

Public Document Pack



TRAFFORD COUNCIL

Tuesday, 13 February 2018

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, 21 FEBRUARY 2018, 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 31 January 2018 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. Motions | |
| To consider the following motions submitted in accordance with Procedure Rule 11: | |

5. Budget 2018/19

- To consider the joint reports of the Executive Member for Corporate Resources and the Chief Finance Officer, set out at 5 (a) - (d) below, and adopt the resolutions contained therein.
 - To set and approve the Council Tax Requirement for the District for the year beginning 1 April 2018, 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 2018/2019 for each of the categories of dwellings included in the respective valuation bands A to H.
- | | | |
|-----|--|-----------|
| (a) | Executive's Revenue Budget Proposals 2018/19 and Medium Term Financial Strategy 2019/20 - 2020/21 | 15 - 86 |
| (b) | Fees, Charges and Allowances 2018/19 | 87 - 92 |
| (c) | Capital Strategy and Prudential Indicators 2018-21 | 93 - 116 |
| (d) | Treasury Management Strategy 2018/19 - 2020/21 | 117 - 144 |

Yours sincerely,



THERESA GRANT
Chief Executive

Informal Meeting of the Council

Note: At the conclusion of the meeting it is intended to hold an informal meeting of the Council to consider issuing invitations to Members of Council to be the Mayor and Deputy Mayor of the Borough for 2018/2019.

Membership of the Council

Councillors J. Coupe (Mayor), T. Ross (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, 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, J. Lloyd, E. Malik, A. Mitchell, P. Myers, D. O'Sullivan, K. Procter, J.R. Reilly, Mrs. J. Reilly, B. Rigby, M. Sephton, B. Sharp, B. Shaw, E.W. Stennett, S. Taylor, L. Walsh, Mrs. V. Ward, A. Western, D. Western, M. Whetton, A.M. Whyte, A.J. Williams, A.P. 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, 13 February 2018** 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

31 JANUARY 2018

PRESENT

The Worshipful the Mayor (Councillor Jonathan Coupe), in the Chair.

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

In attendance

Chief Executive	Ms. T. Grant
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 Communications	Ms. A. Schorah
Democratic and Scrutiny Officer	Mr. C. Gaffey
Senior Democratic and Scrutiny Officer	Mr. I. Cockill

APOLOGIES

Apologies for absence were received from Councillors D. Butt, M. Freeman, J.R. Reilly, B. Rigby and S. Taylor.

59. MINUTES

That the Minutes of the Meeting of the Council held on 29 November 2017, be approved as a correct record and signed by the Chairman.

**Meeting of the Council
31 January 2018**

60. ANNOUNCEMENTS

(a) Former Councillor Mrs. Eadie

It was with sorrow that the Mayor referred to the death of former Councillor and Mayoress Edith Eadie who had sadly passed away on Christmas Day. Mrs. Eadie had served on the Council as a Conservative Member from 1994 to 2008, representing the Davyhulme East Ward and was Mayoress during her late husband Councillor Frank Eadie's Mayoral Year in 1986/87.

The Council stood for a moments silence and paid its respects to a former friend and colleague.

(b) New Year's Honours

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

Member of Parliament for Altrincham and Sale West, Mr Graham Brady of Altrincham, was awarded a Knighthood for political and public service;

Professor Caroline Dive of Hale received the citation of Commander of the Most Excellent Order of the British Empire (CBE) for services to Cancer Research;

Professor Christopher Griffiths of Bowdon was awarded the citation of Officer of the Most Excellent Order of the British Empire (OBE) for services to dermatology;

Lou Cordwell of Sale was awarded the OBE for services to the Creative and Digital Economy;

Mrs. Elinor Chohan of Altrincham was awarded the citation of Member of the Most Excellent Order of the British Empire (MBE) for services to Interfaith and Community Cohesion;

Mr. Antony Goodman of Hale Barns was awarded the MBE for services to International Trade and UK Exports;

Mr. Sean Ryan of Flixton was awarded the MBE for services to Refugee Resettlement; and

Mrs. Janice Moss of Hale received the British Empire Medal for voluntary services and fundraising for the Christie Hospital.

