 2017/18 - PROPOSED CHANGES TO ALIGN WITH NATIONAL BENEFITS

A report submitted by the Executive Member for Finance and the Chief Finance Officer was considered summarising the Council Tax Support Scheme and the proposed changes which would align the assessment criteria of the scheme to those of the national benefits and then maintain this alignment for any further national welfare reform changes in the future.

The report which also summarised the feedback from the consultation which had been undertaken on the proposals had been recommended to Council by the Executive on 19 December 2016.

<u>It was moved and seconded that</u> the proposed changes to the Council Tax Support Scheme be approved.

Following a debate on the matter, <u>the Motion</u> was put to the vote and declared carried.

RESOLVED: That the proposed changes to the Council Tax Support Scheme, as outlined in the report, be approved to align the Council Tax Support scheme assessment criteria with those of the national benefits.

56. 6-MONTH CORPORATE REPORT ON HEALTH AND SAFETY - 1 APRIL TO 30 SEPTEMBER 2016

The Executive Member for Transformation and Resources submitted a report providing information on Council wide health and safety performance and trends in the workplace accidents. The report also provided a summary of other key developments in health and safety for the period 1 April to 30 September 2016.

RESOLVED: That the report be noted.

57. MOTION SUBMITTED BY THE LABOUR GROUP - EDUCATION FUNDING

(Note: With the consent of the meeting, the mover altered the Motion for which notice had been given by amending the figure in the first paragraph to £0.8 million.)

It was moved and seconded that:

> "The Government's long awaited announcement of its national funding formula is worse for Trafford than predicted, given that we we're already one of the lowest funded authorities in the country. We are now predicted to lose a further £0.8 million from schools funding.
>
> Council is referred to the motion submitted by the Conservative Group in September last year in which it was agreed to write to the Government calling upon them to bring forward more quickly the commitment as stated in the Conservative Party manifesto to ensure fairer funding for schools. Sadly this appears to have been ignored, and what we have now is definitely not fairer funding for schools.
>
> Council calls upon the Government to urgently correct this injustice. Of particular concern is the reduction in school budgets for primary schools in deprived areas and the reduction in budgets for all of our secondary schools - all at a time when schools are being asked to take on extra costs. Indeed, the recent announcement of the new school funding arrangements has even driven Conservative MPs to call the cuts unfair and shocking.
>
> Council further recognises that no funding system for schools is fair unless funding levels are sufficient. The National Audit Office has already forecast an 8.5% cut across the board which will have terrible consequences for the quality of education being offered to our children.
>
> Council therefore calls upon the Secretary of State for Education to insist that our schools are funded to a level where they can operate efficiently: Trafford parents, children and young people deserve no less."

Following a debate on the matter, the Motion was agreed with the unanimous consent of the Council.

> RESOLVED: That the Government's long awaited announcement of its national funding formula is worse for Trafford than predicted, given that we we're already one of the lowest funded authorities in the country. We are now predicted to lose a further £0.8 million from schools funding.
>
> Council is referred to the motion submitted by the Conservative Group in September last year in which it was agreed to write to the Government calling upon them to bring forward more quickly the commitment as stated in the Conservative Party manifesto to ensure fairer funding for schools. Sadly this appears to have been ignored, and what we have now is definitely not fairer funding for schools.

Council calls upon the Government to urgently correct this injustice. Of particular concern is the reduction in school budgets for primary schools in deprived areas and the reduction in budgets for all of our secondary schools - all at a time when schools are being asked to take on extra costs. Indeed, the recent announcement of the new school funding arrangements has even driven Conservative MPs to call the cuts unfair and shocking.

Council further recognises that no funding system for schools is fair unless funding levels are sufficient. The National Audit Office has already forecast an 8.5% cut across the board which will have terrible consequences for the quality of education being offered to our children.

Council therefore calls upon the Secretary of State for Education to insist that our schools are funded to a level where they can operate efficiently: Trafford parents, children and young people deserve no less.

58. MOTION SUBMITTED BY THE LABOUR GROUP - GREATER MANCHESTER HEALTH DEVOLUTION

It was moved and seconded that:

"This Council recognises the opportunities offered by devolution to Greater Manchester in terms of transport, housing, skills and health as well as in several other areas. However, Council also recognises that for DevoManc to be a success the project must be properly funded.

Council is therefore concerned by the continued underfunding of Greater Manchester's health and social care services. The British Medical Journal has stated that by 2021 the conurbation will have a health funding gap of some £2 billion, yet Greater Manchester has some of the worst health outcomes and most significant health inequalities in the country. Funding secured from NHS England's Transformation Fund is welcome but not been substantial enough to alleviate concerns.

In light of these issues, this Council calls upon the Leader of the Council to write to the Secretary of State for Health and the Secretary of State for Communities and Local Government highlighting that current health and social care funding in Greater Manchester is unsustainable and calling for a funding settlement for Greater Manchester's health and social care needs that addresses the £2 billion shortfall identified by health professionals."

It was moved and seconded as an amendment that:

"This Council recognises the opportunities offered by devolution to Greater Manchester in terms of transport, housing, skills and health as well as in several other areas.

Council also recognises that for devolution to deliver, it must be accompanied by appropriate funding and freedom to take decisions locally that have a real impact on the wellbeing of our population and the efficiency of health and social care services.

The British Medical Journal has stated that by 2021 the conurbation will have a health funding gap of some £2 billion. Council welcomes the £0.5 billion of additional transformation funding allocated by the former Chancellor of the Exchequer to help Greater Manchester plan for its future, but recognises there remain ongoing pressures on revenue budgets.

This Council calls upon the Leader of the Council to write to the Secretary of State for Health and the Secretary of State for Communities and Local Government highlighting the current pressures facing health and social care funding in Greater Manchester and calling for a funding settlement and greater freedoms that will contribute towards meeting the £2 billion shortfall, working collaboratively towards a sustainable solution for our population."

Following a debate on the matter and subject to clarification that "greater freedoms" referred to those expectations set out in the Memorandum of Understanding, the amendment was agreed with the general consent of the Council. The substantive Motion was consequently declared carried.

RESOLVED: That this Council recognises the opportunities offered by devolution to Greater Manchester in terms of transport, housing, skills and health as well as in several other areas.

Council also recognises that for devolution to deliver, it must be accompanied by appropriate funding and freedom to take decisions locally that have a real impact on the wellbeing of our population and the efficiency of health and social care services.

The British Medical Journal has stated that by 2021 the conurbation will have a health funding gap of some £2 billion. Council welcomes the £0.5 billion of additional transformation funding allocated by the former Chancellor of the Exchequer to help Greater Manchester plan for its future, but recognises there remain ongoing pressures on revenue budgets.

This Council calls upon the Leader of the Council to write to the Secretary of State for Health and the Secretary of State for Communities and Local Government highlighting the current pressures facing health and social care funding in Greater Manchester and calling for a funding settlement and greater freedoms, as outlined in the Memorandum of Understanding, that will contribute towards meeting the £2 billion shortfall, working collaboratively towards a sustainable solution for our population.

59. MOTION SUBMITTED BY THE LABOUR GROUP - WOMEN AGAINST STATE PENSION INEQUALITY (WASPI) CAMPAIGN

(Note: Councillor Mrs. Western, the Mover of the Motion, declared a personal interest in the matter since she was directly affected by the pension changes and remained in the meeting.

Councillor A. Western also declared a personal interest as a result of his mother's interest.)

It was moved and seconded that:

> "The Council calls upon the Government to reconsider transitional arrangements for women born on or after 6 April 1951, so that women do not live in hardship due to pension changes they were not told about until it was too late to make alternative arrangements.
>
> The Council calls upon the Government to make fair transitional state pension arrangements for all women born on or after 6 April 1951, who have unfairly borne the burden of the increase to the State Pension Age (SPA) with lack of appropriate notification. Hundreds of thousands of women had significant pension changes imposed on them by the Pensions Acts of 1995 and 2011 with little/no/personal notification of the changes. Some women had only two years notice of a six-year increase to their state pension age.
>
> Many women born in the 1950's are living in hardship. Retirement plans have been shattered with devastating consequences. Many of these women are already out of the labour market, caring for elderly relatives, providing childcare for grandchildren, or suffer discrimination in the workplace so struggle to find employment. Women born in this decade are suffering financially. These women have worked hard, raised families and paid their tax and national insurance with the expectation that they would be financially secure when reaching 60. It is not the pension age itself that is in dispute - it is widely accepted that women and men should retire at the same time. The issue is that the rise in the women's state pension age has been too rapid and has happened without sufficient notice being given to the women affected, leaving women with no time to make alternative arrangements."

Following a debate on the matter, the Motion was put to the vote and declared lost.

60. MOTION SUBMITTED BY THE LABOUR GROUP - PROTECTING CHILDREN FROM ALCOHOL ADVERTISING

It was moved and seconded that:

"This Council notes:

- That alcohol can be enjoyed in a responsible way by adults;
- That alcohol can cause serious and fatal diseases, including several types of cancers; that the UK Chief Medical Officers' Alcohol Guidelines advise both men and women that it is safest not to drink regularly more than fourteen units per week, to keep health risks from drinking alcohol to a low level;
- That there are over 5000 alcohol-related hospital admissions every year in Trafford;
- That alcohol can only legally be purchased by adults over the age of 18;
- That the advertising of alcohol is designed to make products more appealing and in turn can appeal to children and young people;
- That the Science Committee of the European Alcohol and Health Forum concluded in 2009 that 'alcohol marketing increases the likelihood that adolescents will start to use alcohol, and to drink more if they are already using alcohol';
- That underage drinkers are more likely to be a victim of crime and those who get drunk at least once a month are twice as likely to commit a criminal offence as those who don't;
- That the recent Healthier Futures/Alcohol Health Alliance public opinion survey found 73% support in Greater Manchester for a 9 p.m. watershed for alcohol adverts on TV;
- That the recent public engagement campaign 'See What Sam Sees' by Healthier Futures, talked with over two hundred people across Greater Manchester and received overwhelming support for a 9 p.m. watershed from the Greater Manchester public

This Council believes:

- That it is the responsibility of all levels of government to try to ensure good public health in the population.

This Council resolves:

- To request the Leader of the Council to write to the Secretary of State for Culture, Media and Sport, expressing these views and asking her to bring forward legislation to introduce a 9 p.m. watershed for the advertising of alcohol products on TV to protect children and young people from the influence of alcohol advertising;
- To continue to promote good health in our borough, to support the UK Chief Medical Officers' Alcohol Guidelines, and to protect children and adults from alcohol-related harm."

Following speeches in support, the Motion was agreed with the unanimous consent of the Council.

RESOLVED: That this Council notes:

- That alcohol can be enjoyed in a responsible way by adults;
- That alcohol can cause serious and fatal diseases, including several types of cancers; that the UK Chief Medical Officers' Alcohol Guidelines advise both men and women that it is safest not to drink regularly more than fourteen units per week, to keep health risks from drinking alcohol to a low level;
- That there are over 5000 alcohol-related hospital admissions every year in Trafford;
- That alcohol can only legally be purchased by adults over the age of 18;
- That the advertising of alcohol is designed to make products more appealing and in turn can appeal to children and young people;
- That the Science Committee of the European Alcohol and Health Forum concluded in 2009 that 'alcohol marketing increases the likelihood that adolescents will start to use alcohol, and to drink more if they are already using alcohol';
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- That the recent public engagement campaign 'See What Sam Sees' by Healthier Futures, talked with over two hundred people across Greater Manchester and received overwhelming support for a 9 p.m. watershed from the Greater Manchester public

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- To request the Leader of the Council to write to the Secretary of State for Culture, Media and Sport, expressing these views and asking her to bring forward legislation to introduce a 9 p.m. watershed for the advertising of alcohol products on TV to protect children and young people from the influence of alcohol advertising;
- To continue to promote good health in our borough, to support the UK Chief Medical Officers' Alcohol Guidelines, and to protect children and adults from alcohol-related harm.

The meeting commenced at 7.00 p.m. and finished at 8.54 p.m.

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TRAFFORD COUNCIL

Report to: Council
Date: 22 February 2017
Report for: Decision
Report of: Chief Finance Officer

Report Title

Procurement of the External Auditor

Summary

The Local Audit and Accountability Act 2014 at Section 7 states that a “relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year.” Current auditor contracts have been extended for 12 months, therefore, for Trafford Council, the appointment of an auditor must be completed by 31 December 2017 for the audit year 2018/19.

The Accounts and Audit Committee were provided with reports on options available in terms of the process for the future appointment of the external auditor at its meetings on 23 November 2016 and 7 February 2017. At its 7 February 2017 meeting, the Accounts and Audit Committee agreed that it should be recommended to Council that the future process for appointing the external auditor, to be completed by December 2017, is undertaken via the use of the Sector Led body, Public Sector Audit Appointments Ltd (Option 3 as described in this report).

Recommendation(s)

Further to the recommendation made by the Accounts and Audit Committee, the Council approves the option of opting in to the national arrangement for appointing the External Auditor, managed by Public Sector Appointments Ltd (PSAA).

Contact person for access to background papers and further information:

Name: Nikki Bishop, Chief Finance Officer
Extension: 4238

Background Papers:
None

Implications

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Cost implications were taken into account in considering the options within the report and the recommended option.
Legal Implications:	The appointment of the External Auditor is required to be carried out in accordance with the Local Audit and Accountability Act 2014.
Equality/Diversity Implications	None arising out of the report
Sustainability Implications	None arising out of the report
Staffing/E-Government/Asset Management Implications	None arising out of the report
Risk Management Implications	Risk implications are as set out in the report in relation to the options considered.
Health and Safety Implications	Not applicable

Options for Appointment of External Auditor – Recommended Action for Approval by Council

1. Introduction

1.1 The Accounts and Audit Committee, in liaison with the Chief Finance Officer, have reviewed a number of options available in terms of recommending to Council a process for the future appointment of the external auditor (to commence for an agreed period from the financial year 2018/19). This report provides background as to the options available and provides the recommendation from the Accounts and Audit Committee in terms of the proposed way forward.

2. Background

2.1 The Local Audit and Accountability Act 2014 brought the Audit Commission to a close, and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State for Communities and Local Government determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.

2.2 The current external auditor for Trafford Council is Grant Thornton, this appointment having been made under a contract which was originally let by the Audit Commission.

2.3 Following closure of the Audit Commission, the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the Local Government Association (LGA) with delegated authority from the Secretary of State for Communities and Local Government. When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to a local appointment of its auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities.

2.4 Current audit fees are based on discounted rates offered by the firms in return for a substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.

2.5 The scope of the audit will still be specified nationally by the National Audit Office (NAO) which is responsible for writing the Code of Audit Practice. All firms appointed to carry out the Council audit must follow these requirements.

2.6 Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process is in progress and so the number of eligible and interested firms is not known at this stage but it is reasonable to expect that the list may include the top 10 or 12 firms in the country, including the Council's current external auditor. It is unlikely that small local independent firms will meet the required eligibility criteria.

2.7 The procurement option chosen must be ratified by Full Council.

3. Options for Local Appointment of External Auditors

3.1 As set out in reports to the Accounts and Audit Committee, there are three broad options open to the Council under the Act and new appointments for auditors need to be made by December 2017 regardless of which option is chosen. The options are set out below, together where applicable with comments in respect of respective strengths and risks of respective approaches.

Option 1: Make a stand-alone appointment

3.2 To make a stand-alone appointment, the Council will need to establish an independent Auditor Panel (See section 4). The Panel must be made up of a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees – for the Council this excludes all current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input into the process for the assessment and appointment of the firm of accountants to provide the Council external audit. A newly established and independent Auditor Panel would be responsible for selecting the auditor.

3.3 This option allows the Council to have local input to the decision; however, recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus ongoing expenses and allowances throughout the life of the contract. In addition the Council would not benefit from reduced fees that may be available through joint or national procurement contracts.

Option 2: Local joint procurement arrangements

3.4 The Act enables the Council to join with other authorities to establish a joint independent Auditor Panel which would need to be constituted and made up of a majority, or of wholly independent members.

3.5 Greater Manchester Treasurers (representing the ten GM Councils, GMCA, TfGM, GMPCC, GMP, GMFRS and GM Waste) have worked together to consider the possibility of such an approach for GM authorities. It was initially thought this might be a suitable approach given the level of collaboration, joint working and similar core functions within the organisations. At present, eight of the ten GM councils are audited by Grant Thornton and two are audited by KPMG.

3.6 There would still be a requirement to set up an Auditor panel, run the bidding exercise and negotiate the contract plus maintain the arrangement over the life of the contract although costs would be lower as shared across a number of authorities. As referred to in section 4, there would still also be a requirement that the Auditor Panel consists of a majority of independent members i.e. independent of all the participating organisations.

3.7 A key risk for this option is that accountancy and audit firms may decline to bid for a package of GM external audit work due to independence issues. Any firm that was successful would be unable to undertake any advisory work within Greater Manchester, as to do so would be in contravention of professional standards, independence safeguards and terms of appointment established by the PSAA. There are therefore likely to be a limited number of bidders if this option was chosen and the price obtained is likely to be less competitive. The GM authorities have also been advised that any firm that has any connection to an Elected Member within GM (e.g. an elected Member who worked for that firm) would also be unable to bid for the work.

Option 3: Opt-in to a sector led body

3.8 In response to the consultation on the new arrangement, the LGA successfully lobbied for councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. This body had been confirmed as Public Sector Audit Appointments Limited (PSAA). PSAA will have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

3.9 Under this approach, the costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities and by offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation. Any conflicts at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon.

3.10 The appointment process would not be ceded to locally appointed independent members but by a separate body set up to act in the collective interests of the 'opt-in' authorities.

3.11 This approach would result in better value than the other options without the need to convene a local auditor panel.

3.12 In considering this option, GM Treasurers sought assurance from the PSAA that Social Value factors would be taken into account as part of the procurement process. Following discussions, although the level of weighting was not as high as hoped by the GM Authorities, it was agreed by PSAA that Social Value would be included as a specific measure within the tender process (The weightings within the tender evaluation model are expected to be as follows: Audit Quality 45%, Social Value 5% and Price 50%).

3.13 In order to take up this option, Trafford Council would have to "opt in" by 9th March 2017.

4. Auditor Panel

4.1 If selecting options 1 or 2, there will be a requirement to establish an independent Auditor Panel, either specifically for the Council or in collaboration with partners. The Auditor Panel role is different to that of the Audit Committee. Its functions are to advise the Authority on:

- Selection and appointment of the auditor
- Resignation or proposals to remove the auditor
- Adoption of a policy on non-audit services
- Maintenance of independent relationship with the auditor
- Any proposals to enter into limited liability agreements.

4.2 A key challenge for the Auditor Panel is to ensure appropriate appointments that meet the requirements of the Act. It is required that the Panel have at least three members but the majority, including the Chair, should be independent of the Council (and all participating authorities if a joint auditor panel was set up). It is permissible for Council elected members to be represented on the panel, but the majority of members and Chair are required to be independent. The definition of independence in the Act and supporting CIPFA guidance is explicit and allows little option other than through the advertisement and appointment of specific, external, independent members. Panel members will also be required to have the requisite skills and experience, which may not be readily identifiable or available given the specialist nature of the external audit contract and procurement processes.

4.3 The issues above would not apply if option 3 were selected.

5. Recommended Approach

5.1 The Chief Finance Officer has liaised with her counterparts in the other nine GM Councils, GMCA, TfGM, GMPCC, GMP, GMFRS and GM Waste to review the various options. Given the factors taken into account above, it is concluded that Option 3 (Sector Led appointment) should be the recommendation to the Council to progress the appointment of the external auditors. This is also seen as the favoured approach across GM Authorities. The Council's Accounts and Audit Committee recommend this option to Council.

6. Next Steps

6.1 The Council has until December 2017 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by Spring 2017 in order that the contract negotiation process can be carried out during 2017.

6.2 The Council will then need to take action to implement new arrangements for the appointment of external auditors from April 2018.

Recommendation

The Accounts and Audit Committee recommends to Full Council that Option 3 is selected i.e. the Council opts in to the national arrangement with PSAA for the appointment of the external auditors. (In order to take up this option, the Council is required to opt in by 9th March 2017).

Finance Officer Clearance NB
Legal Officer Clearance MJ

CORPORATE DIRECTOR'S SIGNATURE Joanne Hyde

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TRAFFORD COUNCIL

Report to: **Council**
Date: **22 February 2017**
Report for: **Decision**
Report of: **Director of Legal and Democratic Services**

Report Title

Appointment of Returning Officer at Combined Authority Mayoral elections

Summary

The Combined Authority (Mayoral Elections) Order 2017 formally requires that each constituent Council shall appoint an Officer of the Council to be the Local Returning Officer for the election of a Combined Authority Mayor.

Recommendation(s)

The Council is requested to appoint the Chief Executive as the Returning Officer for the Trafford Council area at Combined Authority Mayoral elections.

Contact person for access to background papers and further information:

Name: Peter Forrester
Extension: 1815

Background Papers: None

Background Information

Relationship to Corporate Priorities	N/A
Financial	N/A
Legal Implications	The Council are required to appoint an officer of the Council as the Local Returning Officer for the GM Combined Authority Mayoral elections.
Equality/Diversity Implications	N/A
Sustainability Implications	N/A
Staffing/E-Government/Asset Management Implications	N/A
Risk Management Implications	N/A
Health and Safety Implications	N/A

1.0 Background

1.1 Under Section 35 (1) of the Representation of the People Act 1983, Councils are required to appoint an Officer to be the Returning Officer for local elections.

1.2 In the version of the Combined Authority (Mayoral Elections) Order 2017 circulated prior to the draft Order being formally laid before Parliament, the Returning Officer at local elections was automatically the Returning Officer at Combined Authority Mayoral elections.

1.3 In the final legislation which became law on 31 January 2017, Section 35 of the Representation of the People Act 1983 has been modified by paragraph 1 (5) of Schedule 2 of the 2017 Order, so as to suggest that a separate Returning Officer appointment should be made for the Combined Authority Mayoral Election.

1.4 For avoidance of doubt, it is therefore suggested there is a specific appointment of a Returning Officer for the Trafford Council area at Combined Authority Mayoral elections. It is recommended that this appointment be the Chief Executive which is in line with current arrangements.

Agenda Item

TRAFFORD BOROUGH COUNCIL

Report to: Executive and Council
Date: 22 February 2017
Report for: Decision
Report of: Executive Member for Finance and the Chief Finance Officer

Report Title

Executive's Revenue Budget Proposals 2017/18 & MTFS 2018/19-2019/20

Summary

This report sets out the Executive's updated 3 year budget strategy proposals and detailed revenue budget proposals for 2017/18 and Medium Term Financial Strategy (MTFS) for the period 2018/19-2019/20. To include:

- The approach taken to consultation, subsequent outcomes of feedback from stakeholders, staff and scrutiny and revised recommendations which are now put forward for members approval
- Changes to budget assumptions, estimates and movements in funding

The key summary of figures for the revenue budget are:

- The overall budget movement for 2017/18 on a 'like for like' basis is an increase in the net budget of £1.41 million or 0.96%, from £146.70 million to £148.11 million. However, as Trafford is part of the 100% business rates retention GM pilot, Public Health monies will no longer be received in a separate ring-fenced grant but are counted as part of core funding and therefore the net budget increases by £12.72 million to £160.83 million.

- The budget funding gap for the three years before applying these proposals is now estimated to be £47.71 million comprising:
    - £32.23 million of additional cost pressures
    - £15.48 million of reductions to funding

- The proposals contained in the report close the 2017/18 budget gap of £25.37 million via a mixture of measures:
    - Income generation
    - Transformational service delivery savings
    - Additional funding and use of reserves

- It should be noted that if all the proposals in this report are implemented there currently still remains a residual budget gap of:
    - £13.19 million in 2018/19, and
    - £6.05 million in 2019/20

Throughout 2017 the Executive will continue to review proposals to address this budget gap

Recommendation(s)

It is recommended that Council approve :

a) The 2017/18 net Revenue Budget of £160.83 million.

b) The 2018/19 to 2019/20 Medium Term Financial Strategy (MTFS) including the income and savings proposals.

c) The calculation of the Council Tax Requirement as summarised in Section 9.1 and set out in the Formal Council Tax Resolution (Green Sheets to be circulated at Council);

d) To increase Council Tax by 4.99%:
   - 1.99% general increase in the 'relevant basic amount' in each of the three years 2017/18 to 2019/20, and
   - 3% for the 'Adult Social Care' precept in each of the two years 2017/18 and 2018/19.

e) The Fees and Charges for 2017/18, as set out in the Fees & Charges booklet.

f) Approval is delegated jointly to each Corporate Director with the Chief Finance Officer to amend fees and charges during 2017/18 in the event of any change in VAT rate, as appropriate.

g) That the minimum level of General Reserve for 2017/18 be retained at £6.0 million, as in 2016/17 (Section 7.2).

h) The overall Capital Investment Programme level of £109.16 million be approved (as detailed in the Capital Programme & Prudential Indicators report attached) of which £65.73 million relates to 2017/18.

i) The Prudential Borrowing Indicators as set out in Appendix 3, of both the attached Treasury Management Strategy and Capital Programme & Prudential Indicators reports.

j) The distribution of Dedicated Schools Grant as recommended by the School Funding Forum and Executive as summarised in Section 8 and detailed in Annex H.

k) The publication of the Council's updated Efficiency Plan in Annex I.

l) Due to the late publication of the Final 2017/18 Local Government Finance Settlement, the Council to delegate to the Chief Finance Officer the power to vary the level of Budget Support Reserve needed to balance the 2017/18 revenue budget in the event of any change at final settlement (as long as this does not impact on the level of general risk reserve retained).

and in approving the above, has taken into consideration :

a) The objective assessment by the Chief Finance Officer of the robustness of budget estimates and adequacy of the financial reserves (Section 7.3 and Annex G).

b) The Executive's response to the Scrutiny Committee's recommendations to the budget proposals as included in a separate report on the agenda.

c) The 'Budget 2017/18 - consultation Process and Feedback' report.

d) The Equality Impact Assessments in relation to the budget proposals and the Public Sector Equality duty.

In addition, the Council notes the following :

a) The approval on 18 January 2017 under delegated powers by the Chief Finance Officer of the Council Tax Base for 2017/18 at 74,883 Band D equivalents.

b) Along with the calculation of the estimated Council Tax surplus, sufficient to release £(1.3 million) to support the Council's 2017/18 revenue budget and a distribution of £(181)k and £(68)k representing the respective shares of the GM Police & Crime Commissioner and GM Fire and Rescue Authority.

c) The base budget assumptions as set out in the Medium Term Financial Strategy (MTFS) as detailed in Annex A.

d) Notes the budget gap for the two years 2018/19 £13.19 million and 2019/20 of £6.05 million.

e) That the Capital Investment Programme for 2017/18, 2018/19 and 2019/20 is to be set at an indicative £65.73 million, £25.51 million and £17.92 million respectively.

f) The use of capital receipts to fund a number of transformational savings and income generating projects as detailed in Annex I.

g) That the Council Tax figures included in the report for the GM Fire & Rescue and Police Authority are the recommended provisional amounts pending their formal approval.

h) The Treasury Management Strategy 2017/20 detailed elsewhere on the agenda.

i) Notes the final decision with regard to school crossing patrols will not be taken until the results of the second phase of consultation are concluded and a report to The Executive will then be presented at the appropriate time.

j) A ‘Budget 2017/18 - consultation Process and Feedback’ report on the outcomes of the public consultation is included on the Executive meeting budget agenda.