On behalf of the Council, the Mayor had written to convey the Council's congratulations to all the recipients.

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(c) Executive Member for Highways, Parks and Environmental Services

The Leader of the Council reported that earlier that day he had appointed Councillor Brian Shaw as the Executive Member for Highways, Parks and Environmental Services, as a replacement for Councillor John Reilly who had elected to stand down due to illness.

For the time being, the Leader had decided not to appoint a Deputy Executive Member for Highways, Parks and Environmental Services, the position Councillor Shaw had previously held.

The Council joined with the Leader of the Council in wishing Councillor John Reilly well in his recovery.

(d) Stretford Public Hall

The Leader referred to the recent theft of lead from the roof of Stretford Public Hall and announced that he had agreed to make available £2,500 to the Friends of Stretford Public Hall Group to assist with the repairs, which were undoubtedly a distraction, as it continued to fund raise for the restoration of the Hall's ballroom.

(e) Scrutiny Committee Update

Councillor Michael Young, Chairman of Scrutiny Committee reported that 2 reports had been presented to the Executive: Budget Scrutiny 2018/19; and a Task and Finish Group Review of the Council's Customer Relationship Manager (CRM) System, where there was concern over delays at bringing the system into full operation. Scrutiny Committee looked forward to receiving the Executive's response on each matter.

In response to the Department for Communities and Local Government report on the Effectiveness of Local Authority Overview and Scrutiny Committees, a task and finish group had been established with the aim of preparing a Trafford specific report and it was anticipated that this would be presented to Council in March 2018.

(f) Health Scrutiny Committee Update

Councillor Harding, Chairman of Health Scrutiny Committee reported that the prime focus of the recent Committee meeting was the Care Quality Commission (CQC) report on delayed transfers of care and systems across Trafford. The Committee was currently formulating a response to the CQC report and would work with the Health and Wellbeing Board to continue to monitor the Action Plan arising from the CQC inspection.

61. QUESTIONS BY MEMBERS

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

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

“Please could the Executive Member advise why Trafford will not be hosting a Holocaust Memorial Event this year, and what support if any the Council offered to organisers to ensure that such an event took place in Trafford this year as previously?”

Councillor Mrs. Evans, the Executive Member for Communities and Partnerships reported that the Council had supported a number of events in relation to Holocaust Memorial Day over recent weeks with particular focus on engaging a wider number of people across the borough to be aware of, and understand, such a disturbing event in history. The Council’s approach, which had been well received by regional representatives of the Holocaust Memorial Day Trust, focused on a three week engagement period with the theme ‘The Power of Words’, poet Pavel Friedman’s thought provoking poem, ‘The Butterfly’. The public was invited to participate and contribute to a central display at Sale Waterside, closing at Noon on 5 February 2018.

The Council had managed to reach over 11,000 people via social media channels, libraries and schools and all Members of Council were notified of the planned activity on 17 January 2018. Libraries and Sale Waterside had been decorated and used as the base for community events involving schools and local groups and the display at Sale Waterside had been praised for its creativity and its impact. The Council recognised the tremendous efforts and enthusiasm which had been shown by all and hoped to continue the small community based theme next year.

Welcoming the initiatives, Councillor Andrew Western asked as a supplementary question whether, running alongside the excellent events outlined, the Council would consider reinstating the support that was offered to the organisers of Holocaust Memorial Day central events in previous years, so that they could happen again in the future. Councillor Mrs. Evans indicated that she would be delighted to discuss matters for next year so that the Council could improve and enhance what had been on offer that year. The Executive Member believed awareness was growing as a result of the innovative approach and would welcome a conversation with Councillor Andrew Western to expand things further.

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

“Members will rightly be concerned with the recent spate of anti-social behaviour, gang related activity and deeply unpleasant and criminal incidents across the south of the borough. Please would the Executive Member outline to Council the steps being taken in partnership with Greater Manchester Police to deal with this and provide assurance to our residents?”

Councillor Mrs. Evans, the Executive Member for Communities and Partnerships explained that since 6 January 2018, the Altrincham and Hale areas in particular had been experiencing a period of anti-social behaviour (ASB) and robberies

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committed by young people on young people. A multi-agency meeting was held on 13 January and a series of actions were coordinated which included:

- a number of acceptable behaviour contracts with young people involved;
- engagement with local secondary schools;
- delivery of already planned knife crime sessions in schools;
- support for schools and reassurances to parents and the wider community of the Council's commitment to assist;
- the 'Travel Safe Programme' with Transport for Greater Manchester and Greater Manchester Police had been operational on Metrolink 2.00 p.m. to Midnight every day since 24 January; and
- Two 'Operation Stay Safe' events with the Youth Offending Service were being planned to cover Altrincham in the near future.

As the pattern of behaviour became known a command structure was immediately established and Council officers had since been working with the police. It was understood that two series of incidents were at play: low level ASB linked to local secondary schools and a small number of incidents on local transport; and a series of robberies (5 in total) occurring on 6, 9 and 22 January which were currently not believed to be connected.

A comprehensive operational plan was in place and the Council was looking to commission focus outreach groundwork with young people and targeted work with both the victims and those responsible. Funding for such a response was already set aside.

In addition, the Council and Police issued a press statement detailing safety advice for young people and responses were being made to enquiries raised directly by residents.

The Executive Member hoped that her update provided an assurance that without hesitation or a prompt, the Council had acted decisively with its partners in an attempt to bring the incidents to an end.

As a supplementary question Councillor Mitchell asked the Executive Member to outline what action was being taken to affect a sustained increase in police presence across Trafford. Indicating that it was a decision of the Mayor of Greater Manchester, Councillor Mrs. Evans advised that the Council would be making representation to the Mayor that, in view of the recently announced £12 increase in the police precept for the recruitment of more officers, he should set out an individual plan for Trafford to indicate how the borough would see a viable increase in front line policing.

(c) Councillor Lally asked the following question for which he had given notice:

“During the last full Council meeting held on the 29 November 2017, Labour members abandoned the chamber without notice to the Mayor, senior officers and other elected members. Does the Leader of the Council believe this warrants a formal apology to the Mayor and this chamber?”

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The Leader of the Council, Councillor Sean Anstee trusted that Members had had time to reflect and considered that it was unfortunate since, in the main, Councillors had their political differences but worked through issues with a mutual respect for each other.

Stating that residents would have been disappointed, Councillor Lally asked a supplementary question whether the Leader could outline examples whereby the controlling administration had worked with local groups to overcome difficult issues. Councillor Sean Anstee declared that his administration had a record of engagement with both Members in the Council Chamber and with the community more widely. He expressed that there were numerous examples across the borough where the administration and its councillors, had worked pragmatically with local communities to find a way, in partnership, to make a positive change to the citizens of Trafford. The Leader believed that this approach to engagement was the manner in which the Council should approach all debate and Members should seek to use politics in Trafford for the positive force for good they could be.

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

“What is Trafford Council doing about the escalating anti-social behaviour, criminal activity and violence in Altrincham, Sale and the surrounding areas impacting significantly on our young people?”

As this was a similar question to that which had been put by Councillor Mitchell, Councillor Mrs. Evans, the Executive Member for Communities and Partnerships referred Councillor Mrs. Brophy to the response she had given earlier (Minute 61(b) refers).

Councillor Mrs. Brophy asked as a supplementary question what was being done with schools and youth services to mitigate the impact of what was happening and whether the Executive Member could expand further on the plans to bring youth services together on the ground. Councillor Mrs. Evans advised that the Safer Partnership Community Team was not only working with communities and partners but also Councillors to develop a closer rapport with the police. With a relatively low crime rate in Trafford, there had been a spike in a specific area and partners had worked quickly to identify and deal with the problem. Councillor Mrs. Evans summarised that there was complete engagement with all schools and should Councillor Mrs. Brophy require more detail there was an extensive list of fluid and reactionary actions that would hopefully address the issues quickly.

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

“We have received many phone calls from residents concerned about the state of our roads which are flooding due to blocked gullies. Residents tell me that the gullies are not being emptied and are filling up with earth and dead leaves. The situation in Priory ward has never been as bad. Can you tell us what steps are being taken to rectify this situation as it appears the gullies are not being emptied on a regular basis? I have photos as evidence.”