Contact person for access to background papers and further information:

Name: Cllr Patrick Myers Nikki Bishop
Extension: 4238

Relationship to Policy Framework/Corporate Priorities	Value for Money. The proposed draft budget for 2017/18 supports all key priorities and policies.
Financial	The report sets out the proposed budget for 2017/18, allocating available resource across service objective heads as detailed in Annex F of the report.
Legal Implications:	It is a statutory requirement for the Council to set and approve a balanced, robust budget and Council Tax level. Budget proposals take account of various legislative changes as they affect Council services. The Council has begun and will continue to comply with the statutory processes associated with the effect of the proposed budget on staffing levels. If the budget for a directorate is to be exceeded, which will result in a call on reserves, the Executive will need to identify the impact on reserves and when they will be replenished. The Council has carried out a public consultation on its budget proposals. It has taken full account of the feedback in presenting this budget.
Equality/Diversity Implications	The Council has complied with the requirements of its Equality Duty and where appropriate an Equality Impact Assessments was undertaken and considered. Those Equality Impact Assessments are published as background papers to this report.
Sustainability Implications	None arising out of this report.
Resource Implications e.g. Staffing / ICT / Assets	Human Resources – statutory processes have been complied with during the course of these budget proposals in respect of staffing implications.
Risk Management Implications	The risks associated with the budget proposal have been considered.

Health and Wellbeing Implications	The Council has complied with the requirements of its Equality Duty and where appropriate an Equality Impact Assessments was undertaken and considered. Those Equality Impact Assessments are published as background papers to this report.
Health and Safety Implications	The health and safety implications of the budget proposal have been considered.

Other Options

The Executive is recommending an overall increase to the level of council tax of 4.99% in 2017/18 comprising the increase of 3% for the 'adult social care precept' to be earmarked for adult social care expenditure and 1.99% general increase in the 'relevant basic amount'.

An alternative option is not to increase council tax but there would be insufficient funding to pay for the Council's services in 2017/18. If this option were pursued then further savings of £4.21 million would need to be identified over and above the significant level of savings already included in this budget report. Alternatively a decision could be made to increase its 'relevant basic amount of council tax' above the levels proposed in this report, however this would exceed the referendum limits, which would mean a local referendum was required.

The use of reserves has been reviewed (See Section 7) and an appropriate amount has been assessed for release to support these budget proposals whilst still maintaining a minimum level of reserves to manage any unforeseen risks. Any further use of reserves is not recommended as it does not provide a sustainable means of balancing the budget.

Consultation

The details and results of the budget consultation exercise are referred to in Section 3.2-3.4 together with the review of the proposals and process by the Council's Scrutiny Committee.

The Public Sector Equality Duty

The Equality Act 2010 requires public authorities to comply with the Public Sector Equality Duty. The public sector equality duty requires public authorities to consider the needs of people who are disadvantaged or suffer inequality when making decisions regarding its service provision and policies.

People who are protected under the Equality Act 2010, have certain protected characteristics. The characteristics that are protected in relation to the Public Sector Equality Duty are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

Public authorities, when carrying out its functions, must therefore have due regard to:

- The elimination of unlawful discrimination;
- The advancement of equality of opportunity between people who have protected characteristics and those that do not; and

- The fostering or encouragement of good relations between people who share a protected characteristic and those who do not.

An Equality Impact Assessment (EIA) is a practical tool which may be used to identify discrimination as it is a process designed to ensure that a policy, scheme or project does not discriminate or disadvantage people. An EIA can be used to identify potential impacts of decisions and also, any mitigating measures. Where relevant and to further assist the Council in its evaluation of the proposals, a number of EIAs were undertaken as part of the evaluation process.

The EIAs were available to officers evaluating the consultation responses and to members of the Executive who will be deciding whether or not to support the proposals contained within the report. Any potential impacts have been identified through the EIA and consultation process. Where any potential impact has been identified consideration has been given to whether measures can be taken to mitigate against these impacts. Mitigation measures are set out within the body of the relevant EIA or are reflected in modifications to the proposals.

In considering the report and deciding whether to accept the recommendations the Executive is also required to have regard to the Public Sector Equality Duty. In order to satisfy this duty the Executive must consider the potential impacts identified in the EIA's and the consultation responses.

Where reasonable and appropriate mitigation measures have been proposed which will offset either wholly or in part the impacts identified. Where mitigating measures are not proposed, countervailing factors, namely the significant budgetary pressures facing the Council and the need to make improvements and efficiencies to the services concerned are considered to provide justification for the measures

<u>Reasons for Recommendation</u>
To enable the Council to set a Budget Requirement and Council Tax level for 2017/18. The reason for these recommendations is to deliver a balanced budget 2017/18 in relation to the proposals set out in this report, whilst having due regard for equality impact and risk mitigation.

<u>Key Decision</u>
This is a key decision currently on the Forward Plan: Yes

Finance Officer Clearance …… GB……..

Legal Officer Clearance *……..MJ……*

CORPORATE DIRECTOR'S SIGNATURE

…………………

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

TRAFFORD
COUNCIL

Executive's Revenue Budget Proposals 2017/18 & 2018/19-2019/20 Medium Term Financial Strategy

22 February 2017

CONTENTS

FOREWORD by the EXECUTIVE MEMBER for FINANCE
COUNCILLOR PATRICK MYERS

The budget proposals contained in this report are the 8th since austerity began in 2010. Throughout this period the Council has been committed to delivering value for money services and a low council tax. Trafford currently has the lowest council tax in the North West and also has the lowest council tax of any Metropolitan District in England.

This has only been achieved by a strong culture of financial management across all services. The Council also has a strong ethos of collaboration and working in partnership to strengthen our local and organisational resilience. As in recent years it is important to remind ourselves of the strengths of the borough and the many achievements of the Council.

Trafford has a robust economy and its population, of just over 230,000, is highly skilled / educated with 49% qualified at NVQ4 and above compared to the Greater Manchester (GM) average of 34%. The borough has the highest productivity rate per head in GM and the highest Gross Value Added (GVA) outside of Manchester producing £7 billion p.a. The number of Trafford residents in employment is 123,300 and is predicted to increase by 9% over the next 10yrs.

With our partners we have won several awards for our innovative and collaborative work across the recently reviewed and refreshed Trafford Partnership, which represents all sectors including the faith community, is a powerful force to enable partners to work differently and galvanises communities to take the lead in their local areas.

In 2016 we were a national finalist in the MJ Awards for 3 categories, Local Authority of the Year, Senior Leadership Team and for our Locality Working programme which is supporting behaviour change amongst our residents and the Council received a commendation in the North of England Excellence Awards. The Partnership has also established a new integrated governance framework for Reform which is driving forward fundamental change across sectors and services in order to reduce demand and ensure we provide services more collaboratively and more effectively in the best interests of the residents of Trafford.

Trafford was also announced joint winner of the NHS Health Education England Learning Together in Health and Social Care Projects Award for its innovative integrated working project called i-Care. The award recognises the bold and ambitious journey the authority took to re-shape itself and change the way its people work, including how it operates with key partners from the NHS and other agencies.

As a Council, we have been recognised at a national level for our employment and equality initiatives, employee relations and quality of apprentices.

Our Children's Services were rated by OFSTED as good with outstanding features citing 'many examples of innovation, hard work and determination demonstrated by elected members, officers and workers at all levels to ensure that vulnerable children and families get the best possible service';

95.1% of Trafford pupils attend schools which are rated as “good” or “outstanding”, which puts us in the top 10 local authorities nationally, at both primary and secondary level. 2015 figures show that Trafford is ranked 6^{th} nationally for Key Stage 2, 3^{rd} nationally for GCSE and 3^{rd} nationally for A Level results.

Work is continuing to implement the strategic frameworks for all the town centres including the Stretford Masterplan, Sale Town Centre Improvement Plan and Altrincham Strategy. The Council is committed to the sustainability of its main town centres and has completed the first phase of the comprehensive public realm improvement works in Altrincham, while the second phase (phase 2a) encompassing Stamford New Road to Regent Road will be completed in 2017. The first phase of exciting proposals for public realm improvements in Streford Town Centre is scheduled to start in March 2017. The Council supported 6 new businesses to take vacant premises in the town centres through the innovative Town Centres Loan Scheme, which levered c.£293,000 of private sector investment and created 35 jobs. Through these efforts, the overall vacancy rates in the town centres fell to 11.1% (December 2016).

The Council delivered, in partnership with the private sector, the borough's first Business Improvement District for Altrincham which will generate c.£1.5 million over 5yrs to support business growth and attract spend and investment.

The Council also, in partnership with the Manufacturing Institute, Trafford College and Trafford Housing Trust, delivered the borough's first Fab Lab to encourage residents and businesses to utilise technology, develop prototypes and products, start businesses and develop skills.

- Through direct service delivery and effective partnership working the Council has maintained performance and quality standards even at a time of significant change, increasing demand and reducing resources:-

  - Supported 173 residents into employment through the innovative Trafford Pledge, matching unemployed people with local employers.

  - Directly supported 205 local businesses to access advice and support from a range of local, sub-regional and national organisations.

  - Successfully delivered local elections and the Referendum in 2016.

  - Maintained 'Bronze' status under the government's homelessness gold standard challenge (i.e. the first step in the process) and has completed and submitted the next challenges to be awarded ‘Silver’ standard.

  - Reduced average major planning application processing times by half.

- When the budget proposals are discussed and debated the focus tends to be on what financial savings are to be made. Whilst this is important, we should also consider what services we continue to deliver. Some of these include:-

  - 106,732 visitors to Waterside Arts Centre selling more than 40,500 tickets and receiving over 3,500 school children,

- The Arts Centre launched the first Summer Family Festival event in July 2016 and a Trafford Live (Celebrating Your Community) event was held at the Town Hall in early October.

- Determined more than 2,700 planning applications, which will grant permission for nearly 4000 new homes.

- Maintain 40 public parks covering 243 hectares, with 7 parks currently achieving the prestigious Green Flag status.

- Continue to collect grey general waste bins on a fortnightly cycle, emptying approximately 30,000 bins of household rubbish every day.

- Remove approximately 3,700 tonnes of street sweepings and litterbin waste from our streets and open spaces every year.

- Protecting expenditure on the youth provision through the establishment of an independent Youth Trust.

- Recycle over 60% of domestic waste making Trafford the best performing district in Greater Manchester and the highest performing metropolitan districts in the country; 6th of all councils.

• Furthermore, the Council continues to respond to the financial and service demand challenges by focussing on developing a broad spectrum of initiatives designed to provide multiple opportunities for cost reduction and service improvement. Since the last budget the Council has:-

  - Seen our “Be Bold Be the Difference” campaign encourage hundreds of residents to get more active in their community, enabled by 150 front-line staff trained in community building (in addition to the 300 trained in 2015) and over 1,500 residents got involved in our community voting events to allocate council grants, with 45 groups now being supported to deliver new innovative community projects

  - Introduced a premium planning application service to deliver robust planning decisions within challenging timescales.

• The Council also continues to invest and support key initiatives in the borough and wider sub-region including:-

  - Planning the implementation of a £24 million investment in a new Leisure Strategy for Trafford

  - Contributing to the new Trafford Park Metrolink extension to the Trafford Centre.

  - Taking forward the Future Carrington scheme in partnership with HIMOR to ensure first phase planning application submitted (725 homes and 1m sq.ft new employment space) and future phases that will in total deliver up to 11,500 new homes, 8m sqft of new employment floor space and create c.14,000 new jobs on land owned by HIMOR and other parties.

- Fully supporting the development of the GM Strategic Framework that will set GM's employment and residential growth targets for the next 20 years.

- Four new library buildings to be provided by the end of 2018 at Altrincham, Old Trafford, Hale and Timperley.

- Working with AGMA to improve service delivery and enhance customer experience e.g. one library card.

- Limelight - Shrewsbury Street, Old Trafford – £18 million new community hub with extra care housing, library and health centre.

- Major public realm works in Altrincham town centre and Stretford.

- Providing an upgrade to all our Public Realm CCTV cameras and a new 24 hour control room in partnership with Salford City Council.

As stated earlier the budget proposals contained in this report are the 8^{th} since austerity began in 2010. Over this period the Council has had to bridge budgets gaps each year as a result of reduced funding and cost pressures totalling £136.11 million of which £112.82 million was met from efficiencies, income and policy choices. This has been no easy challenge for a low funded, low tax authority like Trafford. The next three years will not provide any respite with the budget gap now estimated to be £47.71 million.

In recent years we have approached the budget position positively and transformed and reshaped our services. Our long term vision for the future is that:

No one will be held back and no one left behind

and our future strategy holds this at its core. A new place based strategy is under development guided by two key principles around:-

- People - The Council will help residents to help themselves and each other
- Place - To create a place where people want to live, stay, learn, work & relax

A number of key work streams will be developed over the next few years to ensure Trafford is able to meet the challenge with our partners and create a sustainable borough. The conversation we have to have with the residents of the borough, customers and partners is how we can further transform the services our communities rely on and provide them in different ways.

The proposals in this report are following the subsequent outcomes of feedback from consultation with stakeholders, staff and scrutiny and revised recommendations which are now put forward for member's approval.

Since the draft budget was presented to the Executive on 15th November 2016 there have been a number of factors which have contributed towards an overall increase in the funding gap from £22.17 million to £25.37 million in 2017/18 and over the next three years from £42.09 million to £47.71 million.

Movement in the Budget Gap	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Funding Gap (Draft Budget Nov16)	**22,165**	**10,692**	**9,237**	**42,094**
Adults: Additional Pressures e.g. reducing the delayed transfers of care, increasing care requirements	2,292	0	0	2,292
Adults: Deprivation of Liberty Safeguards Assessments (DOLS)	250	0	0	250
Children's Placements	1,800	0	0	1,800
Social Care Transport	250	0	0	250
Other: Minor Service Pressures & Contingency Items (incl. Treasury Management, National Living Wage Assumption, Changes to Grant Allocations etc…)	(348)	1,188	(537)	303
Cost Pressures & Investment Updates	**4,244**	**1,188**	**(537)**	**4,895**
Increase in Council Tax Base	(764)	(11)	(12)	(787)
Business Rates Updates	(275)	1,908	(130)	1,503
Funding Updates	**(1,039)**	**1,897**	**(142)**	**716**
Revised Funding Gap (Feb17)	**25,370**	**13,777**	**8,558**	**47,705**

The 2017/18 funding gap of £25.37 million has been met from a combination of the following:

- Income generation and savings amounting to £15.57 million comprising:-
  - ➢ Income Generation:
    - o The continuation of existing income generating projects of £430k and
    - o New proposals which are projected to generate £1.77 million.
  - ➢ Transformational Service Delivery Savings:
    - o The continuation of existing savings programmes of £8.80 million and
    - o New savings proposals amounting to £4.57 million.
- Additional funding and use of reserves amounting to £9.80 million comprising:-
  - ➢ Council tax of £4.21 million, comprising
    - o £1.68m from an increase in the ‘relevant basic amount’ of Council Tax of 1.99%, and
    - o £2.53m from an increase of 3% in respect of the ‘adult social care precept’

    For a band D property in Trafford this equates to an increase of £1.08 per week or £56.25 per annum.

- Business rates of £1.16 million, due to revisions in assumptions following updates being provided by Department of Communities and Local Government on multiplier rates & Valuation Office Agency update on the new 2017 Rating List.
- Collection Fund surplus of £1.37 million, split between £1 million Council Tax and net £375k Business Rates.
- The use of the budget support reserve, which has been set aside for this purpose, of £3.06 million. This gives us a temporary one year smoothing effect which defers savings to 2018/19.

Summary of the Reduction in the Revised Funding Gap	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**
Revised Funding Gap	**25,370**	**13,777**	**8,558**
Efficiencies	(180)	0	0
Income	(430)	0	0
Policy	(8,613)	(250)	0
Full Year Effect of 2016/17 Proposals	**(9,223)**	**(250)**	**0**
Efficiencies	(2,921)	(78)	350
Income	(1,772)	(335)	(510)
Policy	(1,651)	268	(261)
Funding & Reserves	(9,803)	(195)	(2,085)
2017/18 Proposals	**(16,147)**	**(340)**	**(2,506)**
Total Budget Gap	**0**	**13,187**	**6,052**

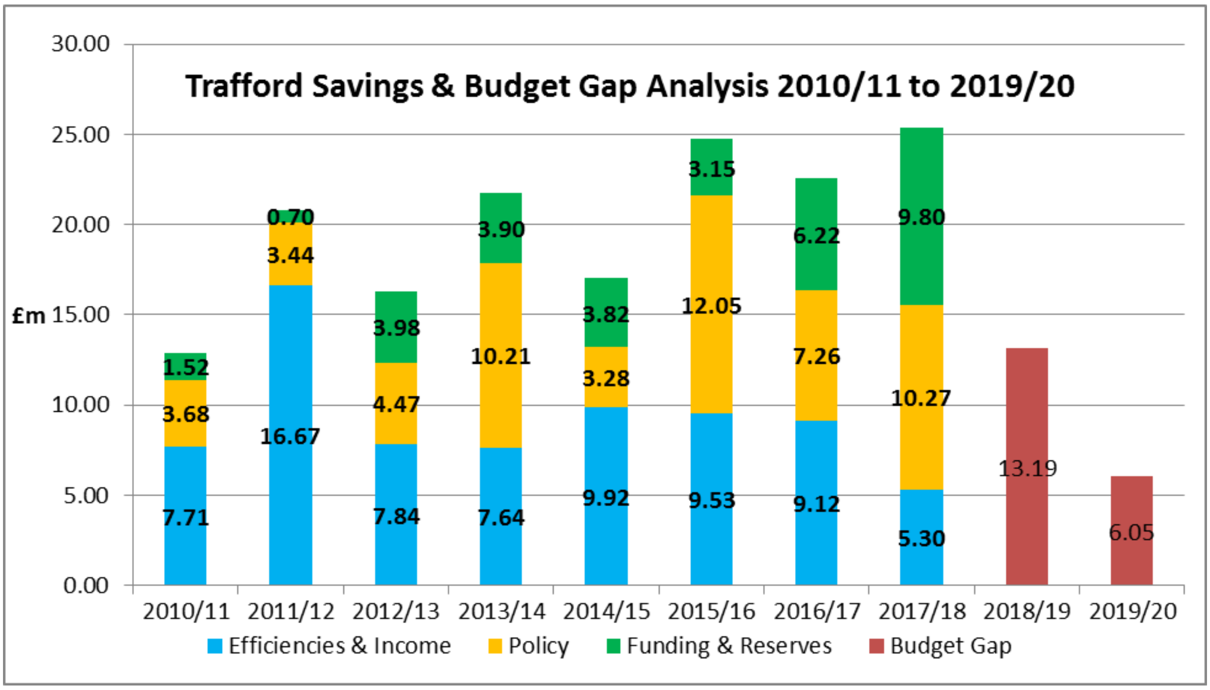
Despite the increasing difficulty in setting a balanced budget for 2017/18 it is worth highlighting some of the significant new investment both revenue and capital included in these budget proposals:-

- An increase in the level of demographic funding on our social care services of £7.0m coupled with £2.4m to cover the cost of adaptations and assistive technology to assist people to live in their own homes
- Provision of additional places in our primary schools £2.5m
- The first phase of improvements to our leisure centres £6.5m
- Improvements to our highways £3.2m
- Improvements to parks infrastructure and play area refurbishments £0.4m
- Investment in new technology £1.3m

At the draft budget stage the level of income generation and savings identified were not sufficient to meet the budget gap of £2.02m in 2017/18, a summary of how this budget gap at draft budget stage has now been met is shown in the table below.

Balancing the Budget Gap (Draft to Final) *(A Breakdown is Provided in Annex B)*	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**
Budget Gap at Draft Budget (Nov16)	**2,022**	**9,145**	**4,825**
Cost Pressures & Investment Updates	4,244	1,188	(537)
Savings & Income Proposals Updates	(1,731)	450	350
Funding Updates	(1,039)	1,897	(142)
Additional Funding	(3,238)	249	1,556
Additional Use of Reserves	(258)	258	0
Final Budget Gap After Proposals (Feb17)	**0**	**13,187**	**6,052**

Whilst this budget gap has now been closed for 2017/18 the size of the challenge over the following two years remains significant. For that reason the budget process for 2018/19 will commence immediately such that sufficient time is afforded to consider all options at an early stage.



Councillor Patrick Myers

Patrick Myers

Executive Member for Finance

1. FINANCIAL BACKGROUND

1.1 Background

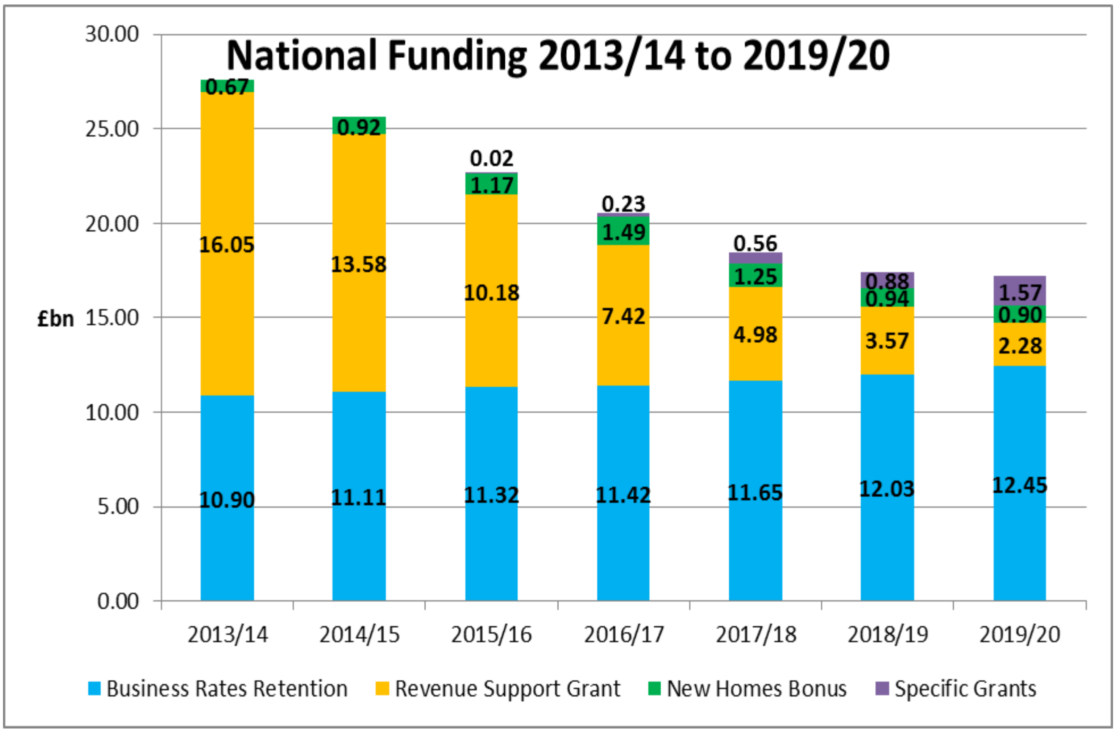
1.1.1 Since 2010 the Government has reduced the funding for Local Government and in the November 2015 Spending Review announced plans to completely phase out Revenue Support Grant (RSG) by 2020, paving the way for the implementation of 100% Business Rate Retention scheme.

1.1.2 To provide funding certainty & stability over the period to 2020, in the December 2015 Provisional Finance Settlement the Secretary of State offered councils the option to accept a four year funding settlement for the period 2016/17 to 2019/20 on the condition that councils produce an efficiency plan to be published by 14th October 2016. This offer was later confirmed by letter, after a consultation period, on 10th March 2016.

1.1.3 On the 19th September 2016 the Executive approved that the Council accept the four year funding settlement and the publication of the Efficiency Plan. The medium term minimum funding guarantee not only safeguards the Council against further reductions but provides certainty to enable the Council to make longer term transformational and growth plans both within our organisation and in collaboration with our partners. An updated efficiency plan can be found in Annex I.

1.2 Provisional 2017/18 Local Government Finance Settlement

1.2.1 The provisional 2017/18 Local Government Finance Settlement was released on the 15th December 2016 which provided updates to the national funding figures to 2019/20.



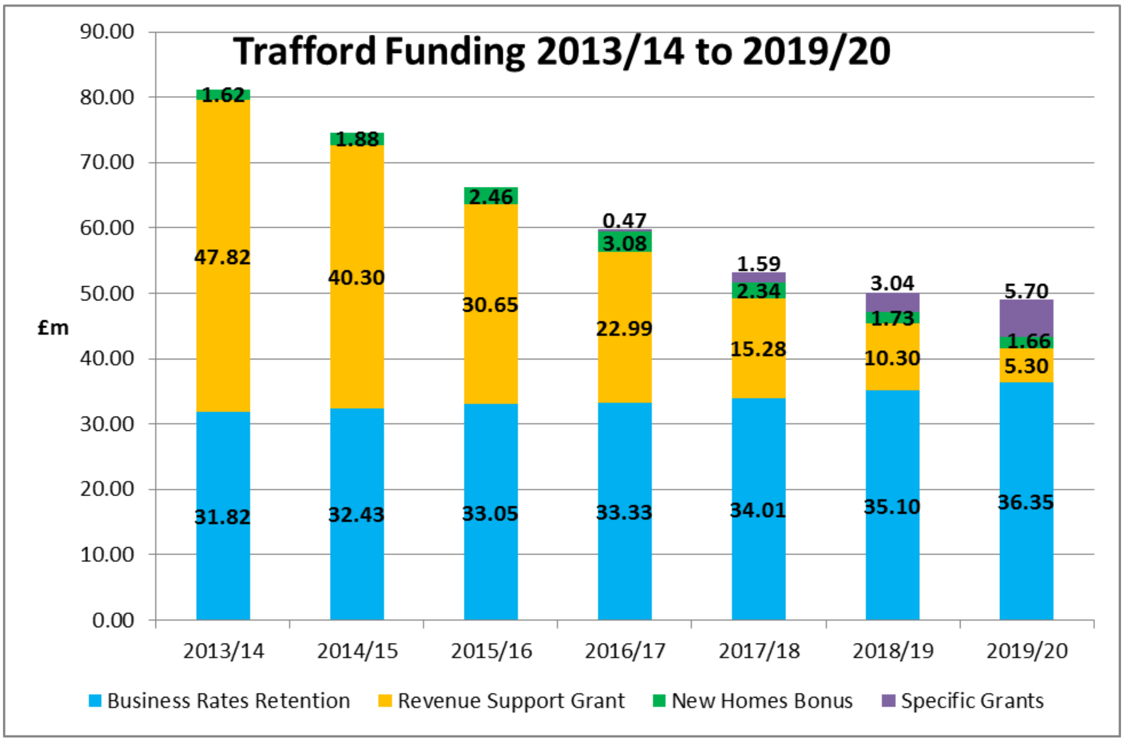
1.2.2 When comparisons are made with funding levels at the inception of the Business Rates Retention scheme in 2013/14 it highlights funding reducing from £27.6bn to £17.2bn (38%) over the period, with RSG being the main contributor.