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Councillor Shaw, Executive Member for Highways, Parks and Environmental Services advised that the Council's Customer Relationship Management (CRM) System was the agreed access route for Member requests to ensure the quickest response as it was linked to live operations, and encouraged all members to set up their accounts. Councillor Shaw confirmed that officers had responded on 19 January 2018 to a flooding issue reported by Councillor Baugh on 18 January, at which point it was acknowledged that there had been some delays, however, gully cleansing on Broad Road and Temple Road in Sale had been scheduled.

The Executive Member advised the Council that an analysis of all service requests from residents of the Priory Ward since 1 November 2017 revealed that there had been 18 reported issues for drainage and flooding. Ten had been responded to and closed, of which four were subject to gully cleansing on Broad Road and Temple Road, Sale. Eight reported issues received in January were currently outstanding but were scheduled for completion. In respect of the regular maintenance programme for gully cleaning for the Priory Ward, 1320 of 1498 scheduled since 1 September 2017 had been cleaned but unfortunately 178 were unable to be due to access issues, most likely to have been parked vehicles.

Asking a supplementary question, Councillor Baugh wished to know when and which gullies were being emptied and believing Councillors should be informed when work was happening, asked for such information to be sent. In response, Councillor Shaw indicated that he was happy to provide the information.

62. STRETFORD MASTERPLAN CONSULTATION FEEDBACK

Further to Minute No. 38 of the Council meeting held on 11 October 2017, the Leader of the Council reported on the Council's response to the feedback from the Stretford Masterplan Consultation which had influenced the Refreshed Masterplan agreed at the Executive Meeting held on 29 January 2018.

Following one of the Council's largest ever consultations, the Refreshed Masterplan outlined the approach for securing the revitalisation of Stretford, while reflecting key elements of the public's feedback.

Following the feedback, a revised scheme for the Lacy Street area was now proposed, which would be considerably lower in height and less dense than the original proposal. The revised Masterplan also proposed that:

- A main university campus, due to be open by September 2019, would be located at the Talbot Road site;
- A leisure centre would go ahead on the campus site with unrestricted access to all users, students and residents alike;
- Turn Moss plans would progress, with a planning application expected to be submitted by February 2018;
- Two sites of particular interest along the A56 corridor would be maintained as green space;
- Manor Farm Industrial Estate would be retained as a key employment site.

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Members welcomed the Council's response to the public consultation and acknowledged the massive commitment and efforts displayed by local residents, Ward Councillors and staff.

Supporting the approach so far and recognising that elements of the scheme would evolve, Members highlighted a number of matters requiring assurance:

- Lancaster University's involvement;
- Increased engagement of Old Trafford residents in the consultation;
- Public Transport commitments from Transport for Greater Manchester;
- Concern about the creation of a small 'Town Centre' on the former Kellogg's site and uncertainty over the former B&Q site.
- Air pollution levels on the A56 and a request that a survey be commissioned;
- Request for regular feedback at the Executive;
- Turn Moss Playing Field planning concerns, access, playing pitch provision and biodiversity aspects.

The Leader of the Council was appreciative of the points raised and anticipated that they would be given full consideration. He advised that more detail would be added as the Council continued to engage with the public as the Masterplan proposals moved forward.

RESOLVED: That the discussion this evening and the decision of the Executive on 29 January 2018, be noted.

63. SPORT AND LEISURE PROPOSALS - UPDATE

The Leader of the Council provided a verbal update on sport and leisure provision in Urmston, Davyhulme and Flixton.

With major refurbishment of Urmston Leisure Centre due to commence, the Leader revealed proposals to redevelop George H. Carnall which would see the leisure centre transformed into a sport, health and wellbeing hub, alongside becoming the new home of Manchester Giants Basketball Team.

Part of the centre would be refurbished to offer sporting facilities and accessible space for community groups, a new health hub would be created, linked to a step up-step down type facility. The redeveloped site would also include new affordable residential accommodation specifically for people who work in key public services, such as nurses, teachers and police officers. The Giants would also link with local people offering health and wellbeing programmes.

The proposals for George H. Carnall required further development and would be subject to planning and consultation. The Leader of the Council advised that he would share with Members information on the initial proposals and also provide Councillor Bowker with an update on Altrincham Leisure Centre.