1.3 Council Position

1.3.1 The Provisional 2017/18 settlement figures re-confirmed those originally offered in accepting the four year settlement and can be found in the table below:

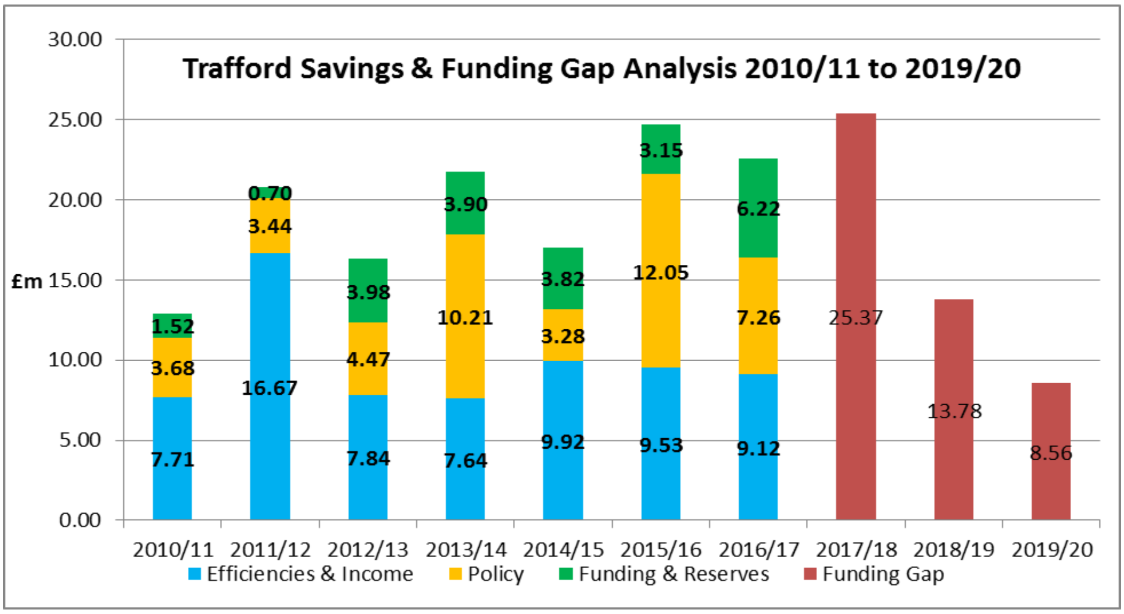
Table 1: The Funding Offer	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Revenue Support Grant	22,989	15,276	10,303	5,299
Transitional Grant	465	458	0	0
Rural Services Delivery Grant	0	0	0	0
Total	**23,454**	**15,734**	**10,303**	**5,299**

1.3.2 When making comparisons to the national funding figures above, Trafford funding over the same period 2013/14 to 2019/20 is set to reduce by £32.24m or 40% which is 2% above the national average.



1.3.3 Trafford Council is a high performing, low spending council providing excellent, value for money services and has risen to the challenge presented by the effects of the austerity agenda, rising demand levels and funding reductions over the years since 2010.

1.3.4 Since 2010/11 the Council has successfully delivered £96.44m of savings and the current year 2016/17 budget includes a further £16.38m of savings. These are being delivered through a mixture of income generation, in-house efficiencies and the transformation of services and service delivery. Over the next three years the Council is tasked with closing a funding gap which now stands at £47.71m.

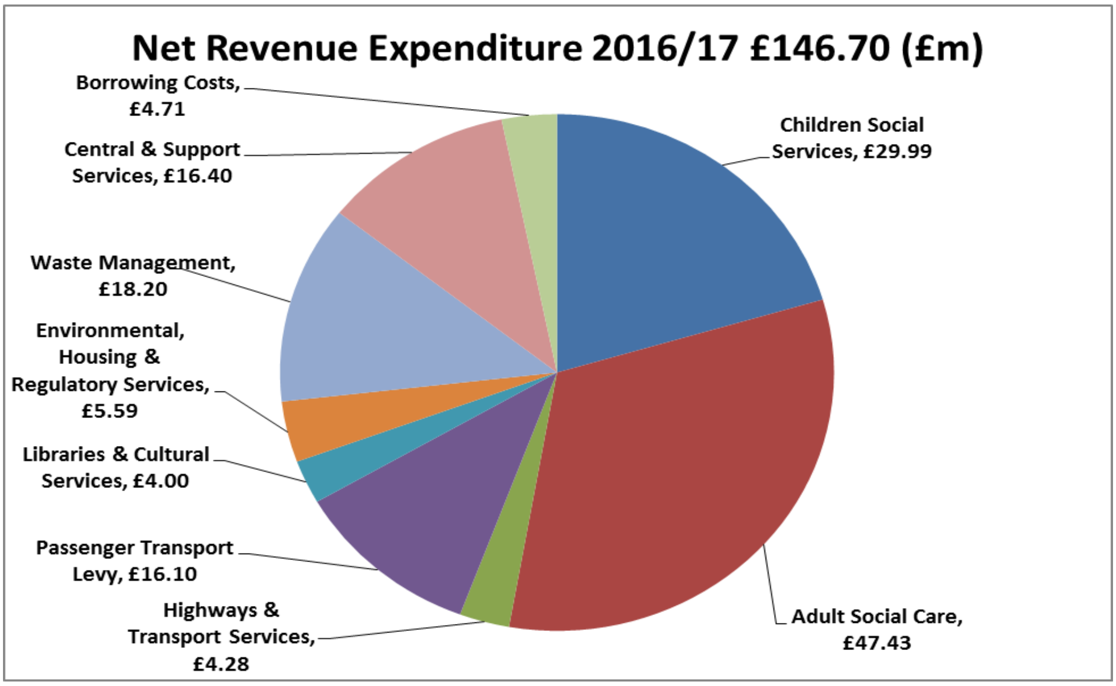


2. 2016/17 BASE BUDGET & MONITORING POSITION as at PERIOD 8 (November 16)

2.1 Base Budget 2016/17

2.1.1 The Council's gross budget for 2016/17 is £423 million however this includes specific funding of Dedicated Schools Grant, Housing Benefit and Public Health. The Council's net controllable budget agreed by Council in February 2016 was £147.32m.

2.1.2 As Trafford will be part of the 100% business rates retention GM pilot from April 2017, in preparation it has been necessary to re-align some business rates related budgets (i.e. section 31 grants and GM Pool Levy/Rebates) totalling £623k to funding, although this is merely presentational it does result in both the net budget and funding reducing for 2016/17 to £146.70m, these changes will take effect from period 10 (January 2017) monitoring.



2.1.3 Which includes some of the following:

- ➢ Adult Social Care
  - Supported over 3,700 residents with a care package
  - Provided services to 4,913 users and 5,867 carers
  - Provided information and advice to support carers with over 11,000 contacts to the carer helpline
  - Provided over 800,000 hours of external home care support
- ➢ Children's Social Services
  - Supported 3,393 clients

- Economic Growth, Environment & Infrastructure
  - Maintained over 500 miles of roads and footpaths.
  - Maintained over 27,500 lampposts and 4,500 items of illuminated street furniture.
  - Responsible for 18,000 highway tress and 50,000 trees within public parks and open spaces
  - Remove approximately 6,000 tonnes of street sweepings per month and 500 tonnes of litter from approximately 1,200 waste and litter bins (streets and parks).
  - Empty approximately 30,000 bins of household rubbish every day.
  - Support and regulate over 5,000 premises for food, health and safety, trading standards, pollution and licensing and maintain other health and safety initiatives.
  - Manage parking restrictions on street and off street across the borough with 1,700 car park spaces in 22 off street car parks
  - Licence and regulate approximately 2,400 premises, people and taxis within the Borough.
  - Carry out over 4,500 pest control treatments in homes, schools and businesses across the borough.
- Transformation & Resources
  - The Council continues to collect over 97% of Council Tax remaining the highest in GM which supports the Council's financial resources.
  - The Council's customer contact service deal with over 330,000 telephone enquiries per year. In 2016/17, the Contact Centre target is to answer 80% of telephone calls within 20 seconds.
  - The Catering Service serves on average 15,000 meals per day, over 2.85 million meals per year.
  - The authority has one crematorium and five cemeteries and the service undertakes approximately 1,700 cremations and 600 burials per year.
  - The Council continues to promote openness and transparency and our Council meetings have received over 9,000 online views.
  - During 2015/16 106,732 visitors to Waterside Arts Centre selling more than 40,500 tickets and receiving over 3,500 school children.
  - Provision of the Council's in-house professional services of HR, Legal, IT & Finance
  - Facilitates and supports the award winning Trafford Partnership.
  - Provision of wedding facilities at Trafford Town Hall.

2.2 Revenue Budget Monitoring 2016/17 Period 8 (November 16)

2.2.1 Delivery of the 2016/17 budget is critical to maintaining the Council's budget proposals and future MTFS. The period 8 (November 2016) revenue budget monitoring report forecasts a small underspend of £670k as follows:

Table 2:Budget Monitoring results by Service	Forecast Variance (£'000)	%
Children's Services	2,389	8.1%
Adult Services (incl. Public Health)	380	0.8%
Economic Growth, Environment & Infrastructure	(394)	(1.2)%
Transformation & Resources	(897)	(5.3)%
Total Service Budgets	**1,478**	**1.2%**
Council-wide budgets	(2,148)	(9.9)%
Forecast outturn	**(670)**	**(0.5)%**
Dedicated Schools Grant	**492**	**0.4%**

2.2.2 The current in-year variations contain a number of items with those notable items listed below which has been considered in determining the budget proposals for 2017/18:

- Children's Services - additional cost of children's care packages.
- Adult Services - a combination of higher levels of care being required and the number of new entrants.
- Council-wide - recovery of prior-year(s) housing benefit overpayments, reduction in business rates levy payment and a review of balance sheet.
- Staff vacancies - which are in the process of being filled.

2.2.3 The significant demand led pressures being placed on the Children's Service placement budget are being addressed in the current year predominantly through the use of one-off savings within Council-wide budgets and brought forward service earmarked reserves. However, the recurrent nature of this pressure is likely to continue into 2017/18 and the implications from this have been factored into the revised funding gap in section 4.2 and discussed in section 4.3 of this report.

3. BUDGET PROCESS 2017/18

3.1 Budget Approach 2017/20

3.1.1 The draft budget for 2017/18 was agreed by the Executive on 15th November 2016 and set out the overall approach to the budget to address a funding gap of £42.09m over the next three years, of which £22.17m related to 2017/18.

3.1.2 In recent years the Council has had to adopt innovative approaches in order to address the significant budget pressures it faces and the Council's Reshaping Trafford approach has been further adapted for this budget process to address the gap in the budget for 2017/18 to 2019/20.

3.1.3 The long term vision for the future is that ***no one will be held back and no one left behind*** and our future strategy holds this at its core.

3.1.4 The Executive aims to shape a borough which acknowledges that it is made up of different places and enables each to flourish and be confident in their own identity. It will be a thriving borough everywhere and an attractive place to live. The key outcomes include:-

- Trafford will have thriving communities where people choose to live and which retain their own unique identity across the whole of the Borough.
- Businesses will thrive in all areas, creating sustainable employment for all working age people.
- No place will be isolated because the road network and public transport infrastructure will connect all our places.
- Young people will have access to good quality education that prepares and enables them to develop the skills they need to access good quality jobs.
- The sport, recreation and retail offer will help to define the unique nature of these places, which complements the wider offer across the borough whilst promoting healthy lifestyles and regular exercise.
- Young couples and families will want to live in these areas because they have good quality housing, access to good quality schools and they are well connected to transport links.
- People will be enabled to take full responsibility for their health and wellbeing. They will partake in regular exercise and narrow the healthy life expectancy gap, living independently within their communities.

3.1.5 As part of this work a placed based strategy has been developed based around two guiding principles which will see the Council work with partners to ensure services are delivered in the most efficient and effective manner:-

- People - The Council will help residents to help themselves and each other
- Place - To create a place where people want to live, stay, learn, work & relax

3.1.6 This strategy which continues to evolve currently has seven key interventions and the savings and income proposals in this budget report have been themed around these, albeit a number of the themes will take time to develop.

- Creating a national beacon for sports, leisure and activity for all, making Trafford a destination of choice
- Accelerate housing and economic growth
- Redesigning services
- One Trafford - being responsible, being bold, being healthy
- Optimising technology to improve lives and productivity
- Building on excellent education outcomes - developing a wider education and skills offer that better connects people to jobs
- Mersey Valley becomes a significant visitor attraction that connects the North to the South of the Borough.

3.1.7 As with previous budget rounds the Executive continued the approach of growth, charging and saving to balance its overall budget. The first two themes were a priority for the Executive as the creation of new income into the Council will avoid the equivalent amount having to be found from service budgets and thereby minimise adverse impacts on residents and businesses in the borough.

3.1.8 To balance the budget a number of income generation and savings totalling £14.00m were identified and assumptions were made on increases to the rate of council tax and one-off use of reserves. At draft budget stage a budget gap of £2.02m remained and this formed the basis of public consultation.

***Table 3:* Draft Budget Report Summary**	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**
Original Funding Gap	**22,165**	**10,692**	**9,237**
Less Social Care Precept (as per budget report February 2016)	(1,682)	(1,732)	(1,783)
Remaining Funding Gap	**20,483**	**8,960**	**7,454**
Less Savings from existing programmes	(9,346)	(250)	0
New Savings and Income Proposals	(4,650)	(635)	(811)
Increase in Council Tax (general increase of 1.99%)	(1,665)	(1,730)	(1,818)
Net Budget Gap	**4,822**	**6,345**	**4,825**
Use of Budget Support Reserve	(2,800)	2,800	0
Total Budget Gap	**2,022**	**9,145**	**4,825**

3.1.9 Since the draft budget which was approved by the Executive on 15th November 2016 there have been a number of factors which have impacted on the overall budgetary position:-

- Impact of public consultation
- Staff Consultation
- Scrutiny
- In-year monitoring position
- General review of budget assumptions
- Local Government Financial Settlement

3.2 Budget Consultation

3.2.1 There is a separate 'Budget 2017/18 - Consultation Process and Feedback' report on the Executive meeting budget agenda detailing the consultation process in relation to the 2017/18 budget proposals which included two public consultation events, each webcast live, and an online survey. The theme of the consultation was about, "Taking the Trafford Pound Further" and greater emphasis was placed on the use of social media for the duration of the consultation and residents, businesses and staff had the opportunity to complete the online survey.

3.2.2 The report also identifies the findings and outcomes of the exercise which at this stage is not expected to have any material impact on the savings included in the draft budget report with the exception of proposal around the transfer of maintenance to bowling clubs which will no longer go forward as part of these budget proposals, but will be subject to a further review as part of the overall leisure strategy.

3.2.3 With regards to the council's proposal to find alternative funding for school crossing patrols, a second phase of consultation will be undertaken prior to the implementation of any change to the current arrangements. The Council remains committed to seeking alternative funding sources which, if found, would allow the retention of schools crossing patrols. Whilst the savings target for schools crossing patrols remains in the savings proposals for 2017/18, in the event that they cannot be delivered following the second round of consultation then the impact will be met from the Council-wide contingency budget. The outcome of the second phase of consultation will be reported to a future Executive.

3.2.4 In order to assist the evaluation of the budget proposals and to ensure that the Council paid due regard to its duties under the Equality Act, a number of Equality Impact Assessments (EIAs) were carried out as part of the evaluation process to ensure that due consideration was given to those with the protected characteristics and the likely impact of the proposals on each of these groups.

3.2.5 The EIAs are not finalised until the end of the budget process because the feedback from any consultations held, which may relate to the equality impact on a group or groups with a protected characteristic, has to be considered in the final decision-making process. The considerations relating to equalities may be significant enough to influence the final decision and shaping of the business proposal. To pre-empt this by completing the EIA earlier, could lead to a judicial review.

3.2.6 The Executive is required to have regard to the Public Sector Equality Duty and in order to satisfy this duty the Executive must consider the potential impacts identified in the EIA's and the consultation feedback which is included in the 'Budget 2017/18 - Consultation Process and Feedback' report.

3.3 Scrutiny Review

3.3.1 The Leader of the Council gave a presentation to the Scrutiny Committee on 16th November 2016 setting out the budget proposals. Two Budget Scrutiny Working Group sessions were then held during December 2016 with relevant Executive Members and senior officers attending to give background to the budget proposals and answer questions.

3.3.2 Scrutiny Committee comments were submitted to the Executive on 23rd January 2017 in the 'Overview and Scrutiny Review of the Executive's Draft Budget Proposals for 2017/18' report

3.3.3 The report identifies that Scrutiny Members feel that there are three key, crosscutting areas where the Executive needs to satisfy itself of the robustness of the proposals. These are:

- £2m budget gap
- Risk assessments (savings delivery risk)
- Ensuring that forward projections for demand led services are robust

3.3.4 Scrutiny Members have also identified a number of specific areas of the proposals where they felt more information was required on how these savings would be achieved and managed. These include:

- Parking Fees
- School Crossing Patrols
- Waste Management
- Grounds Maintenance (Bowling Greens)

3.3.5 The Executive's response to the Scrutiny Committee issues and recommendations can be found in a separate report elsewhere on the Executive meeting budget agenda.

3.4 Staff Consultation – Terms and Conditions

3.4.1 For the period 2017/18, formal consultation has taken place with respect to a proposal to implement 1.5 days mandatory leave for a further temporary period of 12 months, April 2017 to March 2018.

3.4.2 The period of statutory consultation was aligned to the main consultation on the budget; it commenced on 7th November 2016, with the issue of a S.188 notice to the recognised trade unions and concluded on 3rd January 2017.

3.4.3 During this period, there were four formal collective consultation meetings involving Elected Members, Senior Managers and trade union officials. The purpose of these meetings was to discuss the proposal, receive feedback and try to reach a collective agreement.

3.4.4 Taking account of the feedback received, the proposal is that the scheme will be extended for one further year, until 31st March 2018.

3.4.5 A more detailed 'Staff Terms and Conditions' report can be found on the agenda for the Employment Committee dated 16th January 2017, who approved the recommendation around the changes to and extension of mandatory unpaid leave.

3.4.6 At this stage the impact of the overall budget process on jobs is not clear as the transformation projects across the Children Families and Wellbeing directorate are still in progress. Where there are any proposed changes or reductions, full consultation will take place with trade unions and the workforce.

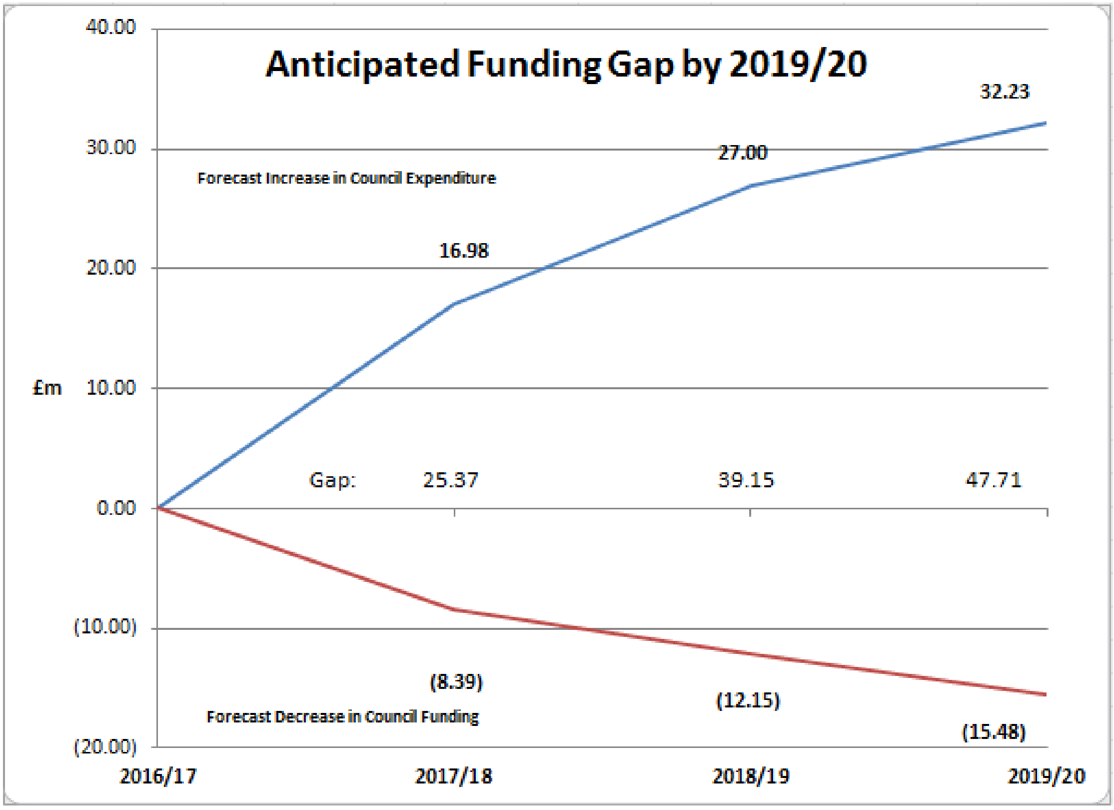
4. BUDGET UPDATES 2017/18 and MTFS 2018/20

4.1 This section identifies:-

- The overall funding gap for 2017/18 and later years and explains the changes since the draft budget was published in November 2016.
- How the funding gap has been closed for 2017/18.

4.2 Updated Annual Funding Position

4.2.1 The MTFS position reported to the Executive in the November 2016 Draft Budget Report showed an overall funding gap for 2017/18 to 2019/20 of £42.09m, however due to the in-year demand being experienced within Adult and Children Services, the release of the 2016 Autumn Statement and provisional 2017/18 Local Government Finance Settlement, and updates to policies, assumptions and estimates, the funding gap for the three years has now increased by £5.62m to £47.71m, as shown in the chart below:



4.3 Updated Cost Pressures, Investment and Funding Summary

4.3.1 <u>Cost pressures and investment:</u>

Adverse variance of £32.23m over the next three years, the main features are detailed below with a summary of budget assumptions shown in Annex A:

- Pay: includes a provision for a 1% pay award; and an increase in the employer's pension rate which has now been reduced from 1% to 0.5% due to the rate now being confirmed at 20.9% for the next three years.

- Inflation: relates to non-staffing budgets and includes a general allowance of 2%; plus other contractual inflation. An inflation freeze has now been applied on all non contractual budgets in 2017/18.

- Living Wage: the allowance of £5.70m has now been reduced by £600k due a lower than anticipated 2017/18 rate being confirmed in the 2016 Autumn Statement.

- Levies: allowances for waste disposal, transport and Environment Agency (flood defence).

  In 2017/18 the waste levy will increase to £22.97m compared to £14.36m in 2016/17.

  The reason for this seemingly large increase is that the Greater Manchester Waste Disposal Authority needs to make an investment of up to £77.7m in order to implement a long term savings programme which will see savings to the levy in future years. The effect of this large increase has been managed at a GM level by a proposed reduction of the same amount in the transport levy.

- Demography: an annual budget increase to reflect the increasing number of adults & children requiring social care of £4.50m and increasing number and cost of looked after children of £2.50m, which includes an additional £700k due to increased demand being experienced in 2016/17. As section 2.2 states the latest monitoring shows further increasing pressures on demand led placements budgets therefore a further £4.34m has been built into the budget since draft budget stage.

- New Income: an allowance for the Council's share of the additional funding of £1.5bn the Government is providing for the improved Better Care Fund and New Adult Social Care Support Grant.

- Expected Grant Reductions: allowance for reductions in the Public Health grant; the phasing out of the Education Services Grant by September 2017, the earlier than expected reduction in New Homes Bonus to four year allocations and a reduction in DSG recharge.

- Treasury Management: includes investment interest and borrowing costs, which have been updated to reflect the lower interest rate and the revised approach to the application of the MRP policy.

- Other: includes allowances for other minor service pressures & contingency items.

Overall increase in the estimate of budget pressures in 2017/18 since the November draft budget is £4.24m

4.3.2 Funding:

An overall adverse variance of £15.48m over the next three years, the main feature being the reduction in RSG which is being partially offset through an increase in the Council Tax base and a growth in Business Rates as detailed below:

- Council Tax: the 0.5% allowance for the estimated increase in the Council Tax base has now been uplifted to 1.4% primarily due to a reduction in the cost of the Council Tax Support Scheme.

  Taking this into consideration The Chief Finance Officer, in accordance with her delegated powers, has approved a Tax Base of 74,883 Band D properties for 2017/18, an increase of 1,039 from 2016/17. The forward plans have an expectation of £400k growth in council tax each year.

- Business Rates: the Council is now seeing a relatively buoyant rateable value base, including the opening of a new power station in Carrington. An allowance has been made for this growth in the current resource forecasts. However £2m of assumed growth in 2018/19 for the additional power station in Carrington has now been removed from the assumptions.

4.3.3 Provisional 2017/18 Local Government Finance Settlement:

The outcome for Trafford is a marginal favourable variance of £173k over the next three years:

- Revenue Support Grant: as discussed earlier in section 1.3.1 of this report, the RSG figures were re-confirmed and reflect those provided as part of accepting the four year settlement.

- Retained Business Rates (Baseline Funding): slight increases due to changes in the Government inflation assumptions.

- Business Rates Tariff: DCLG have updated the 2017/18 tariff adjustment formula due to the new 2017 Revaluation List, which benefits the council.

- New Homes Bonus: changes to the existing scheme of phasing payment from 6 to 4 years and setting a baseline of a 0.4% increase before payments will be made, which overall reduce the level of grant the council will receive.

- New Adult Social Care Support Grant: one-off grant to be given to councils in 2017/18 which is being funded from the reduction in New Homes Bonus Grant.

Overall increase in the estimate of funding in 2017/18 since the November draft budget is £1.04m

Therefore since the draft budget stage the overall funding gap has increased from £22.17m to £25.37m in 2017/18

4.3.4 The table below summarises the budget movements to cost pressures, investments and funding between the draft and final budget stage and the impact on the overall funding gap and a full detailed listing is provided in Annex B.

***Table 4:* Budget Movements**	**2017/18 (£'000)**	**2018/19 (£'000)**	**2019/20 (£'000)**
FUNDING GAP (Draft Budget Nov16)	**22,165**	**10,692**	**9,237**
Movements to Net Budget:			
Adults: Additional Pressures e.g. reducing the delayed transfers of care, increasing care requirements	2,292	0	0
Adults: Deprivation of Liberty Safeguards Assessments (DOLS)	250	0	0
Children's Placements	1,800	0	0
Social Care Transport	250	0	0
Pension Contribution Rate - set at 20.9% for the next 3 years	(262)	(516)	(519)
General Inflation: Freeze in 2017/18	(284)	0	0
National Living Wage Assumptions	(600)	0	0
Updates to Grant Allocations	(193)	910	402
Treasury Management: Interest Rates & increase in MRP (Debt Repayment)	884	226	(420)
Other: Minor Service Pressures & Contingency Items	107	568	0
Cost Pressures & Investment Updates	**4,244**	**1,188**	**(537)**
Movements to Funding:			
Assumed Increase in Council Tax Base 1.4% (Previously 0.5%)	(764)	(11)	(12)
Business Rates: Baseline & Tariff Updates	(275)	(92)	(130)
Business Rates: Growth & Assumptions	0	2,000	0
Funding Updates	**(1,039)**	**1,897**	**(142)**
TOTAL BUDGET MOVEMENT	**3,205**	**3,085**	**(679)**
REVISED FUNDING GAP	**25,370**	**13,777**	**8,558**

4.3.5 A subjective breakdown of the revised £47.71m funding gap is provided in the table below:

***Table 5:* The 2017/20 Funding Gap**	**February 2017**		
Budget Forecasts	**2017/18 (£'000)**	**2018/19 (£'000)**	**2019/20 (£'000)**
Net Budget Requirement b/fwd	**146,697**	**163,674**	**173,694**
Cost Pressures & Investment:			
Pay	1,173	933	653
Living Wage	1,548	1,822	1,729
Inflationary	0	288	293
Contractual Obligations	2,004	2,015	1,992
Levies	698	703	703
Demographic	7,043	2,000	2,000
Grants, Legislative & Service Transfers *	2,289	1,105	(1,973)
Loss of Income	105	0	0
Treasury Management	1,474	99	(420)
Other	643	1,055	250
Total Cost Pressures & Investment	**16,977**	**10,020**	**5,227**
Budget Requirement Before Savings	**163,674**	**173,694**	**178,921**
Funding:			
Council Tax	84,418	84,840	85,264
RSG	15,276	10,303	5,299
Business Rates: Local Share	68,998	71,218	73,751
Business Rates: Tariff Payment	(34,988)	(36,114)	(37,398)
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	4,300	4,300	4,300
Prior Year: Collection Fund Surplus/(Deficit) & GM Pool (Levy)/Rebate	300	0	0
Available Funding	**138,304**	**134,547**	**131,216**
Cumulative Revised Funding Gap	**25,370**	**39,147**	**47,705**
Annual Revised Funding Gap	**25,370**	**13,777**	**8,558**

** Note: includes additional Improved Better Care Funding of £5.7m by 19/20*

4.4 How The Funding Gap Has Been Met 2017/18

4.4.1 The table below shows the final position following the latest round of business cases & budget proposals and funding updates.

Table 6: Summary of the Reduction in the Revised Funding Gap	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**
Revised Funding Gap	**25,370**	**13,777**	**8,558**
Existing Savings & income programmes (Feb16)	(9,223)	(250)	0
Savings & Income Proposals (Nov16)	(4,244)	(95)	(771)
Savings & Income Proposals (Feb17)	(2,100)	(50)	350
Savings & Income Proposals	**(15,567)**	**(395)**	**(421)**
Adult Social Care Precept (3%+3%+0%)	(2,533)	(2,684)	(26)
Increase in Council Tax (general increase of 1.99%)	(1,679)	(1,781)	(1,887)
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	(1,158)	(163)	(172)
Prior Year: Collection Fund Surplus/(Deficit) & GM Pool (Levy)/Rebate	(1,375)	1,375	0
Additional Funding	**(6,745)**	**(3,253)**	**(2,085)**
Net Budget Gap	**3,058**	**10,129**	**6,052**
Use of Budget Support Reserve	(3,058)	3,058	0
Total Budget Gap	**0**	**13,187**	**6,052**

4.4.2 Since the Draft Budget Report in November 2016 the council has consulted and reviewed the robustness of existing proposals and undertaken another round to generate new budget proposals to close the budget gap in 2017/18.

4.4.3 Updates to Existing and November 2016 Savings & Income Proposals:

There have been a small number of changes to planned savings previously reported:-

- £123k of reshaping care savings will be unachievable in 2017/18 following a review.
- £228k of reablement and budget revision savings will be unachievable in 2017/18 following a review.
- £18k the maintenance to individual bowling clubs saving proposal has now been removed following consultation.
- £500k saving reversal in 2018/19 of the mandatory and voluntary unpaid leave scheme due to the proposal only being a 12 month extension.

4.4.4 New Savings & Income Proposals (February 2017):

The latest round of budget proposals generated additional income proposals of £110k and savings proposals of £1.99m, in 2017/18 as detailed below:

- £1.15m savings from the Council making an advance upfront payment to the GM Pension Fund in respect of 2017/20 pension contributions.
- £800k savings from reductions in provisions (redundancy) and contingencies.
- £40k saving from a reduction in the training budget.
- £60k accommodation recharge to GM Police.
- £50k sub-letting income from Sale Waterside.

4.4.5 Additional Funding (February 2017):

- Council Tax: within the Provisional 2017/18 Local Government Finance Settlement the Government set out its proposals regarding Council Tax referendum principles for 2017/18 of:

  a) Continue to allow Local Authorities to increase their Council Tax by less than 2% without the need to hold a referendum i.e. allow a 1.99% general increase in the 'relevant basic amount'.

  b) Increase the flexibility offered on the use of the 'adult social care precept', the original intention was for a 2% per year increase up to 2019/20, in recognition of the pressures on adult social care services especially in the next two years, social care authorities will now have the flexibility to increase by up to 3% in 2017/18 or 2018/19 but still cannot exceed 6% in total over the three year period.

     Note: to ensure councils are using the income from the precept they will be required to publish a description of their plans which must be signed off by the Chief Finance Officer.

  Propose an overall increase in the level of Council Tax of 4.99%:

  - 1.99% general increase in the 'relevant basic amount' in the three years 2017/18 to 2019/20, and
  - 3% for the 'Adult Social Care' precept in the two years 2017/18 and 2018/19.

- Business Rates: estimated increase in retained business rates due to updated modelling for the new 2017 rateable value lists, baselines, tariffs, multipliers, transitional and small business rates reliefs, appeals provision, section 31 grants and a better understanding of the 'No Detriment' calculation under the 100% retention GM pilot scheme. (see section 5)
- 2016/17 Collection Fund Surplus: a one-off benefit in 2017/18 of £1.37m (£1.0m council tax and net £375k from business rates) due to there being an estimated surplus on the collection fund in 2016/17, calculated as part of the annual budget setting process.

4.4.6 Additional Use of Reserves (February 2017):

- Use of Budget Support Reserve: the Budget Support Reserve which was created during 2015/16, as a result of prudent financial management, to support future year's budgets. This is a one-off resource which assists in helping to close the gap in 2017/18 but only acts to defer savings to later years.

4.5 Existing & New Savings & Income Proposals

4.5.1 The table below summarises all the income and savings programmes and proposals by intervention:

Note: The figures in the table below also include the full year impact of £9.22m from those income generating projects and savings identified in the 2016/17 budget process and consultation, and approved by Council in February 2016.

***Table 7:* Summary of Savings & Income Proposals by Intervention**	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**
Creating a national beacon for sports, leisure and activity for all, making Trafford a destination of choice	(150)	(250)	(100)
Accelerate housing and economic growth	(70)	0	0
Redesigning services	(14,014)	200	350
One Trafford - being responsible, being bold, being healthy	(931)	(307)	(656)
Optimising technology to improve lives and productivity	(402)	(38)	(15)
Total Income and Savings	**(15,567)**	**(395)**	**(421)**

4.5.2 New income and savings proposals to be approved in this report are individually listed in Annex D.

4.5.3 A second phase of consultation will be undertaken on the proposal for school crossing patrols. Whilst this saving target remains in the proposals for 2017/18 in the event that it cannot be delivered following the second round of consultation then the impact will be met from the Council-wide contingency budget. The outcome of the second phase of consultation will be reported to a future Executive.

4.6 Summary

4.6.1 A summary of all the movements to the budget gap at draft budget stage is shown in the table below and a full detailed listing can be found in Annex B.

Table 8: Balancing the Budget Gap (Draft to Final)	2017/18 £'000	2018/19 £'000	2019/20 £'000
Budget Gap at Draft Budget (Nov16)	**2,022**	**9,145**	**4,825**
Cost Pressures & Investment Updates	4,244	1,188	(537)
Savings & Income Proposals Updates	(1,731)	450	350
Funding Updates	(1,039)	1,897	(142)
Additional Funding	(3,238)	249	1,556
Additional Use of Reserves	(258)	258	0
Final Budget Gap After Proposals (Feb17)	**0**	**13,187**	**6,052**

5. GM & CHESHIRE RATES POOL & 100% BUSINESS RATES RETENTION GM PILOT

5.1 GM & Cheshire Business Rates Pool

5.1.1 Authorities can voluntarily come together to pool their business rates, providing the potential to generate additional growth and retain any levy payments. A Pool treats authorities as a single entity for the purpose of calculating, top-ups, tariffs, levies and safety net requirements. The purpose of a Pool is not to alter individual authorities income levels but to retain some/all of any levy that might be payable to Central Government within the Pool.

5.1.2 From April 2015 GM and Cheshire East joined together as a Pool, Cheshire West and Chester later joined the Pool in April 2016. Each authority is required to make a decision as to whether to remain in the Pool within 28 days of the provisional Local Government Finance Settlement announced on 15th December 2015.

5.1.3 All twelve authorities in the Pool have signed up to continuing with the Pool for 2017/18. There will be an initial call on this levy in the following proportions of the levies generated by each authority: Cheshire East, Cheshire West and Chester retain 50%, Trafford retain one-third with the remainder being pooled at GM level.

5.1.4 The 2017/18 forecast by each authority currently does not anticipate them calling upon the safety net, on that basis Trafford levy saving will be included in the ‘No Detriment’ calculation as part of the 100% business rates retention pilot. (See Para 5.3.4 below)

5.2 100% Business Rates Retention Pilot Overview

5.2.1 In the 2015 spending review and autumn statement the government announced plans to completely phase out Revenue Support Grant by 2019/20 to pave the way for the implementation of 100% business rates retention in 2020/21.

5.2.2 In the 2016 budget the government committed to piloting approaches to 100% business rates retention in Greater Manchester, Liverpool and London, with some elements being piloted from as early as 2017/18.

5.2.3 It has now been confirmed the approach will be piloted from 1st April 2017 in a number of areas including GM, Liverpool City Region, West Midlands, West of England, Cornwall and the GLA

5.2.4 With the move to 100% rates retention pilot authorities will potentially be taking on a greater degree of risk, therefore it was agreed that pilots would operate on a ‘no detriment’ basis i.e. the pilot is to be without detriment to resources that would have been available to individual authorities under the current local government finance regime.

5.3 Greater Manchester Pilot

5.3.1 Since the announcement DCLG has engaged with pilot areas to reach agreements on the arrangements for implementation from 1st April 2017. A key objective for GM has been to explore how headroom can be created for local investment that promotes growth/increases productivity/reduces costs elsewhere at place level. Discussions on how this might be achieved are still ongoing with DCLG.

5.3.2 The final 2017/18 Local Government Finance Settlement will confirm that GM pilot authorities will retain 100% of locally raised business rates but in return they will forego Revenue Support Grant (RSG) and Public Health Grant, individual authority tariff and top-up payments will be adjusted to ensure fiscal neutrality and, in addition, to test potential elements of the 100% rates retention scheme, safety net arrangements will be revised.

5.3.3 The draft final settlement figures were awaited before making the decision whether to commit to the pilot. As the draft figures recently received are in line with what was expected and following consultation with the 10 GM Leaders and Interim Mayor, GM has indicated to DCLG that it will participate in the 100% Business Rates Retention Pilot.

5.3.4 It should be noted that GM cannot be any worse off than under the current 50% system. It is specified that this is to be without detriment to the resources that would have been available to the individual local authorities within GM. The calculation is at GM level, with any gain from the 50% scheme first being used to make good any losses at an individual authority level. A decision is then required at GM level about how any remaining gain is utilised.

5.3.5 Guidance produced by DCLG sets out the 'no detriment' calculation, going forward this will now require two set of figures being calculated of (A) under the existing 50% retention system and (B) under the new 100% rates retention pilot as follows:

<table>
<tr><th>Element</th><th>A - Existing 50%</th><th>B - Pilot 100%</th></tr>
<tr><td>Local Share</td><td>49% NNDR1&3</td><td>99% NNDR1&3</td></tr>
<tr><td>Baseline Funding Level</td><td>As per Finance Settlement</td><td>Adjusted - to include RSG & Public Health Grant</td></tr>
<tr><td>Tariff/Top-up</td><td>As per Finance Settlement</td><td>Adjusted - for new baselines</td></tr>
<tr><td>Levy</td><td>Levy Rate 0.50</td><td>Levy Rate 0</td></tr>
<tr><td>Safety Net</td><td>92.5% of Baseline Funding Level</td><td>97% of Baseline Funding Level</td></tr>
<tr><td>S31 Grants</td><td>49% NNDR1&3</td><td>99% NNDR1&3</td></tr>
<tr><td>RSG</td><td>As per Finance Settlement</td><td rowspan="2">Not Paid - included within Baseline Funding Level (above)</td></tr>
<tr><td>Public Health</td><td>As per Grant Allocation</td></tr>
<tr><td>GM Pool Levy/Rebate</td><td>As per the existing GM & Cheshire pool arrangements</td><td>N/A No Levy</td></tr>
</table>

5.3.6 Overall individual authorities within the GM pilot will retain ***no less*** than that figure currently calculated under (A) existing 50% retention system.

5.4 Trafford Position

5.4.1 Using DCLG latest guidance and the methodology proposed for calculating baseline funding levels, business rates baselines and tariff or top-up payments, the changes required to the 2017/18 budget are as follows and a full detailed list along with the 'No Detriment' calculation is provided within Annex C:

5.4.2 **Net Budget (£12.72m increase):**

- Under the pilot Public Health Grant will not be paid to the authority but will be included within the Baseline Funding Level (i.e. retained rates) therefore reducing grant income by £12.72m.

5.4.3 **Funding (£12.72m increase):**

- RSG: under the pilot RSG will not be paid to the authority but will be included within the Baseline Funding Level (i.e. retained rates) therefore reducing funding by £15.28m.
- Business Rates: Local Share: under the pilot the authority will no longer retain 49% but now 99% of business rates, therefore increasing funding by £70.41m.
- Business Rates: Tariff Payment: the tariff payment is the difference between the individual authority notional business rates baseline (i.e. assumed local share of NNDR income) and baseline funding level (i.e. settlement funding assessment), under the pilot both increase but not proportionately, therefore the difference between the two being the tariff payment also increases, reducing funding by £42.41m.
- Business Rates: Assumptions, Growth, S31 Grants, GM Pool Levy/Rebate: ***NET NIL***
    - Business Rates: Assumptions & Growth: under the pilot the authority will no longer retain 49% but now 99% of business rates, therefore increasing funding by £5.68m.
    - Section 31 Grants: under the pilot the authority will no longer receive 49% but now 99% of S31 grants, therefore increasing grant funding by £2.14m.
    - Growth Levy: is abolished under 100% rates retention therefore the levy and rebate payments under the existing GM Pool arrangements will cease saving £2.38m.

- GM Pilot Benefit ('no detriment' over payment): under the GM Pilot arrangements the funding available to Trafford will be ***no less*** than under the existing 50% system. Any retained rates received over this calculated amount (A) will be retained within GM to be used for generating growth. Under the 50% system, this amount would have been part of the funding paid over to DCLG.

5.5 Summary of Changes to the 2017/18 Budget

5.5.1 Overall as the table below demonstrates that the 100% rates retention GM Pilot results in a presentational change to both the net budget and funding which is due to the inclusion of the Public Health monies which were previously paid as a separate ring-fenced grant.

***Table 9:* 100% Retention GM Pilot**	**2017/18**		
Proposed Budget	**100% (£'000)**	**50% (£'000)**	**Changes (£'000)**
Service:			
Children's Services	31,960	31,960	0
Adult Services (incl. Public Health)	58,210	45,492	12,718
Economic Growth, Environment & Infrastructure	38,579	38,579	0
Transformation & Resources	16,535	16,535	0
Total Service Budgets	**145,284**	**132,566**	**12,718**
Council-wide Budgets	**15,541**	**15,541**	**0**
Proposed Net Budget	**160,825**	**148,107**	**12,718**
Funding:			
Council Tax	88,630	88,630	0
RSG	0	15,276	15,276
Business Rates: Local Share	139,403	68,998	(70,405)
Business Rates: Tariff Payment	(77,399)	(34,988)	42,411
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	5,458	5,458	0
Prior Year: Collection Fund Surplus/(Deficit) & GM Pool (Levy)/Rebate	1,675	1,675	0
Proposed Funding	**157,767**	**145,049**	**(12,718)**
Reserves			
Budget Support Reserve	3,058	3,058	0
Use of Reserves	**3,058**	**3,058**	**0**
Total Budget Gap	**0**	**0**	**0**

6. PROPOSED 2017/18 BUDGET and 2018/20 MTFS

6.1.1 The proposed net budget for 2017/18 on a 'like for like' basis is £148.11m an increase in the net budget of £1.41m or 0.96%, from £146.70m. However, as detailed in section 5 Trafford is part of the 100% business rates retention GM pilot and Public Health monies will no longer be received in a separate ring-fenced grant but are to be counted as part of core funding. As a result the proposed net budget increases by £12.72m to £160.83m.

6.1.2 Full subjective and objective summaries providing a breakdown of the 2017/18 net budget of £160.83m can be found in Annexes E & F.

6.1.3 Whilst the budget gap has now been closed for 2017/18 the size of the challenge over the following two years remains significant. For that reason the budget process for 2018/19 will commence immediately such that sufficient time is afforded to consider all options at an early stage, to ensure robust savings proposals can be developed in order to bridge the budget gap in future years as shown below.

Table 10: ***The 2017/20 Budget***	**February 2017**		
Proposed Budget	**2017/18 (£'000)**	**2018/19 (£'000)**	**2019/20 (£'000)**
Service:			
Children's Services	31,960	33,718	35,038
Adult Services (incl. Public Health)	58,210	60,780	62,208
Economic Growth, Environment & Infrastructure (*)	38,579	32,508	33,525
Transformation & Resources	16,535	17,092	17,489
Total Service Budgets	**145,284**	**144,098**	**148,260**
Council-wide Budgets (*)	**15,541**	**26,021**	**26,343**
Proposed Net Budget	**160,825**	**170,119**	**174,603**
Funding:			
Council Tax	88,630	93,517	95,854
Business Rates: Local Share	139,403	143,889	149,007
Business Rates: Tariff Payment	(77,399)	(86,095)	(95,290)
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	5,458	5,621	5,793
Prior Year: Collection Fund Surplus/(Deficit) & GM Pool (Levy)/Rebate	1,675	0	0
Proposed Funding	**157,767**	**156,932**	**155,364**
Reserves			
Budget Support Reserve	3,058	0	0
Use of Reserves	**3,058**	**0**	**0**
Cumulative Budget Gap	**0**	**13,187**	**19,239**
Annual Budget Gap	**0**	**13,187**	**6,052**

(*) The year on year budget changes between 2017/18 and 2018/19 include for changes between the waste levy and passenger transport held in EGEI and Council-wide respectively as detailed in Paragraph 4.3.1.

7. ROBUSTNESS, RISKS & RESERVES

7.1 Robustness and Risks

7.1.1 The law requires that the Council sets a balanced and robust budget, which is sufficient to meet its legal obligations, and then its aspirations. This requires all plans to be costed, forecasts and estimates to be checked for reasonableness, and risks to be assessed across the many varied services the Council provides. This also includes an assessment for emergencies, severe weather and other service and strategic risks.

7.1.2 Robustness does not guarantee that all possible eventualities are identified, or that all budget estimates are exact. Actual income and expenditure is likely to vary from the established budgets, but in the round these will compensate, and the approved budget need only be sufficient to meet overall expenditure requirements.

7.1.3 In exercising their statutory duty the Chief Finance Officer, in conjunction with the Corporate Leadership Team, will take all matters and issues into consideration and will make a reasoned assessment of whether the budget is sufficient and robust. The Executive will ensure the minimum reserve level is maintained to ensure the Council can meet its obligations.

7.1.4 The Council faces various financial risks to include:

- The ability to deliver savings within agreed timescales.
- Potential legal challenges to decisions.
- Fees & charges income differing to assumptions.
- Variations to external funding and grant allocations.
- Demographic pressures.
- Inflation & Interest Rates differing to assumptions.
- Business Rates growth & the 100% retention scheme pilot and potential costs with backdated appeal costs.
- Variations to external levies & contracts.
- Future changes to legislation
- An increasing level of its funding from local sources
- Devolution & integration of Health & Social Care (also an opportunity)

7.2 Reserves

7.2.1 Reserves are set aside so that future plans can be afforded or to avoid infrequent or emergency expenditure impacting on the ‘normal operational budget. It is a legal requirement to set aside provisions, and a minimum level of generally available reserve and it is best practice to ensure that there are other sufficient reserves available to meet further needs to ensure an achievable and sustainable budget.

7.2.2 The Council usable reserves at 31st March 2016 stood at £55.65m, of which £20.57m relates to Earmarked revenue reserves as shown below along with their projected usage over the 3 year planning period.

Table 11: Usable Reserves	**13/14 £m**	**14/15 £m**	**15/16 £m**	**16/17 £m**	**17/18 £m**	**18/19 £m**	**19/20 £m**
Specific	24.84	18.19	7.09	4.24	2.97	2.56	2.56
Smoothing	3.80	1.64	2.84	3.12	2.36	1.39	1.39
Budget Support	0.00	0.00	4.05	6.56	3.50	3.50	3.50
Service C/fwd	0.98	3.94	6.59	0.61	0.61	0.61	0.61
Investment Fund	0.00	0.00	0.00	2.48	4.96	7.44	9.93
Earmarked Reserves	**29.62**	**23.77**	**20.57**	**17.01**	**14.40**	**15.50**	**17.99**
General Reserve	10.98	7.87	7.89	6.00	6.00	6.00	6.00
Capital Related Reserves	27.32	30.25	17.77	4.37	3.71	0.00	0.00
School Related Reserves	13.37	10.73	9.42	8.94	8.94	8.94	8.94
Total Usable Reserves	**81.29**	**72.62**	**55.65**	**36.32**	**33.05**	**30.44**	**32.93**
Provisions	25.18	18.87	18.77	17.83	17.83	17.83	17.83
Total Usable Reserves & Provisions	**106.47**	**91.49**	**74.42**	**54.15**	**50.88**	**48.27**	**50.76**

7.2.3 General Reserve: the Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure, in February 2016 Council agreed to set the minimum level of the General Fund Reserve at £6.00m, the Chief Finance Officer advises the Council to maintain this level.

Table 12: Advised minimum level of General Reserve	**2017/18 £m**
Tax & Treasury Management	0.24
Pay & inflation	1.30
Fees and Charges	0.10
Emergency & Disaster Recovery	1.02
Efficiencies	1.43
Demand led budgets	2.32
Other Pressures	0.06
General Fund Financing	2.50
TOTAL	**8.97**
Risk reduction of 33%	-2.97
Advisory level of minimum reserve	**6.00**

7.2.4 The Council holds other Earmarked reserves to fund both revenue and capital expenditure which are held primarily to fund known future commitments but also act as service contingencies for unexpected events and to cover future risks, which include:

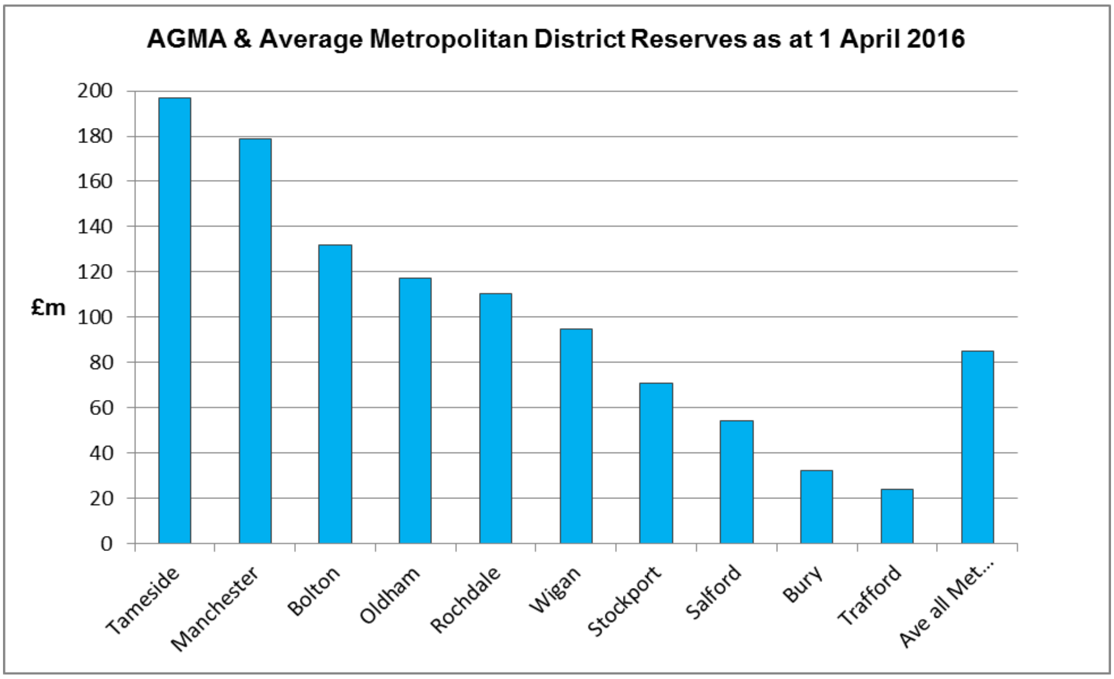
- Specific: mainly consists of the Insurance Reserve to cover potential future claims as a result of past events, the Employment Rationalisation Reserve for the costs of severance and related costs of structural change over and above the revenue budget provision and Transformation Reserve.
- Smoothing: established to reduce or smooth out volatility in the revenue budget where normal operating expenditure is not always similar year-on-year.
- Budget Support: established in 2015/16 to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term, with further additions currently planned in 2016/17 from a review of other earmarked reserves balances.
- Service Carry Forward: represents accumulated savings on directorate budgets in previous years. These amounts are anticipated to be utilised to support expenditure on transformational projects.
- Investment Fund: to be established from the revised approach to the application of the existing MRP policy, this will generate £9.93m between the years 2016/17 to 2019/20 and its use will be restricted to being deployed on sustainable income generating or 'invest to save' i.e. revenue cost saving projects.

7.2.5 The Council holds the following reserves for statutory or specific purposes only:

- Capital reserves: consist of capital receipts, grants and contributions which can only be used to fund capital expenditure and are all allocated to support the current capital programme
- Schools reserves: represent the carry forward balances of individual school surpluses & deficits

7.2.6 Balancing the annual budget by drawing on Earmarked reserves may be viewed as a legitimate short-term option but it is not prudent for these reserves to be deployed to finance recurrent expenditure. However as a one-off in 2017/18 £3.06m will be used from the Budget Support Reserve to defer an element of savings into 2018/19.

7.2.7 The level of Reserves the Council holds is in part reflective of the past funding levels of a council in comparison to its need to spend. Holding reserves can assist in cushioning the effects of financial shocks and aids resilience. It should be noted that, as the lowest funded Council in Greater Manchester, Trafford also faces the challenge of having accumulated the lowest level of earmarked reserves.



Data source: National Statistics: Local authority revenue expenditure and financing England: 2016 to 2017 budget individual local authority data: Revenue account (RA) budget 2016-17

7.2.8 The Council has significantly lower levels of reserves than its neighbours and therefore the use of reserves to support its budget decisions cannot be taken lightly. During 2015/16 a budget support reserve was created and this will be utilised to help balance the budget position in 2017/18.

7.3 Summary

7.3.1 It is a requirement of the Local Government Act 2003 for the Council's Chief Finance Officer to give an opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level of reserves (s26). These opinions are provided to Members to assist in their determination as to whether the proposed budget is sufficient to meet the needs of the Council.

7.3.2 Members' attention is drawn to the statement by the Chief Finance Officer attached at Annex G, which should be taken into account before approving the budget together with the comments made in paragraphs below.

7.3.3 In determining the budget for the forthcoming year there are important decisions about the use of reserves. The provisional 2017/18 local government finance settlement reconfirmed funding through to 2019/20. Whilst we may have concern about the size of the settlements they are nevertheless useful in understanding how decisions will be taken over the Council's medium term financial position.

7.3.4 The planned use of £3.06m of general reserves to support the budget is a one-off source of funding and therefore the budget gap in 2018/19 increases by this amount.

8. SCHOOLS FUNDING & BUDGETS 2017/18

8.1 Background

8.1.1 Schools are funded from ring fenced grants, the most notable of which is the Dedicated Schools Grant (DSG). This funding cannot be used for any other Council function, and essentially schools operate within their own fund with any under or over expenditures being taken forward into future years. DSG has been re-baselined for 2017/18 and can be divided into three main areas:

- Schools Block - approximately £150m which essentially funds schools' budgets. This includes approximately £62m for academies which is determined by the Schools Funding Forum and Council but paid to Academies through the Education Funding Agency (EFA).
- High Needs block - approximately £25m which primarily supports Special Educational Needs (SEN) expenditure. This includes £10m to fund Trafford Special Schools.
- Early Years block - approximately £15m, which funds educational, provision for 2 to 5 year olds in both LEA Schools and Private, Voluntary and Independent (PVI) settings. This grant was increased for 2017/18 for the additional 15 hours of provision for 3 and 4 year olds of eligible working parents.

8.1.2 Other grants include Pupil Premium Grant (PPG) of £6m which is intended to bridge the attainment gap for pupils in receipt of free school meals and pupils who are or have been in care. In addition to this there is the Universal Infant Free School Meals Grant £2.88m, 6th Form Funding £1.18m and PE and Sports Grant £600k.