RESOLVED: That the Leader of the Council's oral update be noted.

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64. TRAFFORD COUNCIL AND NHS TRAFFORD CLINICAL COMMISSIONING GROUP INTEGRATION: PROPOSED GOVERNANCE ARRANGEMENTS

The Corporate Director of Transformation and Resources submitted a report on the proposed arrangements for further alignment of functions across the Council and NHS Trafford Clinical Commissioning Group as part of the next phase of the integration of the two organisations, including development of a single integrated strategic commissioning function.

RESOLVED:

- (1) That Council notes the Executive Structure for the integrated Trafford Council and NHS Trafford Clinical Commissioning Group approved by Trafford Council Executive on 29 January 2018.
- (2) That Council approves the proposal that Trafford Council Chief Executive is appointed the Accountable Officer for NHS Trafford Clinical Commissioning Group and notes that this is subject to NHS approvals.
- (3) That Council approves the appointment of a Joint Chief Finance Officer operating across the two organisations.
- (4) That Council notes the requirement for a period of assurance in relation to the financial resilience of both organisations, to be carried out by the Accountable Officer and Joint Chief Finance Officer after the implementation of the Executive structure whilst moving forward with the integration.
- (5) That Council notes that a further report will be taken back to the Executive in the summer to update on progression of these proposals.

65. 6-MONTH CORPORATE REPORT ON HEALTH AND SAFETY - 1 APRIL TO 30 SEPTEMBER 2017

The Executive Member for Corporate 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 2017.

In response to a question from Councillor Baugh, the Executive Member agreed to provide her with details of the Road Traffic Accidents reported in Appendix 3 to the report.

RESOLVED: That the report be noted.

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66. MOTION SUBMITTED BY THE CONSERVATIVE GROUP - RECYCLING AND A GREENER ENVIRONMENT

It was moved and seconded that:

“Recent data released confirms that Trafford remains the highest performing metropolitan authority for recycling in the country with a recycling rate of 61.3% for 2016/17. This makes the borough the only local authority in Greater Manchester and the wider North West region to be placed in the top ten nationally and is a vindication of the policies pursued by Trafford Conservatives to enhance recycling options, retain non-statutory collection of other recyclable waste and improve education and understanding of the benefits of recycling with our local population.

In a further commitment to enhancing our town centre environment and parks, this administration is investing in 300 new trio-recycling bins for installation across the borough and is seeking to further increase the number of green flag parks in Trafford this year.

Council places on record its thanks and appreciation to One Trafford Partnership staff, volunteers and council officers for their ongoing efforts to help keep Trafford clean, green and enjoyable for all of our residents.”

It was moved and seconded as an amendment that:

“Recent data released confirms that Trafford remains the highest performing metropolitan authority for recycling in the country with a recycling rate of 61.3% for 2016/17. This makes the borough the only local authority in Greater Manchester and the wider North West region to be placed in the top ten nationally and Trafford Council would like to place on record its thanks to local communities and residents as this achievement is a direct result of their efforts.

In a further commitment to enhancing our town centre environment and parks, Trafford Council is investing in 300 new trio-recycling bins for installation across the borough and is seeking to further increase the number of green flag parks in Trafford this year.

Council places on record its thanks and appreciation to One Trafford Partnership staff, volunteers and council officers for their ongoing efforts to help keep Trafford clean, green and enjoyable for all of our residents.”

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

RESOLVED: That recent data released confirms that Trafford remains the highest performing metropolitan authority for recycling in the country with a recycling rate of 61.3% for 2016/17. This makes the borough the only local authority in Greater Manchester and the wider North West region to be

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placed in the top ten nationally and Trafford Council would like to place on record its thanks to local communities and residents as this achievement is a direct result of their efforts.

In a further commitment to enhancing our town centre environment and parks, Trafford Council is investing in 300 new trio-recycling bins for installation across the borough and is seeking to further increase the number of green flag parks in Trafford this year.

Council places on record its thanks and appreciation to One Trafford Partnership staff, volunteers and council officers for their ongoing efforts to help keep Trafford clean, green and enjoyable for all of our residents.