8.1.3 The distribution of DSG for Trafford and subsequent funding amounts for individual schools are dependent upon the October census count of pupil numbers with the final distribution of DSG not known until January 2017 following the pupil census in October 2016.

8.1.4 The final distribution of DSG was agreed locally with the Schools Funding Forum, which is made up of representatives from across all Trafford's schools, on 17th January and full details of the funding formula as recommended by the Schools Funding Forum are shown at Annex H.

8.2 Education Services Grant (ESG)

8.2.1 The Council is paid the grant to cover a range of statutory and regulatory duties and other responsibilities it has for schools. In the 2015 spending review the DfE announced a large reduction of £600m in the amount of ESG to be distributed nationally. This has created a significant budget pressure for the Council and has contributed to the overall budget gap referred to elsewhere in this budget report.

8.2.2 The £600m cut is 75% of the total ESG funding. Since the announcement of the reduction the DfE has changed its position on the expected role of local authorities, as illustrated in the white paper Education Excellence Everywhere and subsequent briefings and a number of statutory duties now remain in place. As such the government has advised councils they will provide transitional funding from April 2017 to August 2017.

8.2.3 For Trafford this is a reduction of £1.2m and will adversely impact on the statutory services provided by the Council for all children and young people, for all schools and for locally maintained schools. Given this reduction a review of our statutory and regulatory duties is being undertaken with a view to mitigating the impact of the reduction on the overall budget.

8.3 National Funding Formula

8.3.1 The Department for Education (DfE) launched the second stage consultation on the future of school and high needs funding on 14th December 2016 with responses due by 22nd March 2017.

8.3.2 Despite anticipating an increase in our comparatively low level of schools funding the indicative figures show an overall reduction in funding for Trafford of £0.8m.

Table 13: Provisional Funding Allocations	**2016/17 Baseline (£m)**	**New Indicative Allocation (£m)**	**% change**
Primary	72.490	73.722	1.7
Secondary	70.992	69.008	-2.8
Total	**143.482**	**142.730**	**-0.5%**

8.3.3 There are a number of reasons for this; a major one being the increase in the overall weighting afforded to deprivation within the proposed formula. The schools funding forum will be consulted with over the coming weeks to ensure a consistent response can be compiled for Trafford's schools.

8.4 Summary Position

8.4.1 The estimated outturn position on the DSG is a total overspend of £492k. During the year the budget position has been reviewed particularly in the high needs area to control costs. This overspend will be financed from the central DSG reserve, leaving a small balance carried forward to 2017/18.

Table 14: DSG Position 2016/17	Budget £	Expected Outturn £	Difference £
School's block **High Needs Block** **Early Years**	87,232,707 21,470,451 11,183,164	87,099,488 21,610,735 11,192,020	(133,219) 140,284 8,856
Total	**119,886,322**	**119,902,244**	**15,922**
DSG Grant allocation	119,410,000		
Reserve carried forward 15/16	786,528		
Less :			
Reserve used to balance budget 16/17	476,322		
Overspend 16/17	15,922		
Expected reserves remaining	294,284		

8.4.2 At this stage and due to a combination of a re-baselining of DSG allocations and cost control measures within the high needs area the budgets for the schools block, early years and high needs are containable within the overall allocations for 2017/18.

Table 15: DSG Allocations & Budget 2017/18	£m	£m
Schools Block Budget		
Allocated to schools	148.15	
School's block central budgets	1.21	
DfE Licences	0.18	
ESG Retained Duties	0.58	150.12
High Needs Block Budget		
Special Schools	11.14	
Sensory Impairment	1.22	
Speech Therapy	0.24	
SEN	5.51	
Out of Borough	4.44	
Notional SEN Contingency	0.43	
Behaviour & Attendance	0.51	
PRU's	1.03	
Post 16 FE Colleges	0.13	
EFA High Needs Block Deduction	0.39	25.04
Early Years Block Budget		14.61
Total 2017/18 DSG Budgets		**189.77**
Schools Block Allocation	150.12	
High Needs Block Allocation	25.04	
Early Years Block Allocation	14.61	
Total 2017/18 DSG Allocations		**189.77**

9. COUNCIL TAX REQUIREMENT AND STATUTORY CALCULATIONS

9.1 Budget Requirement

9.1.1 The Local Government Finance Act 1992, as amended by the Localism Act 2011, requires the Council to make the following calculations:

- an estimate of the Council's gross revenue expenditure - Section 31A(2),
- an estimate of anticipated income - Section 31A(3),
- a calculation of the difference between (i) and (ii) above, (i.e. net revenue expenditure) - Section 31A(4) – this is known as the Council Tax Requirement,
- a calculation of the Council's 'relevant basic amount' of Council Tax, calculated by dividing the Council Tax Requirement by the council tax base (expressed in Band D's).

9.1.2 If the proposals in this budget report are agreed, the calculation for the 2017/18 Council Tax Requirement will be as follows:

LGFA 1992	Calculation of Council Tax Requirement & Relevant Basic Amount of Council Tax 2017/18	£
S 31A(2) (a) – (f)	**Gross Expenditure** Service expenditure	 426,041,312
S 31A(3) (a, c, d)	**Gross Income** Fees, charges and specific grants Application of Budget Support Reserve	 (265,216,468) (3,058,000)
	Budget Requirement (previous regulations)	**157,766,844**
(b)	Revenue Support Grant	0
(b)	Retained Business Rates Baseline Business Rates (Growth & S31 Grants) Collection Fund surplus (Business Rates)	(62,004,124) (5,457,602) (375,097)
(b)	Collection Fund surplus (Council Tax)	(1,300,000)
S 31A(4)	**Council Tax Requirement**	**88,630,021**
	Council Tax Base in Band D's	**74,883**
S 31B	**Relevant Basic Amount of Council Tax**	**£1,183.58**

9.1.3 The Chief Finance Officer in accordance with their delegated powers approved the 2017/18 Trafford Council Tax Base (number of equivalent Band D properties in the borough) on 18th January 2017 at 74,883, which is a growth of 1,039 Band D equivalents on 2016/17. The 2017/18 Council Tax Base for the four Parish Councils were also approved as: Partington 1,517, Dunham Massey 228, Warburton 162 and Carrington 123.

9.2 Council Tax Increases

9.2.1 The Localism Act 2011 abolished Council Tax capping and replaced it with a requirement to hold a Council Tax Referendum if an authority wishes to increase its "relevant basic amount of Council Tax" by an amount equal to or exceeding a level set out by the Government annually. For 2017/18 a figure of 5% has been set, which is a combination of the core principle of 2% and the 'adult social care precept' of 3%.

9.2.2 In addition in each of the financial years beginning with 2016-17 up to and including 2019-20, the Secretary of State offered authorities with adult social care responsibilities the option of increasing their 'relevant basic amount' of council tax by an additional 2% 'adult social care precept', to help pay for adult social care costs without breaching the referendum threshold.

9.2.3 In recognition of the pressures on adult social care services especially in the next two years, within the Provisional 2017/18 Local Government Finance Settlement, the Government announced that adult social care authorities will now have the flexibility to increase their 'adult social care precept' by up to 3% in 2017/18 and/or 2018/19 but still cannot exceed 6% in total over the three year period.

9.2.4 As highlighted elsewhere in this report, it is proposed to raise the level of council tax in 2017/18 by 4.99%:

- 1.99% general increase in the 'relevant basic amount' in each of the three years 2017/18 to 2019/20, and
- 3% for the 'Adult Social Care' precept in each of the two years 2017/18 and 2018/19.

9.2.5 The calculation of the percentage change in "Relevant Basic Amount of Council Tax", for Trafford Services is shown below :

	2016/17	2017/18
Council Tax Base	73,844	74,883
Council Tax Requirement with Levies (£)	83,246,556	88,630,021
Basic Amount of Council Tax (£) (excluding Social Care Precept)	1,105.23	1,127.66
Social Care Precept	22.10	55.92
Relevant Basic Amount of Council Tax	1,127.33	1,183.58
% increase in Relevant Basic Amount of Council Tax	**2.00%**	**4.99%**

9.2.6 It is proposed to increase the 'relevant basic amount' of Council Tax by 4.99%, which is within the 5% figure set by Government in 2017/18 for social care authorities. As this remains in line with Government policy it would therefore not be deemed 'excessive' and as a result there is no requirement to hold a Referendum.

9.2.7 Of the two major precepting bodies, the GM Police & Crime Commissioner are recommending a £5.00 (3.18%) increase in their Band D precept and the GM Fire and Rescue Authority is proposing an increase of £1.17 (1.99%) on their Band D precept.

9.2.8 Partington Town Council, at its meeting on 14 November 2016, elected to keep the level of Band D Council Tax at £42.50, the same as 2016/17. In addition both Dunham Massey (10th January 2017) and Warburton (17th January 2017) Parish Councils each agreed to set a Precept in 2017/18 of £50.00 per Band D equivalent property.

9.3 Council Tax Levels and Bandings

9.3.1 The overall Precepts and Council Tax levels for 2017/18 for Trafford properties are as follows:

Council Tax per Precepting Body	Precept Amount £	Council Tax per Band D Property £	Council Tax Level Increase %
Trafford Services (inclusive of 'Adult Social Care Precept')	88,630,021	1,183.58	4.99%
GM Police Authority (see note)	12,153,511	162.30	3.18%
GM Fire Authority (see note)	4,489,236	59.95	1.99%
Total (excluding Parishes)	**105,272,768**	**1,405.83**	**4.65%**
Partington Precept	64,473	42.50	0%
Total for Partington		**1,448.33**	**4.50%**
Dunham Massey Precept	11,400	50.00	N/A
Total for Dunham Massey		**1,455.83**	**N/A**
Warburton Precept	8,100	50.00	N/A
Total for Warburton		**1,455.83**	**N/A**

9.3.2 Note: The Council Tax figures for the GM Fire & Rescue Authority and Greater Manchester Police included above are the recommended amounts and are subject to formal approval. GM Police are due to meet to approve their budget on 15th February 2017 and GM Fire & Rescue on 16th February 2017.

9.3.3 The council tax for 2017/18, inclusive of the 'adult social care precept', for each of the eight valuation bands would be as follows:

2017/18 Council Tax levels by valuation band (incl. major Precepts):					
Band	**Valuation range (in 1991 prices)**	**Council Tax (Excl. Parishes) £**	**Council Tax for Partington £**	**Council Tax for Dunham Massey £**	**Council Tax for Warburton £**
A	Up to £40,000	937.21	965.54	970.54	970.54
B	Over £40,000 and up to £52,000	1,093.41	1,126.47	1,132.30	1,132.30
C	Over £52,000 and up to £68,000	1,249.62	1,287.40	1,294.06	1,294.06
D	Over £68,000 and up to £88,000	1,405.83	1,448.33	1,455.83	1,455.83
E	Over £88,000 and up to £120,000	1,718.24	1,770.18	1,779.35	1,779.35
F	Over £120,000 and up to £160,000	2,030.64	2,092.03	2,102.86	2,102.86
G	Over £160,000 and up to £320,000	2,343.04	2,413.87	2,426.37	2,426.37
H	Over £320,000	2,811.66	2,896.66	2,911.66	2,911.66

10. CAPITAL PROGRAMME AND TREASURY MANAGEMENT STRATEGY

10.1 There are two, more detailed, papers elsewhere on the agenda regarding the Capital Programme & Prudential Indicators, and the Treasury Management Strategy. Members are requested to treat these papers as part of the overall budget bundle for the purposes of decision making. The following is an outline of the features of those reports.

10.2 Capital Investment Programme 2017/20

10.2.1 The proposed Capital Investment Programme for 2017/20 is worth £109.16m, with £65.73m profiled to be undertaken during 2017/18.

***Table 20:* Capital Investment Programme 2017/20**	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**TOTAL £'000**
Service Analysis :				
Children, Families & Wellbeing	14,012	8,690	4,590	**27,292**
Economic Growth, Environment & Infrastructure	41,208	15,834	13,227	**70,269**
Transformation & Resources	10,515	983	100	**11,598**
Total Programme	**65,735**	**25,507**	**17,917**	**109,159**

10.2.2 The £109.16m programme above includes the following investment:

- Additional primary school placements, £7.3m in 2017/18, £11.3m over three years, and other investment in schools' infrastructure of £3.8m in 2016/17, £8.3m over three years.
- Highways investment of £14.4m in 2017/18, and £33.6m over the three years allowing for the replacement of 65km of carriageway, 66km of footway, contribution to the extension of the Metrolink into Trafford Park and completion of the replacement street lighting programme.
- Investment of £15.0m in 2017/18, £20.0m over three years, to support the acquisition of income generating assets which will yield future sustainable revenue streams for the Council.
- Investment in the local economy through the Borough's Town Centres of £6.4m in 2017/18 and £6.9m over the three years.
- Investment in leisure facilities of £6.5m in 2017/18, being the first phase of a £24.4m investment strategy in support of the Council's Leisure Strategy.
- A variety of investments in social care of £3.0m in 2017/18 and £7.7m over three years, including grants and home assistance to allow elderly and/or disabled people live in their own homes for longer.
- Provide support of £0.1m in 2017/18 and £1.1m over three years, to homeowners and social housing landlords to encourage more homes to be brought up to habitable standard and provide affordable housing.
- Improvements to the Council's parks and open spaces and facilities at allotment sites of £0.4m in 2017/18 and £2.6m over three years, and

- A range of works to the Council's asset to ensure service delivery including mechanical, electrical and DDA works of £3.2m in 2017/18 and £4.8m over the three years.

10.2.3 The capital programme utilises all known available capital funding sources over this period to include prudential borrowing, capital grants and contributions and capital receipts.

10.2.4 As part of the 2016/17 Local Government Finance Settlement, Government announced greater flexibility for Council's in how they make use of capital receipts between 1st April 2016 to 31st March 2019 and later updated its statutory guidance on the 'Flexible Use of Capital Receipts' in March 2016. During this period capital receipts can be used to fund the revenue costs of transformational projects which are designed to generate ongoing revenue savings in the delivery of public services and /or to transform service delivery in a way that reduces costs or demand for services in the future.

10.2.5 In the Efficiency Plan published by the Council in September 2016, the Council did not anticipate the use of capital receipts in this way during 2016/17 financial year. However, given the size and scale of the transformation programme outlined in this report, the Council now intends to exercise the facility to use capital receipts in this flexible manner. A list of the transformation projects is provided in Annex I.

10.3 Treasury Management and Prudential Indicators

10.3.1 The salient points of the report are:

- Both investment and long term borrowing rates are expected to increase slowly from their current levels.
- New borrowing undertaken will be taken to support the Capital Programme requirements with £3.6m of debt maturing in 2017/18.
- Cash balances are expected to decrease from an average level of £93m in 2016/17 to £43m in 2017/18 reflecting the advance payment to Greater Manchester Pension Fund of employer contributions and application of capital funding.

The Council's prudential indicators have been updated to reflect the activities currently forecasted to take place.

Annex A

MEDIUM TERM FINANCIAL OUTLOOK - BASE BUDGET ASSUMPTIONS

Base Budget Assumptions		2017/18 £m	2018/19 £m	2019/20 £m
Service Expenditure				
Pay: Inflation		1.0%	1.0%	1.0%
		£0.59	£0.59	£0.59
Pay: Pension Inflation		0.5%	0.0%	0.0%
		£0.26	£0.00	£0.00
Pay: Increments & Pension Auto-Enrolment		£0.33	£0.34	£0.06
Pay: Living Wage		£1.55	£1.82	£1.73
General Inflation: Prices		0.0%	2.0%	2.0%
		£0.00	£0.29	£0.29
Contractual Obligations: Inflation Specific e.g. energy		£2.00	£2.02	£1.99
Levies: Waste (GMWDA) Levy Increase (*)		£0.70	£0.70	£0.70
Demographics:	Children	£3.00	£0.50	£0.50
	Adults	£4.04	£1.50	£1.50
Treasury Management				
Investment Rates		0.67%	0.67%	1.04%
Debt Rates		3.50%	3.50%	3.50%
Funding				
Council Tax rate increase (Adult Social Care)		3.00%	3.00%	0.00%
Council Tax rate increase (Relevant Basic Amount)		1.99%	1.99%	1.99%
Council Tax base increase		1.41%	0.50%	0.50%
Reduction in Settlement Funding Assessment		(12.49)%	(7.87)%	(8.27)%
		£(7.03)	£(3.88)	£(3.76)

** Excludes the effect of the large increase due to investment which has been managed at a GM level by a proposed reduction of the same amount in the transport levy, net nil impact.*

Annex B

2017/18 Movements Between Draft Budget (Nov 2016) & Final (Feb 2017)

MOVEMENTS	2017/18	2018/19	2019/20
Budget Gap at Draft Budget (Nov16)	**2,022**	**9,145**	**4,825**
Pension increase - set at 0.5% increase	(262)	(516)	(519)
2016 Autumn Statement: National Living Wage Assumptions	(600)	0	0
General Inflation Freeze 2017/18	(284)	0	0
Demographics: Additional Children's	1,800	0	0
Demographics: Additional Adults	2,542	0	0
Adjustment to Dedicated Schools Grant Recharge	300	300	300
Local Flood Grant	(7)	0	(1)
New Homes Bonus Grant	737	(586)	70
Education Services Grant	(306)	305	0
Local Services Support Grant	17	0	0
Improved Better Care Fund	19	(57)	36
Adult Social Care Support Grant - one-off 2017/18	(950)	950	0
Council Tax Reduction for Family Annexes Grant 2016-17	4	0	0
Public Health Grant Reduction -2.5%/-2.6%/-2.6%	(7)	(2)	(3)
Increase to Borrowing Costs due to Capitalisation of the cost of Transformational Activity	100	100	100
GMPF 16/17 Advance Savings – Unachievable/Re-phased	180	0	0
Revised Approach to Application of MRP Policy	505	0	0
Reduction in Treasury Management Investment Interest	99	126	(520)
Home to School Transport 16-17 Savings - Unachievable	250	0	0
Reversal £25k Insurance Amey Saving	25	0	0
Growth to Budgets re: Reduction in Vacancy Factors	0	568	0
Legal Services Restructure Cost	52	0	0
Audit Work on the new Highways Database	5	0	0
Reduction in savings on Members Allowances	25	0	0
COST PRESSURES & INVESTMENT UPDATES	**4,244**	**1,188**	**(537)**
Estimated Reshaping Savings - Shortfall	123	0	0
Estimated Reablement – phase 2 - Shortfall	146	0	0
Budget Savings Revision	82	0	0
Voluntary plus Compulsory Unpaid Leave Reversal	0	500	0
Removal of maintenance to individual bowling clubs saving	18	0	0
Accommodation Recharge to GMP	(60)	0	0
Sale Waterside - Sub-Letting Income	(50)	(50)	0
GMPF Advance Payment (3yr 1st April 2017) & Allowance for Early Retirements	(1,150)	0	350
Reduction to Training Budget	(40)	0	0
Reduction to Redundancy Provision	(400)	0	0
Reduction in Contingency	(400)	0	0

SAVINGS & INCOME PROPOSALS UPDATES	**(1,731)**	**450**	**350**
Assumed Increase in Council Tax Base 1.4% (Previously 0.5%)	(764)	(11)	(12)
Provisional Baseline Funding (Retained Rates)	(25)	(92)	(130)
Removal BR Growth Carlton Power Station	0	2,000	0
Change in Tariff Payment	(250)	0	0
FUNDING UPDATES	**(1,039)**	**1,897**	**(142)**
Re-Profiling of Adult Social Care Precept (3%+3%+0%)	(845)	(928)	1,800
Assumed Increase in Council Tax Base 1.4% (Previously 0.5%)	(20)	(75)	(112)
Council Tax Support Saving – Incl. Within Assumed Increase in Council Tax Base of 1.4%	160	40	40
BR Assumptions (Multiplier, Reliefs, appeals prov'n)	(1,820)	(190)	(196)
BR Assumptions (Renewable Energy)	5	(2)	(3)
S31 BR Compensation Grant	(1,718)	(51)	(58)
Removal of Contribution from 2014/15 BR Levy Reserve	(8)	0	0
GM Pool BR Growth Levy & Rebate	2,383	80	85
One-off Use of Council Tax Collection Fund Surplus in 17/18 - Above Already Assumed £300k	(1,750)	1,750	0
One-off BR Levy re 15/16 surplus	375	(375)	
ADDITIONAL FUNDING	**(3,238)**	**249**	**1,556**
ADDITIONAL USE OF BUDGET SUPPORT RESERVE	**(258)**	**258**	**0**
Final Budget Gap After Proposals (Feb17)	**0**	**13,187**	**6,052**

Annex C

Business Rates 'No Detriment' Calculation

2017/18	50% £	100% PILOT £
Gross Rates Payable	176,946,312	176,946,312
Transitional Adjustments and Mandatory & Discretionary Reliefs	(11,641,921)	(11,641,921)
NET RATES PAYABLE	**165,304,391**	**165,304,391**
Accounting Adjustments (Appeals & BDP) & Cost of Collection	(13,126,195)	(13,126,195)
NNDR Income	**152,178,196**	**152,178,196**
Local Share	74,567,316	150,656,414
Tariff	(34,987,985)	(77,399,401)
Retained Business Rates	**39,579,331**	**73,257,013**
Baseline Funding Level	**34,009,719**	**62,004,124**
Growth	5,569,611	11,252,888
SAICA Renewable Energy	72,696	72,696
Section 31 Compensation Grants	2,198,071	4,339,102
GM Pool Levy	(3,574,168)	0
GM Pool Levy Rebate at 33%	1,191,389	0
Growth/(Decline) to Baseline	**5,457,600**	**15,664,686**
GM Pilot 'No Detriment' Over Payment	0	(10,207,086)
NO DETRIMENT GROWTH/(DECLINE) TO BASELINE	**5,457,600**	**5,457,600**

100% Business Rates Retention GM Pilot Budget Changes

100% BR RETENTION GM PILOT	2017/18 £'000
NET BUDGET	**148,107**
Removal of Public Health Grant	12,718
COST PRESSURES & INVESTMENT UPDATES	**12,718**
PROPOSED NET BUDGET	**160,825**
FUNDING & USE OF RESERVES	**(148,107)**
Removal of Revenue Support Grant	15,276
99% Business Rates Local Share	(70,405)
Change in Tariff Payment	42,411
99% BR assumptions (Multiplier, Reliefs, 4.29% appeals prov'n)	(5,683)
99% S31 BR Compensation Grants	(2,141)
Removal GM Pool BR Growth Levy & Rebate	(2,383)
Insertion of GM Pilot Benefit 'No Detriment' Over Payment	10,207
FUNDING UPDATES	**(12,718)**
PROPOSED FUNDING & USE OF RESERVES	**(160,825)**

Creating a national beacon for sports, leisure and activity for all making Trafford a destination of choice

Report	Port-folio	Service Area	Description of Saving	Category of Saving	2017/18 £000's	2018/19 £000's	2019/20 £000's	Impact of Saving (e.g. service, equality, other)
Nov-16	C&P	Sale Waterside Arts Centre	Business development	Income	(100)	(100)	0	As part of the agreed 3 year business plan develop existing and new areas of business (e.g. weddings and conferences) and reduce reliance on Council funding.
Nov-16	T&R	Leisure	Franchise income Trafford leisure	Income	0	(100)	(100)	Following the decision to invest in our leisure centres, additional revenue will be generated by the leisure company based on increased take up of services.
Feb-17	C&P	Sale Waterside Arts Centre	Business development	Income	(50)	(50)	0	Continuation of developing new areas of business (sub-letting income)
					(150)	**(250)**	**(100)**	

Accelerate housing and economic growth

Report	Port-folio	Service Area	Description of Saving	Category of Saving	2017/18 £000's	2018/19 £000's	2019/20 £000's	Impact of Saving (e.g. service, equality, other)
Nov-16	EGEI	Planning	Additional income from planning application fees	Income	(70)	0	0	The Planning Service has been offering a "premium" pre-planning advice service since February 2016 which has had a positive response from developers, particularly where there are time constraints. This is generating additional income in 2016/17 already which is expected to continue in 2017/18. Other fees will also be reviewed to ensure cost recovery is achieved.
					(70)	**0**	**0**	

Redesigning Services

Report	Port-folio	Service Area	Description of Saving	Category of Saving	2017/18 £000's	2018/19 £000's	2019/20 £000's	Impact of Saving (e.g. service, equality, other)
Nov-16	EGEI	Parking	Parking fees	Income	(702)	0	0	Currently the parking fees in Trafford are 30 mins – 20p, 2hrs - 50p, 3hrs - £1, 4hrs - £2, day - £4 (£3 on street). It is proposed to revise charges to 30 mins – 70p, 2hrs - £1.50, 3hrs - £2.50, 4hrs - £3.50, day - £7 (£6 on street). Estimated additional income from this proposal is £667k It is also proposed to introduce charges at seven off-street car parks which are currently free all day: Lacy Street (Stretford), Flixton Road (Urmston), Manor Avenue (Urmston), Hampson Street (Sale Moor), Balmoral Road (Altrincham), Atkinson Road (Urmston), James Street (Sale Moor), The proposal is for 2 hrs free with over 2 hrs £1 giving estimated additional income of £35k.
Nov-16	ASS&CW	Care Management	Reablement – phase 2	Efficiency	(800)	0	0	Savings will be achieved by implementing the next phase of the previously consulted on changes to the service by commissioning a rapid, intensive support service which has been shown to deliver improved independence at a lower cost, from the market of care providers (called Stabilise and Make Safe). The internal service will no longer be provided but residents will have an improved level of access to the new service.

Nov-16	EGEI	One Trafford Partnership – Property Management	Property repairs and maintenance savings from improved management information	Efficiency	(89)	0	0	Implementation of new facilities management system during 2016/17 will allow property repairs and maintenance works to be better prioritised and reduce costs accordingly.
Nov-16	EGEI	One Trafford Partnership – Property Management	Reduction in energy and water consumption in Council buildings	Efficiency	(80)	0	0	Further work will be carried out to drive energy efficiency programmes across all Trafford owned buildings.
Nov-16	T&R	Transformation Team	Capitalisation of costs	Efficiency	(170)	0	0	Use of capital investment funding for Transformation project costs which deliver sustainable savings for the Council.
Nov-16	F	Terms and Conditions	Staffing	Policy Choice	(500)	500	0	Extension of the voluntary and mandatory leave scheme
Nov-16	F	Provisions	Provisions and Contingency	Policy Choice	(200)	0	0	Review of provisions and contingencies
Nov-16	F	Treasury Management	PFI Contract	Efficiency	(50)	(50)	0	Anticipated savings in the unitary service payment on the Sale Waterside PFI agreement
Nov-16	F	Insurance	Insurance Premiums	Efficiency	(50)	0	0	Reduction due to lower than anticipated insurance premiums and level of self-insured provision due to a lower claim payments.
Nov-16	F	Base Budget Review	Budget Revisions	Efficiency	(250)	0	0	Review and removal of on-going budget underspends.
Feb-17	F	Treasury & Pensions	GM Pension Fund Saving	Efficiency	(1,150)	0	350	Savings from the Council making an advance upfront payment to the GM Pension Fund in respect of 2017/20 pension contributions
Feb-17	F	Provisions	Provisions and Contingency	Policy Choice	(400)	0	0	The provision budget held within Council Wide to cover potential costs of redundancy has been reduced by £400k as sufficient accumulated resource is held in reserve to cover over 2 years of potential redundancy costs

Feb-17	F	Contingencies	Provisions and Contingency	Policy Choice	(400)	0	0	Reduction in the contingency budget to cover potential slippage in prior year budget savings
Feb-17	EGEI	Accommodation	GMP Recharge	Income	(60)	0	0	The shared service collaboration with GMP went operational during 2016/17 and is based at Trafford Town Hall.
Feb-17	T&R	Training	Budget Reduction	Efficiency	(40)	0	0	The corporate training budget currently £249k in 2016/17. The introduction of the Apprentice Levy and the ability to access this to support staff training allows for this reduction in the budget.
					(4,941)	**450**	**350**	

One Trafford - Being Responsible, Being Bold, Being Healthy

Report	Port-folio	Service Area	Description of Saving	Category of Saving	2017/18 £000's	2018/19 £000's	2019/20 £000's	Impact of Saving (e.g. service, equality, other)
Nov-16	EGEI	One Trafford Partnership – Waste Management	Income from kerbside green waste collection	Income	(430)	(75)	(395)	Introduce partial cost recovery for the collection of green waste from the kerbside (a voluntary opt-in service). Estimated income generation after costs over three years is £900K. Food waste will still be collected weekly without additional charge as part of the universal council offering.
Nov-16	T&R	School Crossing Patrols	Traded Service	Income	(350)	0	0	Alternative funding sources to be identified for schools crossing patrols
Nov-16	EGEI	One Trafford Partnership – Waste Management	#BeResponsible – Right Stuff, Right Bin	Policy Choice	(151)	(232)	(261)	A range of measures proposed to encourage recycling and reduce waste disposal costs. There will be no change to collection frequencies but a stricter approach to ensuring only non-recyclable items are included in the general (grey) waste bin. Estimated saving is £644k over three years after costs.
					(931)	**(307)**	**(656)**	

Optimising technology to improve lives and productivity

Report	Port-folio	Service Area	Description of Saving	Category of Saving	2017/18 £000's	2018/19 £000's	2019/20 £000's	Impact of Saving (e.g. service, equality, other)
Nov-16	C&P	CCTV	Business development	Income	(10)	(10)	(15)	Savings are from re-procurement of cameras, reduced maintenance costs and staff relocation through collaboration with Salford.
Nov-16	EGEI	Street lighting	LED roll out – energy saving	Efficiency	(100)	0	0	Use of a Central Management System to control LED lighting (dimming and trimming). The roll out is scheduled between April 2016 and September 2017 and the total full year saving already included in the MTFP is £1.150m before financing costs (estimated at £500k).
Nov-16	F	Finance – Exchequer Services	Business scanning	Efficiency	(100)	(28)	0	Business efficiency savings from enhanced use of scanning technology.
Nov-16	F	Finance – Exchequer Services	On-line integrated Council Tax forms	Efficiency	(42)	0	0	Business efficiency savings from improved use of on-line technology in the administration of Council Tax.
					(252)	**(38)**	**(15)**	

Annex E

2017/18 Subjective Budget Analysis

2017/18	CFW (£000's)	EGEI (£000's)	T&R (£000's)	Council-wide (£000's)	Funding & Reserves (£000's)	Total (£000's)
Net Budget Brought Forward	76,727	31,941	17,042	20,987		146,697
Cost Pressures:						
Pay	789	70	320	(6)		**1,173**
Living Wage	1,424	50	74	0		**1,548**
Inflationary	0	0	0	0		**0**
Contractual Obligations	1,165	789	50	0		**2,004**
Levies	0	8,147	0	(7,449)		**698**
Demographic	7,042	0	0	1		**7,043**
Grants, Legislative & Service Transfers	12,632	0	113	2,262		**15,007**
Loss of Income	0	105	0	0		**105**
Treasury Management *	0	0	0	1,474		**1,474**
Other	182	(553)	354	660		**643**
Total Cost Pressures	**23,234**	**8,608**	**911**	**(3,058)**		**29,695**
Approved Budget Updates (Feb 2016):						
Income Generation	0	(200)	(230)	0		**(430)**
Savings Proposals *	(8,793)	0	0	0		**(8,793)**
Total Approved Budget Proposals	**(8,793)**	**(200)**	**(230)**	**0**		**(9,223)**
New Budget Updates (Nov 2016):						
Income Generation	0	(1,202)	(460)	0		**(1,662)**
Savings Proposals	(998)	(458)	(688)	(438)		**(2,582)**
Total New Budget Proposals	**(998)**	**(1,660)**	**(1,148)**	**(438)**		**(4,244)**
New Budget Updates (Feb 2017):						
Income Generation	0	(110)	0	0		**(110)**
Savings Proposals	0	0	(40)	(1,950)		**(1,990)**
Total New Budget Proposals	**0**	**(110)**	**(40)**	**(1,950)**		**(2,100)**
PROPOSED NET BUDGET	90,170	38,579	16,535	15,541	0	160,825
Funding:						
Council Tax					(84,418)	**(84,418)**
Business Rates: Local Share					(139,403)	**(139,403)**
Business Rates: Tariff Payment					77,399	**77,399**
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot					(4,300)	**(4,300)**
Prior Year Collection Fund (Surplus)/Deficit & GM Pool Levy/Rebate					(300)	**(300)**
Total Funding					**(151,022)**	**(151,022)**
Additional Funding:						
Council Tax - 2% Adult Social Care Increase					(2,533)	**(2,533)**
Council Tax - 1.99% General Increase					(1,679)	**(1,679)**
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot					(1,158)	**(1,158)**
Prior Year Collection Fund (Surplus)/Deficit & GM Pool Levy/Rebate					(1,375)	**(1,375)**
Additional Funding Total					**(6,745)**	**(6,745)**
PROPOSED FUNDING					(157,767)	(157,767)
Additional Use of Reserves:						
Budget Support Reserve					(3,058)	**(3,058)**
Additional Use of Reserves Total					**(3,058)**	**(3,058)**
USE OF RESERVES					(3,058)	(3,058)
BUDGET GAP						0

Annex F

2017/18 Objective (Service) Budget Analysis

DIRECTORATE	SERVICE EXPENDITURE ANALYSIS	Net Budget 2016/17 (£'000)	Proposed Net Budget 2017/18 (£'000)
Children's Service	Children with Complex and Additional Needs	1,400	1,678
Children's Service	Commissioning	1,668	1,761
Children's Service	Children's Social Services	18,896	20,439
Children's Service	Education and Early Years' Service	5,156	5,490
Children's Service	Early Help Delivery Model	793	746
Children's Service	Multi Agency Referral & Assessment Services	1,625	1,610
Children's Service	Youth Offending Service	259	235
Children's Service	**Sub-Total**	**29,796**	**31,960**
Adults Service	Client Costs	38,660	39,160
Adults Service	Better Care Fund & Other Income	(5,324)	(6,275)
Adults Service	Social Support	429	438
Adults Service	Assistive Equipment and Technology	1,043	990
Adults Service	Social Care Activities - Care Management	10,686	9,822
Adults Service	Commissioned Contracts	793	825
Adults Service	Commissioning and service delivery	1,081	1,071
Adults Service	Public Health	(436)	12,178
Adults Service (incl. Public Health)	**Sub-Total**	**46,931**	**58,210**
EGEI - Environmental, Technical & Property Services	One Trafford Partnership	13,182	13,620
EGEI - Environmental, Technical & Property Services	Street Lighting Energy	1,400	730
EGEI - Environmental, Technical & Property Services	Media Advertising	(668)	(868)
EGEI - Environmental, Technical & Property Services	Waste Disposal Levy	14,909	22,536
EGEI - Environmental, Technical & Property Services	Strategic Management	493	470
EGEI - Economic Growth & Planning	Economic Growth & Planning	1,691	1,757
EGEI - Economic Growth & Planning	Public Protection & Enforcement	787	836
EGEI - Economic Growth & Planning	Parking Services	(732)	(1,404)
EGEI - Economic Growth & Planning	Strategic Management & Support Services	880	902
Economic Growth, Environment & Infrastructure	**Sub-Total**	**31,941**	**38,579**
Transformation and Resources	Legal & Democratic Services	2,491	2,787
Transformation and Resources	Access Trafford	2,725	2,766
Transformation and Resources	ICT Services	2,256	2,330
Transformation and Resources	Communications	212	214
Transformation and Resources	Finance Services	4,517	4,255
Transformation and Resources	Partnerships and Communities	1,670	1,710
Transformation and Resources	Culture and Sport incl. Waterside Arts Centre	655	562
Transformation and Resources	Human Resources	2,164	2,137

Transformation and Resources	Executive	421	441
Transformation and Resources	Transformation	170	0
Transformation and Resources	School Crossing Patrols	371	29
Transformation and Resources	Bereavement Services	(800)	(836)
Transformation and Resources	Catering & Cleaning Traded Services	189	140
Transformation and Resources	**Sub-Total**	**17,042**	**16,535**
TOTAL SERVICE BUDGETS		**125,710**	**145,284**
Council Wide Service	Transport Levy	16,104	8,873
Council Wide Service	Flood Defence	142	140
Council Wide Service	Coroner's & Mortuary	584	584
Council Wide Service	AGMA/ Other	1,016	801
Council Wide Service	Contingencies, Provisions & Corporate Savings	4,043	2,640
Council Wide Service	Interest Receivable (incl. Airport Dividend)	(3,786)	(3,215)
Council Wide Service	Loan Debt (principal and interest)	6,009	6,912
Council Wide Service	Insurance	870	820
Council Wide Service	Members Expenses	858	859
Council Wide Service	Other Centrally held budgets	1,204	1,197
Council Wide Service	Central Grants	(6,058)	(4,071)
COUNCIL-WIDE BUDGETS		**20,987**	**15,541**
PROPOSED NET BUDGET		**146,697**	**160,825**

REPORT of the CHIEF FINANCE OFFICER
to the COUNCIL 22 FEBRUARY 2017

ROBUSTNESS of the 2017/18 PROPOSED BUDGET ESTIMATES
(S25-26 LGA 2003)

1. INTRODUCTION

1.1 The Local Government Act 2003 requires the Chief Finance Officer to report independently to the Council their own opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level of reserves (s26).

1.2 The Law requires that such a report is put before Council as part of the overall budget deliberations, and that such a report be considered prior to the approval of the Budget Requirement and the setting of a Council Tax.

1.3 A summary of this report providing the general opinion is included within the main report at section 7.

2. BACKGROUND

2.1 The budget process has involved the identification or forecasting of spending needs, likely resource availability, and opportunities for efficiencies, income generation and resource realignment. Issues identified during the 2016/17 budget monitoring process and planning process review have been addressed in the 2017/18 budget wherever appropriate.

2.2 The process has involved the Executive Portfolio Holders, members of the Corporate Leadership Team and other service management supported by Finance Managers.

2.3 All budget managers have been requested to agree their budget working papers and are therefore aware of their proposed budget for 2017/18, and the assumptions the budget is based on, which includes income targets.

2.4 With the support of the senior Finance staff within the Transformation & Resources directorate, I have undertaken a review of the Executive's budget proposals at varying levels of detail taking into account known factors that will have a significant bearing on the conduct of the Council's business in 2017/18 and the medium term. Importantly it includes discussion, information and assurances supplied by Directors and other senior staff.

2.5 At a detailed level budgets are based on forecasted activity and have been subject to appropriate challenge, sensitivity analysis and that they reasonably allow for a degree of error. Risks can be mitigated through a variety of management actions and the Corporate Leadership Team has ensured that in higher risk areas additional capacity and rigour has been put in place to ensure forecast savings are robust and are capable of being delivered during the year. Savings will continue to be monitored through the CLT Transformation Board as well as the established bi-monthly financial monitoring of all Council activity on an outturn basis from May each year.

2.6 I have also taken account of how the Council is likely to react if an adverse financial situation was to arise during the year. This helps in assessing the adequacy of reserves and it is felt that, despite an increasingly challenging financial environment, the minimum level of reserve can remain at the current level of £6m as a reasonable amount to cover for unforeseen circumstances not included in the detailed budget proposals.

2.7 The year ahead presents a number of financial challenges, and in particular I would draw Members' attention to areas of uncertainty for which mitigating action is included in the budget and/or reserves, if required;

- The scale of savings required, in particular the CFW directorate, continues to be demanding on the capacity of managers and staff;
- The Council could face legal challenge in the decisions it makes, and whilst every effort has been made to guard against the likelihood of successful challenge, the costs of defending any such proceedings could be significant;
- The uncertainty that exists on demand led services, albeit a number of key "deep-dive" reviews have been undertaken in high risk budget areas;
- There is significant reliance on business rates growth to support its spending plans and there are still a large volume of unsettled business rate appeals where the Council carries a major risk, albeit a provision has been included in the accounts;
- There are ongoing consultations on the future of school funding which are currently being reviewed and will ultimately affect the overall level of funding schools receive from 2018/19.

3. OUTCOME OF REVIEW

3.1 All aspects of the budget have been reviewed to ensure that reasonableness (robustness) tests have been carried out, that detailed calculations are sound, and that the risks have been quantified and provided for as far as possible. As part of the review of draft savings proposals, risk assessment and mitigating action a number of changes in assumptions were subsequently made, the salient ones are as follows:

- Increase budget provision within Children and Adults Social Care demography;
- The establishment of a Budget Support Reserve of £6.56m, to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term. A drawdown of £3.06m is required to support the budget in 2017/18 leaving £3.50m available for future years;
- Adjustment to the income from Business Rates to reflect the new 100% GM pilot;
- Increase in waste levy budget to reflect the updated forecasts from the Waste Disposal Authority and corresponding change to the transport levy;
- Council tax levy for social care;

4. CONCLUSION

4.1 This statement is not a guarantee that expenditure will be contained within each budget line as the nature of the Council's business means that some services will be placed under financial pressure at various times throughout the year. Therefore it is an assessment of the overall budget package and whether there is a reasonable expectation that the budget overall will not be breached.

4.2 On the basis of the above mentioned financial planning and monitoring processes together with the risk assessment of the budget, the Chief Finance Officer is able to report (in accordance with Section 25 of the Local Government Act 2003) that the estimates made for the purposes of the calculation of the budget are robust and the level of reserves and balances are adequate and (in accordance with Section 26 of the Local Government Act 2003) the minimum level of general reserve be set at £6m.

OUTLINE OF 2017/18 FUNDING FORMULA RECOMMENDED BY SCHOOL FUNDING FORUM

-	Description	Amount per pupil		Pupil Units		Sub Total	Total
	Primary (Years R-6)	£2,684.56		20,547.00		£55,159,707	
	Key Stage 3 (Years 7-9)	£4,254.28		9,169.00		£39,007,517	**£117,689,152**
	Key Stage 4 (Years 10-11)	£4,254.28		5,529.00		£23,521,928	
		Primary amount per pupil	**Secondary amount per pupil**	**Eligible proportion of primary NOR**	**Eligible proportion of secondary NOR**		
Deprivation	FSM6 %	£608.48	£749.52	3,451.92	2,760.52	£4,169,490	**£6,569,714**
	IDACI Band F	£0.00	£0.00	1,122.71	775.08	£0	
	IDACI Band E	£146.42	£242.79	1,449.80	1,003.69	£455,965	
	IDACI Band D	£192.98	£242.79	831.06	592.10	£304,134	
	IDACI Band C	£307.69	£422.40	795.78	480.75	£447,921	
	IDACI Band B	£422.39	£422.40	1,253.57	807.49	£870,579	
	IDACI Band A	£537.10	£512.20	350.62	260.27	£321,624	
		Primary amount per pupil	**Secondary amount per pupil**	**Eligible proportion of primary NOR**	**Eligible proportion of secondary NOR**		
English as an Additional Language	EAL 3	£278.69	£557.39	2,361.67	236.41		**£789,945**
		Amount per pupil		**Eligible proportion of primary and secondary NOR respectively**			
Prior attainment	Low Attainment % new EFSP Low Attainment % old FSP 78	£1,800.95		2,103.91		£3,789,045	**£9,003,172**
	Secondary pupils not achieving (KS2 level 4 English or Maths)	£3,037.45		1,716.61		£5,214,127	
Lump Sum						£150,000.00	**£12,900,000**
Split Sites							**£40,000**
Rates							**£1,160,304**
Total Funding for Schools Block Formula (excluding MFG Funding Total)							**£148,152,288**

Minimum Funding Guarantee (MFG is set at -1.5% - funded from schools who gain from the formula)	**£2,718,978**
Total Funding For Schools Block Formula	**£148,152,288**
less de-delegation	**-£854,579**
less Education functions	**-£250,000**
Total Funding For Schools Block Formula less de-delegation	**£147,047,708**

Efficiency Plan

2017 / 2020

Foreword

Trafford Council is a high performing, low spending council providing excellent, value for money services. Trafford Council has risen to the challenge presented by the effects of the austerity agenda, rising demand levels and funding reductions over the years since 2010. During this period the Council has successfully delivered £113m of savings which has been delivered through a mixture of in-house efficiencies and the transformation of services and service delivery.

Trafford Council accepted the four multi-year funding settlement offer made by the Secretary of State for Communities and Local Government in September 2016.

The medium term minimum funding guarantee enables the council to make longer term transformational and growth plans both within our organisation and in collaboration with our partners.

The production of this efficiency plan is to provide an annual update, since the acceptance of that offer.

Theresa Grant
Chief Executive
Trafford Council

Councillor Sean Anstee
Leader of Trafford Council

Introduction and Purpose of document

The Efficiency Plan was initially developed so that Trafford Council could qualify for the four multi-year funding settlement from Government for the period 2016/17 to 2019/20

The four year settlement was essential to the medium-term financial stability of the Council, as it guaranteed no changes to the minimum level of grant that was announced for Trafford in the 2015 autumn statement. The figures for each type of grant covered by the settlement can be found in the table below:

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Revenue Support Grant	*22,989*	*15,276*	*10,303*	*5,299*
Transitional Grant	*465*	*458*	*0*	*0*
Rural Services Delivery Grant	*0*	*0*	*0*	*0*
Total	***23,454***	***15,734***	***10,303***	***5,299***

This plan not only provides an update on the financial position and commitment to deliver these plans but to enable the Council to benefit from the flexibility in the use of capital receipts.

This plan has been developed with reference to the Council's Medium Term Financial Strategy (MTFS), as detailed in the February 2017 Budget Report to Council and includes three main sections:

1. Our approach to delivering efficiencies in order to meet the savings gap
2. New flexibilities in the use of capital receipts
3. Council's Prudential Indicators

This plan will be reviewed and updated at least annually as part of the budget setting process.

Budget Forecasts 2017/18 to 2019/20	*2016/17 £'000*	*2017/18 £'000*	*2018/19 £'000*	*2019/20 £'000*
Net Budget Requirement b/fwd	***146,697***	***146,697***	***163,674***	***173,694***
Cost Pressures & Investment:-				
Pay		*1,173*	*933*	*653*
Living Wage		*1,548*	*1,822*	*1,729*
Inflationary		*0*	*288*	*293*
Contractual Obligations		*2,004*	*2,015*	*1,992*
Levies		*698*	*703*	*703*
Demographic		*7,043*	*2,000*	*2,000*
Grants, Legislative & Service Transfers		*2,289*	*1,105*	*(1,973)*
Loss of Income		*105*	*0*	*0*
Treasury Management		*1,474*	*99*	*(420)*
Other		*643*	*1,055*	*250*
Total Cost Pressures & Investment	***0***	***163,674***	***173,694***	***178,921***
Funding:-				
Council Tax	*83,547*	*84,418*	*84,840*	*85,264*
RSG	*22,989*	*15,276*	*10,303*	*5,299*
Business Rates: Local Share	*77,838*	*68,998*	*71,218*	*73,751*
Business Rates: Tariff Payment	*(44,509)*	*(34,988)*	*(36,114)*	*(37,398)*
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	*4,982*	*4,300*	*4,300*	*4,300*
Prior Year: Collection Fund Surplus/ (Deficit) & GM Pool (Levy)/Rebate		*300*	*0*	*0*
General Reserve	*1,850*	*0*	*0*	*0*
Total Funding & Use of Reserves	***146,697***	***138,304***	***134,547***	***131,216***
Cumulative Revised Funding Gap	***0***	***25,370***	***39,147***	***47,705***
Annual Revised Funding Gap	*0*	*25,370*	*13,777*	*8,558*

Size of the Challenge

The Council's Medium Term Financial Strategy (MTFS) is detailed in the February 2017 Budget Report to Council. The MTFS is a rolling document which is updated as changes in conditions/assumptions are known, in recent months the most notable change is the demographic pressures being experienced in spending on Adults and Children's social care. The revised funding gap figures for 2017/18 to 2019/20 can be seen to the left:

2017/2020 Efficiency plan

For the years 2017 to 2020 the strategy is to deliver the efficiency savings required to close the financial gap through a major transformational agenda. This transformational programme will build on the foundations of the Reshaping Trafford programme which has already delivered large efficiency and transformational savings. A report on this programme and its progress was reported to the Accounts and Audit Committee in February 2017. This report can be found here

Trafford has a strong ethos of partnership working and our transformational changes will be delivered in conjunction with our partners as part of the Public Sector Reform agenda. The Trafford partnership is Trafford's Local Strategic Partnership and the Trafford Partnership Annual Report 2015-16 describes our collaborative approach to locality based planning and service delivery.

Greater Manchester is at the forefront of devolution and the greater integration of health and social care in order to increase efficiencies and improve services is a key aspect of these devolved responsibilities and powers. Trafford has developed a Locality plan which describes the transformational changes planned in conjunction with our health partners.

Increasing income by promoting economic growth and encouraging the establishment of new business and the building of new homes in Trafford is key to delivering our efficiency plan. Increased economic growth not only produces more income for the council in terms of council tax and business rates but also increases the employment and well-being of the Trafford population.

More detailed plans of the programme to be delivered in 2017/18 can be found here in the February 2017 Budget Report to Council, future years will be presented to the Executive and Council later in the year.

Summary of the Reduction in the Revised Funding Gap	***2017/18 £'000***	***2018/19 £'000***	***2019/20 £'000***
Revised Funding Gap	***25,370***	***13,777***	***8,558***
Savings & Income Proposals	*(15,567)*	*(395)*	*(421)*
Additional Funding	*(6,745)*	*(3,253)*	*(2,085)*
Use of Budget Support Reserve	*(3,058)*	*3,058*	*0*
Total Budget Gap (Feb 2017)	***0***	***13,187***	***6,052***

Section 2 Capital Receipts Flexibility

As part of the local government settlement for 2016/17 Government announced greater flexibility for Council's in how they make use of capital receipts from 1st April 2016 to 31st March 2019 and updated its statutory guidance on the 'Flexible Use of Capital Receipts' in March 2016. Councils were previously only allowed to spend such money on further capital projects but now capital receipts can be used to fund the revenue costs of transformation projects which are designed to generate ongoing revenue savings in the delivery of public services and /or to transform service delivery in a way that reduces costs or demand for services in the future.

The February 2016 Budget Report and the related Treasury Management Strategy did not anticipate the use of capital receipts in this way during 2016/17 financial year. However, given the size and scale of the transformation programme outlined above, the Council now intends to take up the facility to use capital receipts in this flexible manner to fund the cost of reconfiguration, restructuring and rationalisation savings, estimated usage is anticipated to be £1.8m per annum.

This transformational activity will assist in delivering the savings on a range of schemes to include those detailed below:-

TRANSFORMATIONAL PROJECTS	2017/18	2018/19	2019/20
Reshaping Care-Managing the Council funded cost of care through increasing client independence	(5,110)	(250)	0
Reshaping Children's services	(2,349)	0	0
Reablement – phase 2	(800)	0	0
Ascot House - alternative uses of the site	(380)	0	0
Rapid Response - review the Rapid Response service	(211)	0	0
#BeResponsible – Right Stuff, Right Bin	(151)	(232)	(261)
Aids and adaptations redesign	(150)	0	0
Business scanning	(100)	(28)	0
Property repairs and maintenance savings from improved management information	(89)	0	0
Reduction in energy and water consumption in Council buildings	(80)	0	0
On-line integrated Council Tax forms	(42)	0	0
Direct Payments – review the direct payments service	(35)	0	0
Service structure and role remodelling across the CFW workforce	(30)	0	0
Pathways - review the provision of day care services to clients with learning disabilities	(28)	0	0
Business development	(10)	(10)	(15)
TOTAL EXPECTED SAVINGS/SERVICE TRANSFORMATION	**(9,565)**	**(520)**	**(276)**

Further intended use of any capital receipts in this way for remaining years will be included in updates to this plan and will be presented to Full Council in due course.

Section 3 Prudential indicators

The Treasury Management Strategy sets out the prudential indicators for 2017/18. The report is available here

These indicators are designed to ensure that the Council's capital borrowing is affordable and does not place undue burden on the Council's revenue budget or Council Tax Payers. Each year the reporting requirements are that the Accounts and Audit Committee together with the Executive and Full Council should receive the following reports:

- Annual treasury strategy for the year ahead
- Mid-year update report
- Annual outturn report describing the activity undertaken.

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TRAFFORD BOROUGH COUNCIL

Report to:	**Executive & Council**
Date:	**22 February 2017**
Report for:	**Decision**
Report of:	**The Executive Member for Finance and the Chief Finance Officer**

Report Title

FEES, CHARGES & ALLOWANCES 2017/18

Summary

This report summarises the salient features of the annual review and pricing of the Council's main fees and charges. The booklet that details individual fees and charges can be found on the Council's website in the area that supports the agenda.

The Fees and Charges booklet represents the main fees and charges to the public upon which the Executive's proposed budget for 2017/18 has been based. Most fees and charges have been reviewed and amended as appropriate either by regulation or as aligned to the budget process. New charges for 2017/18 or revised wording to existing charges are highlighted in blue on the schedule and significant changes are referred to in paragraph 3.3 below.

The fees and charges are inclusive of VAT, where indicated, and delegated authority to Corporate Directors and the Chief Finance Officer, is sought to amend the level of the relevant fee or charge as appropriate if there are changes to the rate of VAT during 2017/18, which is the Council's traditional practice.

As in previous years, the majority of fees and charges have been coded as to the extent of discretion the Council has to establish the fee or charge, and then the level of discretion to determine the level of fee or charge.

Recommendation(s)

It is recommended that:

- **The Fees and Charges for 2017/18, as set out in the booklet available on the Council's web site, be approved.**
- **Approval be delegated jointly to each Corporate Director with the Chief Finance Officer to amend fees and charges during 2017/18 in the event of any change in the rate of VAT, as appropriate.**

Contact person for access to background papers and further information:

Name: Councillor Patrick Myers, Executive Member for Finance
Nikki Bishop, Chief Finance Officer Extension: 4238

Background Papers: None

Implications:

Relationship to Policy Framework/Corporate Priorities	Value for Money. The proposed draft budget for 2017/18 supports all key priorities and policies.
Financial	The report sets out the proposed Fees and Charges for 2017/18.
Legal Implications	It is a statutory requirement for the Council to set and approve a balanced, robust budget and Council Tax level. Budget proposals take account of various legislative changes as they affect Council services. The Council has begun and will continue to comply with the statutory processes associated with the effect of the proposed budget on staffing levels.
Equality/Diversity Implications	The Council has complied with the requirements of its Equality Duty and where appropriate an Equality Impact Assessment was undertaken and considered. Those Equality Impact Assessments are published as background papers to this report.
Sustainability Implications	None arising out of this report.
Staffing/E-Government/Asset Management Implications	Human Resources – statutory processes have been complied with during the course of these budget proposals in respect of staffing implications.
Risk Management Implications	The risks associated with the budget proposal have been considered.
Health and Wellbeing Implications	The Council has complied with the requirements of its Equality Duty and where appropriate an Equality Impact Assessment was undertaken and considered. Those Equality Impact Assessments are published as background papers to this report.
Health and Safety Implications	The health and safety implications of the budget proposals have been considered.

Other Options
All options at an individual fee or charge basis would have been considered, where appropriate, during the budget process.

Consultation
The details and results of the budget consultation exercise are referred to in the Council's main Budget Report together with the review of the proposals and process by the Council's Scrutiny Committee.

Reasons for Recommendation
To fulfill the obligations outlined in the Council Constitution for the budget process.