67. MOTION SUBMITTED BY THE CONSERVATIVE GROUP - TRAFFORD LIBRARIES

It was moved and seconded that:

“Council welcomes proposals of the Conservative administration to abolish library fines for all ages across Trafford from April 2018.

Trafford will become the first public library authority in the country to adopt this policy which sends a welcome message to our residents in Trafford that they will have access to a completely free library service. This decision will overcome evidence that suggests that this charge is off-putting for customers and help to see a further increase in usage of libraries across the borough.

This change also aligns with the Vision 2031 ambition of ‘no one held back, no one left behind’ as there would be no barriers, either actual or perceived, of people accessing libraries and all they had to offer.

Council notes that most learning of literacy happens in the first 11 years of a child’s life, as does the development of a person’s love of reading and therefore supports a further policy change that WILL result in every child whose birth is registered in Trafford receiving a library card and a book start pack.”

It was moved and seconded as an amendment that:

“Council notes proposals of the Conservative administration to abolish library fines for all ages across Trafford from April 2018.

Trafford will become the first public library authority in the country to adopt this policy which sends a message to our residents in Trafford that they will have access to a completely free library service. This decision will overcome evidence that suggests that this charge is off-putting for customers and could potentially help ensure a further increase in usage of libraries across the borough.

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This change also aligns with the Vision 2031 ambition of ‘no one held back, no one left behind’ as there would be no barriers, either actual or perceived, of people accessing libraries and all they had to offer.

Council notes that most learning of literacy happens in the first 11 years of a child’s life, as does the development of a person’s love of reading and therefore supports the continuation of what is a long standing policy of this Council: that every child whose birth is registered in Trafford receives a library card and a book start pack.

However, Council recognises a change such as this – untested elsewhere in the country – could potentially have a negative impact on the library service in terms of more books not being returned due to the absence of deterrent. Council, therefore, agrees to trial this policy for a period of 6 months and review the new approach at the end of this period, to ensure that library budgets are not affected and that it does not impact on the length of time residents are waiting to borrow books – or lead to additional books not being returned, which would deplete the Council’s book offer to its residents.”

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

Further speeches were made on the issue, following which the substantive Motion was put to the vote and declared carried.

RESOLVED: That Council welcomes proposals of the Conservative administration to abolish library fines for all ages across Trafford from April 2018.

Trafford will become the first public library authority in the country to adopt this policy which sends a welcome message to our residents in Trafford that they will have access to a completely free library service. This decision will overcome evidence that suggests that this charge is off-putting for customers and help to see a further increase in usage of libraries across the borough.

This change also aligns with the Vision 2031 ambition of ‘no one held back, no one left behind’ as there would be no barriers, either actual or perceived, of people accessing libraries and all they had to offer.

Council notes that most learning of literacy happens in the first 11 years of a child’s life, as does the development of a person’s love of reading and therefore supports a further policy change that WILL result in every child whose birth is registered in Trafford receiving a library card and a book start pack.

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68. MOTION SUBMITTED BY THE LABOUR GROUP - SOCIAL CARE FUNDING

RESOLVED: That, the time being 9.24 p.m., consideration of this Motion be deferred to a future meeting of the Council.

The meeting commenced at 7.00 p.m. and finished at 9.25 p.m.

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TRAFFORD BOROUGH COUNCIL

Report to: Council
Date: 21 February 2018
Report for: Decision
Report of: Executive Member for Corporate Resources and the Chief Finance Officer

Report Title

Executive's Revenue Budget Proposals 2018/19 & MTFS 2019/20 - 2020/21

Summary

This report sets out the Executive's updated 3 year budget strategy proposals and detailed revenue budget proposals for 2018/19 and Medium Term Financial Strategy (MTFS) for the period 2019/20-2020/21.