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

Finance Officer Clearance ……GB……..

Legal Officer Clearance *……MJ……*

CORPORATE DIRECTOR'S SIGNATURE
To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

INTRODUCTION

1.1 The detailed fees and charges booklet is available on the Council's web site alongside other agenda items. It represents a schedule of the main fees and charges which the Executive is proposing to charge for services in 2017/18 and included in the revenue budget proposals for 2017/18 to be presented to Council on 22 February 2017.

1.2 It should be noted that the booklet mostly relates to fees and charges levied on the general public, businesses or service users. Trading income, particularly internal trading income such as that with Schools, is not covered within the fees and charges booklet as it is subject to individual contracts and negotiations. The Council also charges for certain services on a commercial basis, in competition with other providers, and these are excluded from the booklet for this reason (e.g. trade waste).

2. COUNCIL DISCRETION IN SETTING FEES & CHARGES

2.1 All fees and charges are subject to relevant legal constraints. Some fees and charges are required by law to be established and administered by the Council, others can be established at the Council's discretion. Once established, regulations then influence the extent or level of the fee or charge. Some fee or charge levels are set by regulation, others are limited by regulation, and some can be determined freely by the Council, though subject to other influencing factors such as competition.

2.2 The schedule of fees and charges indicates which fees are Mandatory (M) and which are Discretionary (D) for both the establishment of the charge (the first indicator) and then setting the level of the charge (the second indicator). For example, a fee that must be established and administered by the Council, but the level of fee or charge can be freely determined by the Council would be marked 'M / D'.

How is it determined that a fee or charge can be levied?	Who or how is the rate of the fee or charge determined?	Example of Fee or Charge	KEY
Regulation	Regulation – the rate of charge is fixed by regulation.	Registrar Certificates Gaming Permits	**M / M**
Regulation	Regulation –the Council can choose between lower and/or upper limits.	Casino applications Entertainment Licences	**M / D***
The Council	Regulation – the Council can only recover costs & reasonable overheads and/or between upper and lower limits or other limit.	Fixed Penalty Notices	**D / D***
Regulation	The Council	Environmental searches Marriage & Civil Partnerships	**M / D**
The Council	The Council	Library charges Land charges & search fees	**D / D**

2.3 The above table has been RAG shaded in terms of extent of Council discretion from red (top 1) where fees and charges are mostly determined by regulation, to green (bottom 2) where the Council has greater control on establishing and setting fee or charge levels. In the middle, or amber zone, Council's discretion is limited by regulatory rules, and for the fees or charges that are subject to such rules a code of 'D*' is used in the booklet, usually with a statement that describes the relevant rule at the bottom of the page or table.

3. Summary of Fees and Charges movements

3.1 The booklet states the percentage increase for each fee or charge. The following table provides key statistics by the type of charge using the coding system outlined in section 2. It should be noted that an increase in the level of fee or charge may not generate the same increase in actual revenue as purchases or uses of the service may vary. Further, any average increase does not suggest the increase in total revenue as some charges may increase substantially in percentage terms but not in monetary, and that some charges are levied more often than others.

Discretion Code	No. of Charges (No.)	As a % of the Total (%)	Charges yet TBA (No.)	% of Charges that have changed (%)	Average increase # (%)
M / M	64	8%	0	19%	2%
M / D*	80	10%	0	0%	0%
D / D*	11	1%	0	0%	0%
M / D	66	8%	0	77%	4%
D / D	615	73%	0	54%	19%
Total	**836**	**100%**	**0**	**48%**	**16%**

 # This does not represent a 16% increase in income as the averages are calculated as a simple average increase on the unit charges and are not weighted by the level of income generated by each charge.

3.2 Approximately 19% of mandatory fees have changed by an average of 2%. Where the Council has discretion to increase the charge level, all such charges have been reviewed as part of the budget process and consequentially there is much greater movement in those fees and charges. Where the Council has discretion to charge up to a maximum amount set by legislation, many of the current fees are already close to the statutory limit.

3.3 The key highlights with regard to specific charges are:

Economic Growth, Environment & Infrastructure: has the majority of the Council's fees and charges. The main changes within this service are:

- Parking Fees - these have increased in line with the proposals included in the Council's main Budget Report, and following consultation;

- Pest Control - charges have been rationalised and also re-set to better reflect how the service is delivered and the cost of delivery. Pest control operates in a commercial environment and fees have also been reviewed with this in mind;

- Stray Dogs - the fee has been reviewed to better reflect the recovery of actual costs of delivery.

Transformation & Resources: The main changes within this service are:

- Nationality Checking Service - two fees relating to children have increased by more than 10.0% to better reflect cost recovery;

- Libraries - Adult fines have increased in line with an AGMA review to simplify charges across Greater Manchester;

- Musical Scores - fees have increased to reflect increasing costs.

3.4 The schedule of fees and charges has been reviewed by management, and amendments made to include those fees and charges which should be brought to the attention of Council at the time of setting the budget, or exclude those that are superfluous or negotiated on a commercial basis.

4. Recommendations

4.1 It is recommended that:

- The Fees and Charges for 2017/18, as set out in the booklet available on the Council's web site, be approved.
- Approval be delegated jointly to each Corporate Director with the Chief Finance Officer to amend fees and charges during 2017/18 in the event of any change in the rate of VAT, as appropriate.

TRAFFORD COUNCIL

Report to: Executive and Council
Date: 22 February 2017
Report for: Decision
Report of: The Executive Member for Finance and the Chief Finance Officer

Report Title

CAPITAL PROGRAMME & PRUDENTIAL INDICATORS 2017/20

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 2017/20 is £107.27m.

New schemes with a value of £40.01m are recommended for approval (Appendix 1). If agreed this would result in a Capital Programme for 2017/20 totalling £109.16m (Appendix 2). This equates to £1.89m of over-programming over the three year programme and will be reviewed each year to ensure actual capital resources are not overcommitted.

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 £109.16m for the period 2017/20;
3) recommends the Council to approve £25.04m of additional prudential borrowing to support revenue generating investment opportunities as detailed in Paragraph 15;
4) recommends the Council approve the flexible use of capital receipts strategy as set out in Paragraph 13; and
5) 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 2017/20.
Risk Management Implications	Assumptions have been made on Land Sale Programme and the level of receipts to be generated in 2019/20. An annual review will be undertaken of the future Land Sale Programme and in the event that there is a shortfall in resources to finance the Capital Programme adjustments will be made to our expenditure plans.
Health and Safety Implications	A number of schemes are being undertaken in 2017/20 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 2016 with regard to the 2016/17 and 2017/18 budgets in light of any new priorities and bids for capital support
    - to amend 2017/18 and 2018/19 budgets for any updated central government grant allocations
    - propose an indicative 2017/20 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 2017/20.

STRATEGIC CONTEXT

2. The Council's strategy for capital investment 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 potentia*l** 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 2016/19

3. The current forecasted expenditure for 2016/7 to 2018/19 is £98.14m with estimated resources available to support this programme of £98.73m, summarised below :-

Table 1 : 2016-19 Capital Programme & Resourcing	**2016/17** £'000	**2017/18** £'000	**2018/19** £'000	**Total** £'000
Service Area				
Children, Families & Wellbeing	12,835	12,599	6,040	31,474
Economic Growth, Environment & Infrastructure	26,403	24,720	10,550	61,673
Transformation & Resources	3,184	1,461	350	4,995
Capital Programme total	**42,422**	**38,780**	**16,940**	**98,142**
Resourcing				
Capital Grants	15,446	15,997	7,390	38,833
External contributions	7,861	3,587	5,700	17,148
External Resources	**23,307**	**19,584**	**13,090**	**55,981**
Receipts – Land Sales Programme	12,188	6,817	1,567	20,572
Borrowing	11,008	8,140		19,148
LSVT VAT Income & reserves	1,944	988	100	3,032
Internal Resources	**25,140**	**15,945**	**1,667**	**42,752**
Resourcing total	**48,447**	**35,529**	**14,757**	**98,733**
Surplus / (Deficit)	**6,025**	**(3,251)**	**(2,183)**	**591**

4. 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.

5. The 2016/17 programme of £42.42m includes the delivery of a number of key projects including:-
    - School Places and condition works of £9.87m
    - Adult Social Care of £3.31m
    - Corporate buildings investment of £1.91m
    - Relocation of depot facilities of £4.02m
    - Town centre regeneration and investment of £4.10m
    - Highways improvements of £10.17m
    - Metrolink extension contribution of £5.00m
    - Parks and Open Space improvements of £0.91m
    - ICT investment of £2.66m

Capital Investment Resources 2017/20

External Resources

6. 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.

7. We have previously been notified, or have made assumptions of our external **grant allocations** for 2017/18 and 2018/19 and whilst announcements on some allocations are still awaited a number of new grants have been received and assumptions have been made for additional grants in 2019/20.

Table 2 : Updated Level of Capital Grants	**2017/18** £'000	**2018/19** £'000	**2019/20** £'000	**Total** £'000
Previously notified as per Table 1				
• Schools Basic Need Grant	6,313	2,000		8,313
• Schools Devolved Formula	660	490		1,150
• Schools Maintenance	2,623	1,850		4,473
• Disabled Facilities	950	950		1,900
• Adult Social Care Grant	208			208
• Highways Structural Maintenance	2,069	2,100		4,169
• TfGM Grant	2,904			2,904
• TfGM Grant	270			270
Sub-Total	**15,997**	**7,390**		**23,387**
New notifications/ Assumptions				
• Early Years Capital	468			468
• Disabled Facilities	650	650	1,700	3,000
• Highways - Pot Hole Funding	175			175
• Highways Incentive Fund	174			174
• Schools Devolved Formula			390	390
• Schools Maintenance			1,850	1,850
• Highways Structural Maintenance			2,100	2,100
Sub-Total	**1,467**	**650**	**6,040**	**8,157**
Total	**17,464**	**8,040**	**6,040**	**31,544**

8. The majority of **external contributions** are received in the form of S.106 agreements and come with very strict requirements limiting the opportunity for discretionary application. The table below provides details of those already supporting the capital programme along with allocation of new contributions to support new proposals.

Table 3 : Updated Level of External contributions	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Current planned usage per Table 1	**3,587**	**5,700**		**9,287**
Contributions to be added :				
• S.106 – Metrolink extension			8,000	8,000
• S.106 – General (see Para 10)	61	1,259	1,802	3,122
• Contribution from Trafford Leisure (see Para 15)	1,000			1,000
Sub-Total	**1,061**	**1,259**	**9,802**	**12,122**
Total	**4,648**	**6,959**	**9,802**	**21,409**

9. The Council's contribution to the Metrolink extension is £20m and a significant amount of developer contributions have been identified to support this. An amount of £12m was already included in the capital programme, which has been profiled to match planned delivery. The final tranche of the contribution of £8m is expected to be made in 2019/20.

10. Excluding the requirements for the Metrolink contribution there are currently £3.12m of S.106 developer contributions that have been received but are not yet committed to projects. It is now proposed to add these to the capital programme to support investment in open space, affordable housing and highways in future years.

Table 4 : S.106 Contributions received	Total £'000
Open Space and Outdoor Sports	875
Red Rose Forest	506
Affordable Housing	1,046
Highways Infrastructure	344
Integrated Transport	351
Total available	**3,122**

Available Internal Resources – Capital Receipts

11. The restrictions on the ability to apply external resources to specific schemes means that only internal resources are available for application on discretionary investment. Internal resources mainly comprise capital receipts and prudential borrowing.

12. The table below gives the current position of capital receipts for 2016/17 to 2018/19 and the commitment against them along with an estimate for 2019/20 to give the value of receipts available to support any new investment. A proportion of the capital receipts are already allocated to a number of projects in the capital programme that are already committed leaving £13.08m available to support new investment. (Note – schemes currently uncommitted have been included again in this latest capital bidding round so their priority can be assessed against any new bids).

Table 5 : Capital Receipts	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Land Sale Programme					
Carried forward from 2015/16	6,854				6,854
Land Sales Programme	5,774	5,975	1,350	6,124	19,223
Less Costs and debt repayment	(440)	(1,858)	(283)	(484)	(3,065)
Net Land Sale Programme	**12,188**	**4,117**	**1,067**	**5,640**	**23,012**
Other Receipts					
Local Authority Mortgage Scheme repayment		1,500	500		2,000
Old Trafford Masterplan		1,200			1,200
Other Receipts Total		**2,700**	**500**		**3,200**
Total Receipts	**12,188**	**6,817**	**1,567**	**5,640**	**26,212**
Capital Programme requirement					
Committed	(6,163)	(6,173)	(800)		(13,136)
Uncommitted		(3,895)	(2,950)		(6,845)
Net Receipts	**6,025**	**(3,251)**	**(2,183)**	**5,640**	**6,231**

The value of available capital resources is £13.08m (£6.85m+£6.23m)

13. In March 2016 new statutory guidance was published by DCLG on the flexible use of capital receipts which allow authorities the ability to utilise capital receipts to finance the revenue costs of reform. Eligible expenditure includes funding the cost of service configuration, restructuring or rationalisation. It is proposed therefore to utilise receipts to assist in the delivery of the following transformational projects and savings that are required to bridge the budget gap in the MTFP:-

Table 6 :Transformational Projects	2017/18 £'000	2018/19 £'000	2019/20 £'000
Reshaping Care - Managing the Council funded cost of care through increasing client independence	(5,110)	(250)	
Reshaping Children's services	(2,349)		
Reablement – phase 2	(800)		
Ascot House - alternative uses of the site	(380)		
Rapid Response - review the service	(211)		
#BeResponsible – Right Stuff, Right Bin	(151)	(232)	(261)
Aids and adaptations redesign	(150)		
Business scanning	(100)	(28)	
Property repairs and maintenance savings from improved management information	(89)		
Reduction in energy and water consumption in Council buildings	(80)		
On-line integrated Council Tax forms	(42)		
Direct Payments – review the direct payments service	(35)		
Service structure and role remodelling across the CFW workforce	(30)		
Pathways - review the provision of day care services to clients with learning disabilities	(28)		

Business development	(10)	(10)	(15)
Total Expected Savings / Service Transformation	**(9,565)**	**(520)**	**(276)**

Available Internal Resources – Prudential Borrowing

14. The Council only undertakes prudential borrowing where it is prudent, affordable and sustainable. The current programme includes £8.14m in respect the LED Replacement Programme, support for the hotel development at Lancashire CCC and relocation of the depot facilities. It is expected that savings achieved in energy and running costs and returns from Lancashire CCC will be sufficient to repay the borrowing costs and provide for additional savings to the revenue budget.

15. Additional borrowing is required for a number of further proposals:-

- **Capital Investment Fund £20.0m** – to be used to support the acquisition of income generating assets which will yield future sustainable revenue streams for the Council and also cover any borrowing costs. As each investment proposition is considered a business case showing a detailed analysis of the capital and revenue implications and associated risk levels will be prepared. It is intended to establish a governance board to evaluate all proposals.

- **General Borrowing £1.8m** – It is intended to utilise the new policy on the flexible use of capital receipts to support the delivery of a number of transformational projects which are key to meeting the savings targets in the MTFP as detailed in Paragraph 13. Therefore additional borrowing is required to cover the reduced availability of receipts for new capital investment; budget provision is included in the MTFP to cover borrowing costs.

- **Leisure Strategy £2.7m** – On the 15 November 2016 the Executive gave in-principle approval to making a capital investment of £24.4m in the Council's leisure assets. The investment is made up of three phases of work for which Executive approval will be sought once detailed business cases are produced. The first phase involves the redevelopment of Urmston and Sale Leisure Centres at an estimated cost of £6.5m. It is intended to finance this investment through a mixture of capital receipts and borrowing, with any borrowing costs financed out of the additional revenue streams generated at the leisure centres. It is proposed to finance this as follows:-

  - Proposed 2017/20 Programme £2.8m
  - Contribution from Trafford Leisure £1.0m
  - Borrowing £2.7m

- **9/11 Market Street, Altrincham £239k** – A scheme to develop a currently un-occupied council owned property by splitting of the existing two story shop premises into a ground floor shop and potentially two first floor apartments. A potential rental income of £33k per annum is expected.

- **New Recycling Bins £300k** – in support of the "Be Responsible" and "Right Stuff Right Bin" initiatives new recycling bins are anticipated to be required. The borrowing, over a period of 10 years, will be financed from annual savings in recycling costs.

Table 7 : Updated Level of Prudential Borrowing	**2017/18** £'000	**2018/19** £'000	**Total** £'000
Current planned use as per Table 1	**8,140**		**8,140**
New borrowing			
• Capital Investment Fund	15,000	5,000	20,000
• Leisure Strategy	2,700		2,700
• General Borrowing	1,800		1,800
• 9/11 Market Street, Altrincham	239		239
• New recycling bins	300		300
Sub-Total	**20,039**	**5,000**	**25,039**
Total	**28,179**	**5,000**	**33,179**

16. The level of resources forecasted to be available for capital investment purposes during the period 2017/20 is £107.27 m comprising external resources totalling £52.95m and internal totalling £54.32m.

Capital Investment Bids Received

17. All service areas were requested to submit new capital bids for the three years from 2017/18. This has included re-bidding for schemes in the current 2017/19 programme where those schemes were uncommitted.

18. The value of bids received for 2017/20 total £23.52m and is significantly higher than the £13.08m of resources available (See Paragraph 12). The value of bids is clearly unaffordable within the available resource envelope and therefore an assessment of the bids was undertaken to identify key priority works.

19. The current strategy for determining how capital projects are prioritised is as follows:-
    - Schemes of a mandatory / contractual nature
    - Invest to save schemes and schemes generating additional income
    - Schemes that protect the asset base
    - Schemes that meet Council priorities

20. All bids have been assessed under these priorities given the limited resources available. Appendix 1 provides a proposed list of new schemes with a value of £14.97m recommended for addition to the 2017/20 capital investment programme to be financed from discretionary capital resources. The inclusion of these schemes would result in an over-programming of £1.89m. This level of over-programming over the three year programme will be monitored and reviewed against forecasted levels of capital resources on a regular basis to ensure that the planned capital investment remains affordable.

21. Appendix 1 also summarises new prudential borrowing to support capital expenditure to a value of £25.04m as detailed in Paragraph 15.

2017/20 INDICATIVE PROGRAMME

22. The value of the indicative three year Capital Programme is £109.16m and a summary shown in the table below. At this stage the figures for 2017/18 are known in detail, whereas the resource position for 2018/19 and 2019/20 is less certain, which means that the planned activity for those two years is at a lower level than in 2017/18, but may increase as resources are confirmed.

Table 8: Capital Programme and funding 2017/20	**Budget 2017/18**	**Budget 2018/19**	**Budget 2019/20**	**Budget Total**
	£000	**£000**	**£000**	**£000**
Protecting the Asset Base	14,520	4,137	4,480	23,137
Supporting Service Provision	29,243	11,990	2,987	44,220
Supporting the Local Economy	10,081	2,500	1,700	14,281
Investing in New Technology	2,067	1,180	750	3,997
Investing in Major Infrastructure	9,824	5,700	8,000	23,524
Total Investment	**65,735**	**25,507**	**17,917**	**109,159**
Grants	17,464	8,040	6,040	31,544
External Contributions	4,648	6,959	9,802	21,409
Prudential Borrowing	28,179	5,000		33,179
LSVT VAT & reserves	988	100		1,088
Capital Receipts (note)	12,842	1,567	5,640	20,049
Total Funding	**64,121**	**21,666**	**21,482**	**107,269**

Note – the 2017/18 figure comprises surplus from 2016/17 of £6.02m and estimate for 2017/18 of £6.82m as per Table 5.

PRUDENTIAL INDICATORS

23. 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 Chief Finance Officer will monitor these and report on them at appropriate times. The Council can revise these indicators and limits at any time.

24. All the indicators take account of the proposals in this report and a list of Prudential Indicators is included at Appendix 3.

RECOMMENDATIONS

25. That the Executive:-

- approve the Capital Programme as detailed in the report;
- recommends the Council to approve the Capital Programme in the sum of £109.16m for the period 2017/20;
- recommends the Council to approve £25.04m of additional prudential borrowing to support revenue generating investment opportunities as detailed in Paragraph 15;
- recommends the Council approve the flexible use of capital receipts strategy as set out in Paragraph 13; and
- recommends the Council to approve the Prudential Indicators as set out at Appendix 3 of this report.

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 £0.5m in 2017/18. However, the proposed application of the capital receipts are to schemes with mandatory requirements, schemes to protect the long-term viability of the Council's assets and to transformational projects under the new capital receipts flexibility; 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 2017/20. Consultation with the public and user-groups will follow, where appropriate, once the programme is set and specific proposals within the budget allocations are developed.

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) ……….MJ……………….

CORPORATE DIRECTOR'S SIGNATURE Joanne Hyde

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

2017/20 CAPITAL PROGRAMME : NEW START PROPOSALS	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Schemes of a Mandatory / Contractual Nature				
Schools – Additional Places Works (Gorse Hill Primary School)	500	2,000		2,500
Education of Vulnerable Children – Secure Standard Statutory Automated Data Collection Dashboard	27			27
Sub-total	**527**	**2,000**		**2,527**
Invest to save schemes				
Schools - Transport Operation System	16			16
Adult Social Care - Assistive Technology/Technology Innovation	650	650	650	1,950
Leisure Strategy – Increasing Physical Activity	2,800			2,800
Car Parks – Pay & Display Machines	35			35
Waste – Tri Bin : "Recycling on the Go"	261			261
Waterside Arts Centre - Refurbishments	96	103		199
Sale Waterside - Fixed Furniture and Equipment	86			86
ICT – SAP Development / Replacement	300	300		600
Sub-total	**4,244**	**1,053**	**650**	**5,947**
Schemes that protect the asset base				
Public Building Repairs		800	800	1,600
Parks Infrastructure	150	150	150	450
Play Areas : Structural Maintenance	100	75	75	250
ICT : Network resilience for Waterside and Trafford Town Hall	70			70
ICT : Network resilience for Internet Service /Connectivity	22			22
ICT : Network core switch replacement	15			15
ICT : Mobile / Wifi printing solution	5			5
ICT : SIEM Implementation (Security Incident & Event Management)	38			38
ICT : VPN - Upgrade / Replace Remote Access Solution	32			32
ICT : Software Asset Management Licence Tool	40			40

	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
ICT : Perimeter Firewall & Web Filtering solutions	80			80
ICT : Multiprotocol Label Switching (MPLS) Replacement Site Links		30		30
Sub-total	**552**	**1,055**	**1,025**	**2,632**
Council Priorities				
Parking provision in Altrincham Town Centre	125			125
Land Assembly Costs – Claremont Centre, Sale	240			240
CCTV – New camera sites & wireless network	388			388
ICT : System Centre Configuration Manager Upgrade	260			260
ICT : Windows 10 - Implementation & Rollout		200	100	300
Sub-total	**1,013**	**200**	**100**	**1,313**
Other Priorities				
Integrated Transport Plan Works	100	300	300	700
Access Trafford (Contact Centre) - Redbox upgrade	47			47
Transformation Projects	1,800			1,800
Sub-total	**1,947**	**300**	**300**	**2,547**
TOTAL PROPOSALS	**8,283**	**4,608**	**2,075**	**14,966**

2017/20 CAPITAL PROGRAMME : PRUDENTIAL BORROWING FUNDED PROPOSALS	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Capital Investment Fund	15,000	5,000		20,000
Leisure Strategy - Increasing Physical Activity	2,700			2,700
General Borrowing - Public Building Repairs	850			850
General Borrowing - Highway Maintenance	750			750
General Borrowing - Integrated Transport	200			200
9/11 Market Street, Altrincham - Redevelopment	239			239
New Recycling Bins	300			300
TOTAL PROPOSALS	**20,039**	**5,000**	**0**	**25,039**

2017/2020 INDICATIVE CAPITAL PROGRAMME			
	2017/18	**2018/19**	**2019/20**
DESCRIPTION	**£000**	**£000**	**£000**
Children's			
Basic Need : School Places & Condition Issues	7,259	4,000	
Devolved Formula Capital	660	490	390
Capital Maintenance Grant	2,623	1,850	1,850
Early Years Capital Grant	468		
Education of Vulnerable Children – SSADCD	27		
Schools - Transport Operation System	16		
Capital Innovation Fund - U5s service provision	35		
Sub-total	**11,088**	**6,340**	**2,240**
Adults			
Ascot House, Sale - Adaptations	8		
Disabled Facility Grants	2,066	1,700	1,700
Assistive Technology/Technology Innovation	650	650	650
Agile Working Programme	200		
Sub-total	**2,924**	**2,350**	**2,350**
Economic Growth, Environment & Infrastructure			
Public Building Repairs	1,525	800	800
Broadheath Community Centre - Contribution	419		
Leisure Services Assets - Improvement Programme	177		
Corporate Landlord IT System - TRAMPS	55		
Relocation of Depot Facilities	1,000		
Lancashire CCC – Facilities development	102		
Lancashire CCC – New hotel development	2,400		
Capital investment Fund	15,000	5,000	
Altrincham - Library / Community Facility	1,763		
Altair Development, Altrincham	767	450	
Altrincham Town Centre – Public Realm	200		
Stretford Town Centre – Public Realm	1,000		
9/11 Market Street, Altrincham – Redevelopment	239		
Land assembly Opportunity - Claremont Centre, Sale	240		
Housing Growth Points	80		
Affordable Housing : S.106 Funded Programme		500	546

DESCRIPTION	2017/18 £000	2018/19 £000	2019/20 £000
Integrated Transport Schemes	500	300	300
Congestion Performance Works	72		
Altrincham Interchange	75	700	
Integrated & Public Transport - S106 Funded Programme	401	150	201
Trans Pennine Trail – Urmston to Ashton-on-Mersey	95		
Altrincham Town Centre – Cycle Link	390		
Cycle City Ambition Grant	1,419		
Trafford Park Metrolink - S106 Contribution	2,000	5,000	8,000
Highways Structural Maintenance	2,753	2,100	2,100
Highways Incentive Funding	174		
Pot Hole Funding	175		
LED Replacement Programme (inc column replacement)	5,790		
A56 / West Timperley - Improvements	540		
Highways - S106 Funded Programme		144	200
Additional Burial Land	550		
Parks Infrastructure	150	150	150
Parks - S.106 Projects	100		
Park Gates - Replacement Programme	20		
Play Area Refurbishments	100	75	75
Parks & Open Space - S.106 Funded Programme	61	465	855
Air Quality	9		
Housing Standards / Empty Property Initiatives	50		
Assistance to Owner Occupiers	50		
Parking - Pay & Display Equipment	81		
Parking provision in Altrincham Town Centre	125		
New Recycling Bins	300		
Waste – Tri Bin : “Recycling on the Go”	261		
Sub-total	**41,208**	**15,834**	**13,227**
Transformation & Resources			
Timperley Sports Club - Artificial Pitch contribution		350	
Waterside Arts Centre - Building upgrade	121	103	
Sale Waterside – Fixed furniture & equipment	86		
Libraries - RFID self-serve kiosks	45		
CCTV - Upgrade to cameras, monitoring desk	468		
Old Trafford Extra Care - Contribution to library fit-out	58		
Trafford & GMP - New HR Shared Service Centre	120		
Access Trafford (Contact Centre) - Redbox upgrade	47		
Leisure Strategy - "Increasing Physical Activity"	6,500		

DESCRIPTION	2017/18 £000	2018/19 £000	2019/20 £000
Transformation Programmes	1,800		
CRM Upgrade	88		
Web / Customer Strategy	320		
ICT - SAP Development / Replacement	300	300	
Network resilience for Waterside and Trafford Town Hall	70		
Network resilience for Internet Service /Connectivity	22		
Network core switch replacement	15		
System Centre Configuration Manager Upgrade	260		
Windows 10 - Implementation & Rollout		200	100
Mobile / Wifi printing solution	5		
SIEM Implementation	38		
VPN - Upgrade / Replace Remote Access Solution	32		
Software Asset Management Licence Tool	40		
Perimeter Firewall & Web Filtering solutions	80		
Multiprotocol Label Switching - Replacement Site Links		30	
Sub-total	**10,515**	**983**	**100**
TOTAL	**65,735**	**25,507**	**17,917**

Prudential Indicators – Estimates 2017/20

Capital Prudential Indicators	2016/17 Revised £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Capital Expenditure	**42.4**	**65.7**	**25.5**	**17.9**
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	**144.7**	**168.8**	**170.4**	**167.3**
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	**4.5%**	**6.5%**	**5.9%**	**5.5%**
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 reason for the increase from 2017/18 onwards is a result of the Council's new MRP policy and decisions on additional borrowing to support capital investment.				
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:	**7 February 2017**
	22 February 2017
Report for:	**Decision**
Report of:	**The Executive Member for Finance and Chief Finance Officer**

Report Title

TREASURY MANAGEMENT STRATEGY 2017/18 – 2019/20

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 (MRP) and
- Prudential Indicators.

Recommendations

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

- policy on debt strategy as set out in section 3;
- investment strategy 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.

<u>Contact person for access to background papers and further information:</u>

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 and any new loans taken will be 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 risks 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

The purpose of this report outlines the expected treasury management 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 position (Appendix 2)

The World economic situation continues to be fragile and with several significant influences expected in 2017, Brexit exit terms to commence, Presidential elections in Holland, France & Germany and a new US President, the outlook is forecasted not to change from this position.

During 2016 the main economic headlines were:

- The UK's economy remains one of the strongest of the G7 nations, MPC cut the Bank Rate from 0.50% to 0.25% and at the same time increased quantitative easing by £60bn. Unemployment remained at 4.8% in October, its lowest level since July 2005;
- Italian & some German banks remain under capitalised and Spain has joined Greece in having to introduce highly unpopular austerity cuts;
- After a sluggish start to the year, the US continues to report strong positive growth and its unemployment rate fell to 4.6%, its lowest level since August 2007;
- China's reported the same quarterly growth rate for the first 3 quarters in 2016 of 6.7% leading some commentators to strongly suggest that figures are being massaged.
- Japan's growth rate remained fragile and deflation remains a major issue.

Debt (Section 3)

Borrowing interest rates are forecasted to continue at low levels during the next 12 months with only minor increases expected during this period. Any new external borrowing will be taken in order to (a) assist finance the Council's capital borrowing requirement as outlined in the 2017/20 Capital Programme report and (b) commence to address the current underborrowed position, with all associated costs being contained within the the Council's Medium Term Financial Plan.

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 main objective surrounding the Council's investment criteria remains unchanged from that previously adopted of security of capital first, liquidity of its cash flows and finally yields.

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

1.2 Another function of this service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans. On occasion any existing loans may be restructured to meet Council risk or cost objectives.

1.3 CIPFA defines treasury management as:

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

1.4 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.

1.5 Members are required to receive, a minimum of 3 reports annually as follows;

- **Prudential and treasury indicators and treasury strategy** (February, this report) - The first, and most important report covers:
  - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time) and
  - the treasury management strategies (how the investments and borrowings are to be organised) including treasury indicators.
- **A mid-year treasury management report** – (November) - This will update members with the progress of the treasury management position, amending prudential indicators as necessary, and whether any policies require revision.
- **An annual treasury report** – This provides details of actual treasury operations undertaken in the previous year.

1.6 The above 3 reports are required to be adequately scrutinised before being recommended to the Council and this role is undertaken by the Accounts & Audit Committee.

1.7 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. The Council recognises that there is value in employing external providers for this service in order to acquire access to specialist skills and resources and the provision of this service is subject to regular review.

1.8 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.

1.9 The Council acknowledges 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.

1.10 In order to assist with this undertaking a member training event was provided on 30 January 2017 and access to further similar events when they occur will be made available. Officers will continue to attend courses / seminars presented by CIPFA, Advisors and any other suitable professional organisation, in accordance with Council policy on this issue.

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

2. Economic & Interest Rate forecast

2.1 The general overall world economic position continues to remain in a delicate place and whilst both the UK & USA reported positive growth outturns for 2016, this has slowed during the latter part of the year in response to the decline of both China and India growth propects, uncertainty around Brexit and the new presidency of the USA.

2.2 Further details on the major economic events which occurred during 2016 and forecasts for 2017/18 are outlined at Appendix 2 for reference.

2.3 Capita produces interest rate projections periodically throughout the year and the current forecasts, up to March 2020, are highlighted in the table below;

	2016-17 Forecast %	2017-18 Forecast %	2018-19 Forecast %	2019-20 Forecast %
Bank Rate	0.28	0.25	0.25	0.63
Investment Rates (LIBID)				
3 month	0.33	0.20	0.38	0.70
1 Year	0.66	0.65	0.78	1.15
PWLB Loan Rates				
5 Year	1.17	1.10	1.20	2.25
25 Year	2.51	2.40	2.50	3.55

2.4 Over the next few years, the Council will continue to adopt a cautious approach to its treasury management activities in response to the uncertain direction the world economic situation will take and this course of action is in accordance with the guidance from Capita, the Council's treasury management advisors.

3. Debt Strategy 2017/18 – 2019/20

3.1 The Council has the powers to borrow new funds from other local authorities or the the Government using the Public Works Loan Board, (PWLB), dedicated publicly funded companies set up soley to lend funds to the public sector e.g. Salix, the Municipal Bond Agency which is currently still in the process of being set up or from financial institutions within the money market. All funds obtained will be taken in order to assist short term cash flow or finance longer term capital investment.

3.2 The table below shows the actual current levels of external debt, together with forward projections and compares this to the underlying capital borrowing need (the Capital Financing Requirement - CFR). In addition to this the Council's under-borrowing position is highlighted for reference.

	2016/17	**2017/18**	**2018/19**	**2019/20**
	Estimate £000	**Estimate £000**	**Estimate £000**	**Estimate £000**
Debt at 1 April	104,221	109,882	132,037	133,519
External Debt maturing	(3,747)	(3,624)	(3,518)	(4,160)
New External Debt	9,408	25,779	5,000	0
Debt at 31 March	109,882	132,037	133,519	129,359
Capital Financing Requirment at 31 March	144,664	168,800	170,384	167,284
Under borrowing at 31 March	34,782	36,763	36,865	37,925

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. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

3.4 The Chief Finance Officer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances within the 2017/18 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 and budget provision being available permitting this course of action.

3.5 The Council holds £59.7m of Market loans and of these £40m are held as variable rates of interest in the form of Lender's Option Borrower's Option (LOBO) loans. On this type of loan, the lender has the option to propose an increase in the interest rate at set dates and should this situation occur then the Council has the option to either accept the new rate or to repay the loan at no additional cost. Although the Chief Finance Officer understands that lenders are unlikely to exercise their option in the current low interest rate environment, there remains a possiblity that this could occur. In accordance with the Chief Finance Officer's delegated authority, should an opportunity present itself to repay a LOBO loan at no cost, then this option will be taken and a decsion made about whether it is prudent to take a replacement loan from the PWLB. The remainder of Market loans, £19m are held at fixed rates of interest.

3.6 In addition to the borrowing undertaken directly, the Council is also responsible for a further £0.7m 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 are 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, and any decision to borrow in advance will ensure that funds are taken within forward approved Capital Financing Requirement estimates.

3.9 Any borrowing in advance of requirement taken by the Chief Finance Officer will be done in accordance with delegated powers and 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 obtained in this manner and
- borrowing only up to a maximum 12 months in advance of need.

3.10 The Council's debt maturity profile as at 31 March 2017 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 In accordance with the Code of Practice, no new borrowing will be taken in order to lend out to solely make a profit.

3.12 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 to 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 Previously within the Revenue Support Grant (RSG) there has been an element of contribution which was to finance MRP incurred on supported capital borrowing however due to austerity measures, this provision has been eroded. In response to this, the Council in 2015/16, reviewed the way it calculated its MRP for this element of debt and a more appropriately linked policy of using the average useful life of its assets was adopted and applied effective from 1 April 2015.

4.3 During 2016/17 further work has been undertaken to establish what the effect would be had this policy been adopted on this element of debt from 1 April 2007 and as a result it was established that the Council has, during the period 2007/08 to 2014/15, previously over-provided MRP by £9.93m.

4.4 The Council intends to phase the reduction of £9.93m to the annual MRP charge over the next four years with the unused MRP budget transferred to an earmarked reserve. This action will;

- ensure that a MRP provision on the Supported debt element within the CFR held during the period 2007/08 – 2014/15 is calculated using the same method as that applied in 2015/16;
- enable debt to be written off quicker than previously permitted i.e. debt incurred in 2007/08 will now be completely written off by 2059/60 rather than 2064/65,
- enable the local council tax payer to receive the benefit of this over-provision in today's cash values rather than at reduced value due the effects inflation will have on this over the next 50 years.

4.5 This action does not change the current MRP policy as approved by Council at its February 2016 meeting and no changes to this are proposed for 2017/18. Further detail on this aspect can be found on page 19 of this report.

4.6 Members are requested, as detailed at Appendix 3 to;

- approve the annual MRP statement and
- note the revised approach to the existing MRP policy.

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. In addition to these main principles, the Council maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and subsequent monitoring of them. These areas are set out in more detail for reference within the Specified and Non-specified investment sections at Appendix 3.

5.3 Whilst counterparty risk appears to have eased, the markets are still subject to periods of extreme volatility and as a consequence, returns from deposits continue to remain historically low. Whilst every endeavour will be taken by the Council's in-house treasury management team to ensure that the Council receives a reasonable rate of return on its investments, recent history and market warnings will not be ignored when searching for that extra return to ease revenue budget pressures.

5.4 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.

5.5 This approach uses real time credit rating information provided by the Council's advisers Capita and enables an institution should they meet the minimum credit criteria required to be immediately included on to the list of approved institutions or removed if they no longer meet the minimum criteria.

5.6 Whilst investment risk will never completely be eliminated, it can be minimised and in order to reduce the risk of an institution defaulting, the Chief Finance Officer recommends that the Council continues with the current practice of institutions only being included on the Council's lending list which have a 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 these base criteria, the Chief Finance Officer 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 in-house treasury management team further recognises that ratings are not the sole determinant of the quality of an institution and 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 be limited to the Prudential Indicator detailed at Appendix 3.

5.13 The level of the Council's investments together with the average interest rate, as at 31 December 2016, is provided for reference at Appendix 6.

5.14 The Council is requested to approve;

- the adoption of the above Investment strategy and
- the minimum criteria for providing a list of high quality investment institutions, instruments and limits to be applied as set out at Appendix 3.

6. Investment Risk Benchmarking

6.1 The CIPFA 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 proposed are;

- Security - each individual year the security benchmark is:

1 year investments	2 year investments	3 year investments
0.07%	**0.02%**	**0.08%**

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 2017/18 is set at 6 months, with a maximum of 3 years for cash time deposits;

  Liquid short term deposits - at least £10m is available within 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 the treasury management operation and these are designed to assist managing risk and reducing the impact of an adverse movement in interest rate. These indicators have been set at levels which do not prevent day to day activities being undertaken and at the same time ensure the Council's capital expenditure plans are prudent, affordable and sustainable.

7.2 Members are requested to approve the Prudential Indicators for Council's treasury management activities as detailed at Appendix 3.

8. Related Treasury Issues

8.1 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 placed funds totalling £3m with Lloyds bank for a period of 5 years to match the 5 year life of the indemnity. This scheme is now approaching its conclusion and these monies will be repaid back to the Council by Lloyds over the next 2 years.

8.2 Greater Manchester Pension fund. The Greater Manchester Pension Fund has been working with its local council partners concerning the prospect of councils making employer pension contributions of up to 3 years in advance into the Fund. As result of this action the Fund would be able to use these monies to generate a more favourable return which in turn will enable the Councils to receive a discount on the amount it is expected to pay over into the fund under this scheme. During 2017/18, the Council is expected to take advantage of this opportunity and make a payment for approximately £39m (net of discount of £2.5m) covering 3 years of employer pension contributions for the period 2017/18 to 2019/20.

8.3 Investment Properties. At its meeting on 19 December 2016, Members of the Executive approved a report which outlined proposals for a new approach to be adopted involving the acquisition of property which would generate an income stream. The Council's initial level of investment for this purpose would be approximately £20m.

8.4 Whilst the above 3 projects are policy related activities and therefore not deemed to be treasury management, their implementation will have an impact on the Council's cash flow as well as the investing and borrowing activities and it is this aspect which Members need to be aware of.

9. 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 as set out in section 3;
- investment strategy 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 2017/18 to 2019/20, which is flexible enough to take account of changes in financial markets. There are an almost infinite number of other options that the Council could consider as part of its treasury management activities. However, this report outlines a coherent and prudent approach which is recommended by the Chief Financial Officer to the Council.

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 provided to the Council as an essential control over treasury management activities. In it the Council approves 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 2017

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

Finance Officer Clearance *…NB…*

Legal Officer Clearance *…MRJ.*

Director's Signature

Joanne Hyde

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.

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 2016

UK -

- Annualised Gross Domestic Product (GDP) growth rates continues to be one of the strongest of the G7 countries at 2.2% y/y up to end of September 2016, this compares to 1.8% for 2015;
- Consumer Price Index (CPI) opened the year at 1.2% in January 2016 peaking at 1.5% before falling back to 1.2% in November 2016;
- Monetary Policy Committee (MPC) at its meeting 4 August 2016 reduced the Bank Rate from 0.50%, where it had been since March 2009, to 0.25%, its lowest level and increased the level of Quantitative Easing levels from £375bn to £435bn;
- The level of unemployment rate continues to fall from 5.1% in January 2016 to 4.8% in October, the lowest levels since July 2005;
- The outcome of the Brexit referendum delivered a leave result from which the Government must notify the European Council of its intention to leave in accordance with Article 50 of the Treaty on European Union which it plans to do by March 2017 after which there will be a 2 year negotiation leading to exit.

Eurozone –

- GDP continues to remain weak at 1.7% y/y up to the end of September 2016, which compares to 1.5% for 2015;
- CPI rose marginally during 2016 starting at 0.3% in January 2016 rising to 1.1% in December 2016;
- Unemployment rate fell from 10.4% in January 2016 to 9.8% in October 2016;
- Greece continues to cause a concern for the EU due to its reluctance to implement key reforms in order to make it more efficient and pay its way and following 2 inconclusive general elections in 2015 & 2016, Spain is also having to implement a package of highly unpopular austerity cuts required by the EU;
- Italian & some German banks remain under capitalised and this could become a major issue as national governments are forbidden by EU legislation from providing state aid to bail out any bank at risk;
- European Central Bank in March 2016 extended its €1.1 trillion programme of quantitative easing originally intended to run to September 2016 to December 2017 and cut its central policy rate from 0.05% to 0.00%.

US –

- GDP despite being sluggish for the first part of the year at 1.1%, however as a result of strong growth, quarter 3 ending September 2016 saw a rebound to 3.5% y/y;
- Following December 2015 there was an increase by the Federal Reserve in Bank rate from 0.25% to 0.50%. It was widely expected further increases would occur during 2016 however as a result of weak International growth

and the Brexit outcome, this increase was delayed until December 2016 when the Bank rate was increased from 0.50% to 0.75%;

- Unemployment levels continue to fall from 4.9% in January 2016 to 4.6% in November 2016, its lowest level since August 2007;
- CPI fell from its starting position at 2.2% in January, to 1.7% in November 2016;
- US remains the best positioned of the major world economies to make solid economic progress.

Other –

- China's Growth rate continues to slow from 6.8% in 2015 to 6.7% and this in turn impacts on those countries dependent on exporting raw material to it.
- Japan's economic growth remains fragile and deflation continues to remain a problem.

MAIN ECONOMIC FORECASTS FOR 2017

To be able to produce accurate economic forecasts is extremely difficult to do as so many external influences have an impact on them particularly Brexit and subsequent terms of exit, EU presidential elections scheduled for Holland, France & Germany and a new President in the US. Despite all of this forecasters are currently predicting the following levels of activity;

Indicator	UK	Eurozone	US	China
Growth Domestic Product	1.7%	1.4%	2.5%	6.6%
Consumer Price Index	1.9%	1.0%	2.3%	1.8%
Unemployment Rate	4.9%	9.8%	5.3%	4.3%
Bank Rate	0.25%	0.00%	1.25%	4.10%

Source - Trading Economics

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 2017/18 – 2019/20 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;

	2016/17 estimate £m	2017/18 estimate £m	2018/19 estimate £m	2019/20 estimate £m
Upper Limits – Fixed interest rate exposure	**3.6**	**4.2**	**4.4**	**4.2**
Upper Limits – Variable interest rate exposure	**2.6**	**2.8**	**2.8**	**2.8**
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	155.0	155.0	150.0
-Other long term Liabilities (PFI)	6.0	6.0	5.5	5.5
Total	**136.0**	**161.0**	**160.5**	**155.5**
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.				

	2016/17 estimate £m	2017/18 estimate £m	2018/19 estimate £m	2019/20 estimate £m
Operational Boundary for External debt				
-External debt (01.04)	115.0	140.0	140.0	135.0
-Other long term Liabilities (PFI)	6.0	6.0	5.5	5.5
Total	**121.0**	**146.0**	**145.5**	**140.5**
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	**90**	**90**	**90**	**90**
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 2016 were independently valued at £39.6m and the Church Commissioners Local Authorities Property Investment Fund investment of £5m.				
Gross debt and Capital Financing Requirement				
-External debt (01.04)	115.0	140.0	140.0	135.0
-Other long term Liabilities (PFI)	6.0	6.0	5.5	5.5
Gross debt	121.0	146.0	145.5	140.5
-C.F.R.	144.7	168.8	170.4	167.3
Excess C.F.R.	**23.7**	**22.8**	**24.9**	**26.8**
Gross Debt and the Capital Financing Requirement – this indicator reflects that over the medium term, debt will only be for capital purposes. The Chief Finance Officer will ensure that all external debt does not exceed the capital financing requirement with any exceptions being reported to Council.				

Maturity structure of borrowing – 2017/18 to 2019/20	Lower limit %	Upper limit %
Under 12 months	0	70
12 months to 2 years	0	40
2 years to 5 years	0	40
5 years to 10 years	0	40
10 years to 20 years	0	40

Maturity structure of borrowing – 2017/18 to 2019/20 (cont.)	Lower limit %	Upper limit %
20 years to 30 years	0	40
30 years to 40 years	0	40
40 years and above	0	40
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.		

All the treasury prudential indicators and limits are monitored on a regular basis with any breaches being reported to Council at the earliest opportunity.

MINIMUM REVENUE PROVISION - (no change)

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 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 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.

<u>MINIMUM REVENUE PROVISION</u> – backdating of policy - (no change)

- A change to the MRP policy with regards to Supported Borrowing was approved by Council on 20th January 2016 and subsequently on 17th February 2016 as part of the 2016/19 Treasury Management Strategy Report.

- The approval enabled MRP on the Supported Borrowing element to be calculated on a straight line basis over the expected average useful life of the assets (50yrs).

- A further piece of work has been undertaken during 2016 which has now identified the opportunity to backdate the calculation of the MRP on the Supported Borrowing element, commencing from 2007/08 rather than 2015/16.

- The backdated calculation not only shows an over charge in previous years to the General Fund of £9.93 million on the Supported Borrowing element by 2015/16 but will enable the Council to completely repay this balance seven years earlier than previously calculated, at a recurrent cost of £0.50 million per annum.

- MRP is a statutory charge rather than a provision made under accounting standards and therefore the Council cannot simply restate the Statement of Accounts resulting in a £9.93 million credit back to the General Fund.

- In recognition of this the Council will phase a reduction of £9.93 million to the annual MRP charge over the next four financial years 2016/17 to 2019/20 with the unused MRP budget contained within the overall revenue budget being redirected to create an 'Investment Fund' Earmarked Reserve.

- The use of the 'investment Fund' Earmarked Reserve will be restricted to only being deployed on sustainable income generating or 'invest to save' i.e. revenue saving programmes or projects of work.

<u>INVESTMENT CRITERIA</u> – (change – Category 5)

Counterparty Selection

The Council will only use institutions which are located in a country with a minimum Sovereign Long term credit rating of AA-. The individual credit criteria, is highlighted below and for categories 1 to 4 this will be applied to both Specified and Non-specified investments. Category 5 applies only to The Church Commissioners Local Authorities Property Investment fund.

	Fitch (or equivalent) – Long Term	**Maximum Group Limit**	**Maximum Time Limit**
Category 1 – • UK & Non UK Banks (bank subsidiaries must have a parent guarantee in place), • UK Building Societies Institutions must have an individual credit rating issued by Fitch, Moody's and Standard and Poor's of: Short Term – Fitch F1 or equivalent Long Term – Fitch A- or equivalent	AA to AAA A+ to AA- A- to A	£20m £10m £5m	3yrs 1yr 1yr
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.	-	£20m	1yr
Category 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria.	-	n/a	1day
Category 4 – • Pooled Investment Vehicles – must be AAA credit rated – e.g. Money Market Funds, Enhanced Money Market Funds etc. • UK Government (including treasury bills, gilts and the DMO) • Local Authorities • Supranational Institutions	-	£20m	3yrs
Category 5 – • Local Authority Property Investment fund	-	£30m (Current limit £10m)	10yrs

Specified and Non Specified Investments – (no change)

In accordance with the Code of Practice, the Council is required to set criteria which identify 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 £90m is permitted to be held in this classification as detailed in Appendix 3, Prudential Indicator (5) Upper limit for sums invested over 364 days.

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.

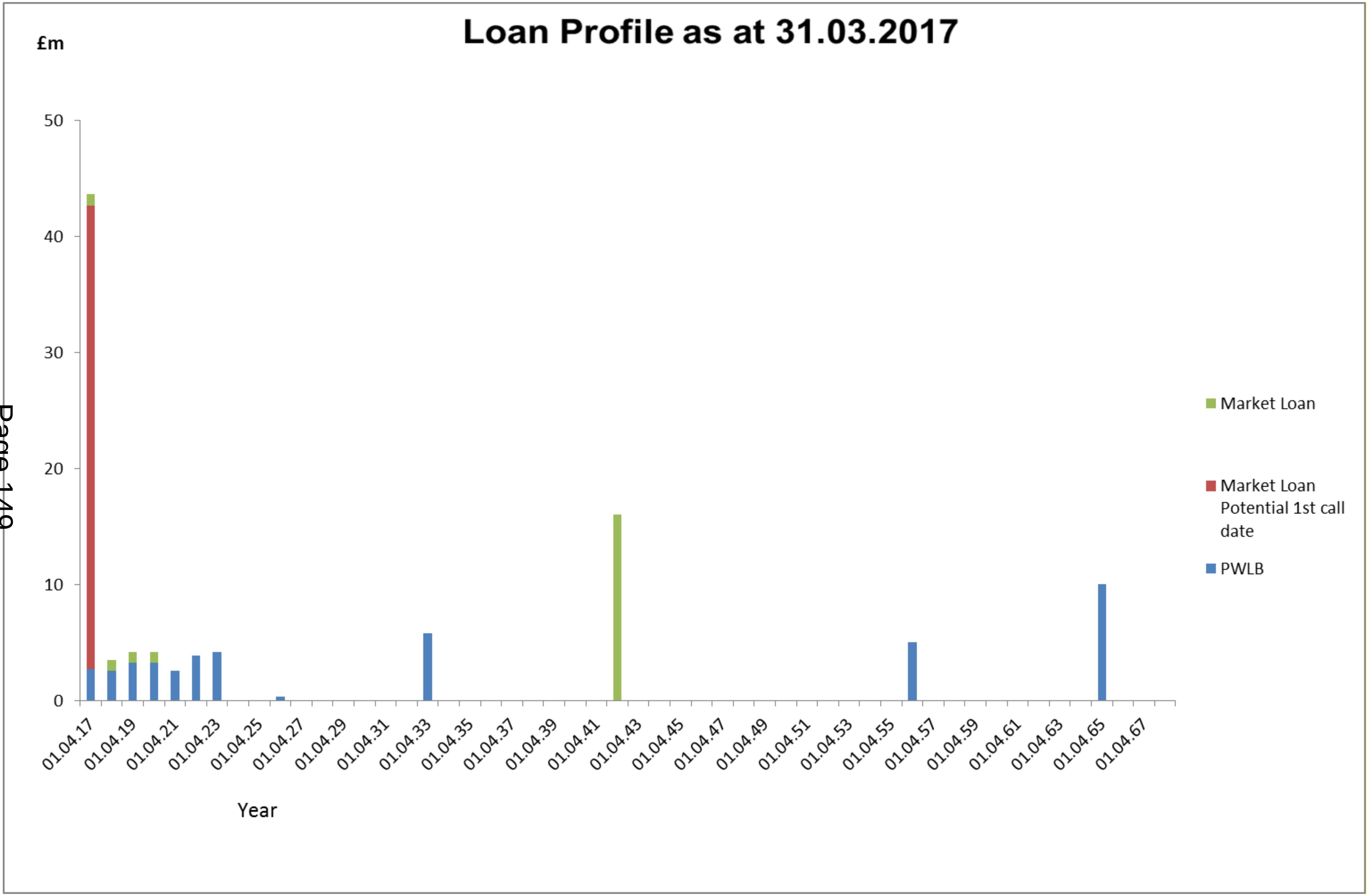
Specified Investments

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

Non-Specified Investments

Investment	Maximum Maturity
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.). The security of principal and interest on maturity is on a par with the Government and these bonds usually provide returns above equivalent gilt edged securities. The value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	3 Years
Gilt edged securities. These are Government bonds and provide the highest security of interest and principal. The value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	3 Years

The Council's own bank if it fails to meet the basic credit criteria with balances being kept to a minimum.	1 Day
UK Banks which have significant Government holdings	1 Year
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).	3 Years
The UK Government including Local Authorities and Debt Management Office.	3 Years
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.	3 Years
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 £39.6m as reported in the 2015/16 Statement of Accounts. It is not envisaged that this type of investment will be undertaken in the future.	Unspecified
Manchester Airport Group – This is in response to the restructuring of the airports existing debt and is included for clarity and transparency purposes only.	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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APPENDIX 4

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.

		Credit Rating Agency		
Classification	**Description**	**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 institution 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 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 2015.

Long term rating	Average 1 yr default	Average 2 yr default	Average 3 yr default	Average 4 yr default	Average 5 yr default
AAA	**0.04%**	**0.10%**	**0.18%**	**0.27%**	**0.37%**
AA	**0.01%**	**0.02%**	**0.08%**	**0.16%**	**0.23%**
A	**0.07%**	**0.19%**	**0.36%**	**0.55%**	**0.77%**
BBB	**0.15%**	**0.46%**	**0.82%**	**1.26%**	**1.73%**
BB	**0.70%**	**2.04%**	**3.48%**	**5.21%**	**6.71%**
B	**3.04%**	**7.14%**	**11.06%**	**14.40%**	**17.24%**
C	**19.73%**	**28.03%**	**33.43%**	**37.39%**	**40.41%**

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 0.07% of the total investment (e.g. for a £1m investment the average loss would be £700). 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 31.12.2016

	Principal £m	Average Rate %
DEBT		
Fixed rate:		
- PWLB	45.5	6.10
- Market	24.8	4.06
Sub-total	70.3	5.38
Variable rate:		
- PWLB	0.0	0.0
- Market	35.0	6.08
Sub-total	35.0	6.08
Total debt	**105.3**	**5.61**
INVESTMENTS		
- Fixed rate	(76.7)	0.72
- Variable rate	(14.4)	1.74
Total Investments	**(91.1)**	**0.88**
NET ACTUAL DEBT / (INVESTMENTS)	**14.2**	