The key summary of figures for the revenue budget are:

- The overall budget movement for 2018/19 is an increase in the net budget of £3.42 million or 2.10%, from £160.83 million to £164.25 million.
- The budget funding gap for the three years before applying these proposals is now estimated to be £40.67 million comprising:
 - £26.51 million of additional cost pressures
 - £14.16 million of reductions to funding
- The proposals contained in the report close the 2018/19 budget gap of £22.95 million via a mixture of measures:
 - Additional funding of £11.34 million and use of reserves £1.63 million
 - Income generation £3.92 million
 - Transformational service delivery savings £6.06 million
- It should be noted that if all the proposals in this report are implemented there currently still remains a residual budget gap of:
 - £6.25 million in 2019/20, and
 - £8.85 million in 2020/21

Throughout 2018 the Executive will continue to review proposals to address this budget gap

Recommendation(s)

That Council approve the following:-

- a) The 2018/19 net Revenue Budget of £164.25 million.
- b) The 2019/20 to 2020/21 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 Executive and Council);
- d) To increase Council Tax by 4.99% in 2018/19:
 - o 2.99% general increase in the 'relevant basic amount' in 2018/19 and 1.99% in 2019/20 and 2020/21, and
 - o 2% for the 'Adult Social Care' precept in 2018/19 and 1% in 2019/20.
- e) The policy changes as detailed in the report (Section 4.3.1)
- f) The Fees and Charges for 2018/19, as set out in the Fees & Charges booklet.
- g) That approval is delegated jointly to each Corporate Director with the Chief Finance Officer to amend fees and charges during 2018/19 in the event of any change in VAT rate, as appropriate.
- h) That the minimum level of General Reserve for 2018/19 be retained at £6.0 million, as in 2017/18 (Section 7.2).
- i) That the overall Capital Strategy and Programme level of £144.65 million be approved (as detailed in the Capital Strategy & Prudential Indicators report attached) of which £59.42 million relates to 2018/19.
- j) The Prudential Borrowing Indicators as set out in in Appendix 3 and Appendix 4, of both the attached Treasury Management Strategy and Capital Strategy & Prudential Indicators reports respectively
- k) The distribution of Dedicated Schools Grant as recommended by the School Funding Forum and Executive as summarised in Section 8 and detailed in Annex I.

and in recommending approval of 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 H).
- b) The Executive's response to the Scrutiny Committee's recommendations to the budget proposals as included in a separate report on the agenda.

	<p>Council Tax level.</p> <p>Budget proposals take account of various legislative changes as they affect Council services.</p> <p>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.</p> <p>None of the savings proposals in this report required public consultation. A number of savings measures approved in 2017/18 and earlier years are continuing and these were subject to public consultation and equality impact assessments at that stage.</p>
Equality/Diversity Implications	<p>The Council has complied with the requirements of its Public Sector Equality Duty.</p> <p>None of the savings proposals in this report required public consultation. A number of savings measures approved in 2017/18 and earlier years are continuing and these were subject to public consultation and equality impact assessments at that stage.</p>
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 where they apply.
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 Public Sector Equality Duty.
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 2018/19 comprising the increase of 2% for the ‘adult social care precept’ to be earmarked for adult social care expenditure and 2.99% 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 2018/19. If this option were pursued then further savings of £4.44 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

None of the savings proposals in this report required public consultation. A number of savings measures approved in 2017/18 and earlier years are continuing and these were subject to public consultation and equality impact assessments at that stage.

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.

In considering the report and deciding whether to propose the recommendations to Council the Executive is required to have regard to the Public Sector Equality Duty. In order to satisfy this duty the Executive must consider whether the proposals are likely to discriminate against or disadvantage persons who have protected characteristics as set out above; whether there are mitigation measures which would offset any such impacts which are identified; or whether 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 proposed.

Reasons for Recommendation

To enable the Council to set a Budget Requirement and Council Tax level for 2018/19. The reason for these recommendations is to deliver a balanced budget 2018/19 in relation to the proposals set out in this report, whilst having due regard for equality impact and risk mitigation.

Key Decision

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

Finance Officer ClearanceGB

Legal Officer ClearanceDA..

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 2018/19 &
2019/20-2020/21 Medium
Term Financial Strategy**

21 February 2018

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**FOREWORD by the EXECUTIVE MEMBER for CORPORATE RESOURCES
COUNCILLOR PATRICK MYERS**

I am pleased to present the Council's annual budget report for 2018/19 and later years which sets out our spending priorities across the revenue and capital programme.

Since 2010 the Council has successfully addressed funding gaps in the budget as a result of rising cost pressures, primarily in social care, and reduced funding totalling £161.47m whilst continuing to provide high quality services across the Borough and having one of the lowest council tax levels in the country. This has been no easy challenge for a low funded, low tax authority like Trafford and has only been achieved by a strong culture of innovation and financial management across all services.

This year however is different, not because those challenges have gone away, but because we have changed our approach to how we overcome them and fund services provided by the Council. This is primarily through new income following the pursuit of economic growth and income generation strategies over many years that are now paying dividends in supporting revenue budget.

This is a hugely exciting time to live in our borough and in our many and varied communities, across our principal towns and their surrounding geographies there is much that we can all be excited by as we begin 2018.

Over 94 per cent of our young people attend good or excellent schools and we will continue to support and champion our schools so that they continue to thrive.

Trafford's economy is robust and is supported by a highly skilled, highly educated workforce with 52% qualified at NVQ4 and above compared to the Greater Manchester (GM) average of 35%. During 2017/18 the Council has helped more people into work with the Council directly supporting over 200 people into employment in Trafford via the Trafford Pledge. The Council is also working with businesses providing opportunities and access to resources to help them to establish and grow with our town centres being revitalised and you can see across the Borough how this determination is working.

Over the last 12 months the Council has supported 8 businesses to open in vacant units by providing loan funding assistance through the Town Centres Business Growth Programme, this created almost £500,000 of private investment and over 60 jobs and helped to bring the town centres vacancy rate below the regional and national averages.

We remain committed to our town centres and have already seen improvements in prosperity in Altrincham, Urmston and Partington and we have worked hard to pursue a once in a generation opportunity to create a Refreshed Stretford Masterplan with UA92, a game changing higher education institution that will profoundly benefit our young people in Trafford. In Sale, plans are afoot to see a real improvement in the town centre offer so that no matter where you live in Trafford, you have town and village centres of which you can be proud.

This past year saw the completion of a new library in Old Trafford with further planned in Timperley, Hale and Altrincham. This means all of our communities will have access to a modern library service including in Sale West, Woodsend, Trafford Town Hall, Urmston, Sale and Stretford.

Our environment is important to us and thanks to your help; we are one of the greenest boroughs in the UK with 8 green flag parks and are the only local authority based in the North of England to be in the top 10 nationally for recycling. This helps to keep Council Tax down and is great for the environment. New trio-bins are being rolled in all of our town centres.

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 must 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.

Since the draft budget was presented to Executive on 16 October 2017 there have been a number of factors which have contributed towards an overall increase in the funding gap in our budget for 2018/19 from £18.03m to £22.95m and over the next three years from £36.00m to £40.67m.

There has been a full review of budget assumptions and review of inflationary pressures on pay, goods and services and contractual expenditure as well as including the implications of the Autumn Budget Statement and Local Government Financial Settlement. The implications of the projected outturn for 2017/18 have also been considered together with full robustness review of the budget by the Chief Finance Officer. The Council's Scrutiny Committee has also contributed positively to the budget process and reviewed the budget assumptions and proposals.

Movement in Budget Gap Draft to Final	2018/19 £'000	2019/20 £'000	2020/21 £'000
Budget Gap at Draft Budget Feb 2017 (Grossed up)	18,026	8,343	9,636
Changes to Budget Assumptions			
Increase in Adults Social Care Pressures	3,400	0	0
Increase in Children's Social Care Pressures	500	0	0
Waste Levy	100	479	34
Special Projects Fund	100	0	0
Coroners and Mortuary Fees	100	0	0
Cost of Living Wage	(405)	0	0
Reduction in New Homes Bonus	89	197	0
Reinstatement of Vacancy Factor	(568)	0	0
Review of Inflation and Employee Pay Award	677	503	(280)
AGMA One off Refunds and Reduction in GMCA Contributions	(536)	480	0
Reduction in Car Parking Charges	167	0	0
Reduction In Transport Levy	(223)	0	0
Other	(212)	(510)	(738)
School Crossing Patrol	350	0	0
Other	165	(122)	(43)
Changes to Funding			
Business Rates Tariff Adjustment	1,215	(489)	230
Revised Budget Gap (Feb 2018)	22,945	8,881	8,839

Three quarters of the funding gap of £22.95 million has been met from a combination of significant additional funding and income generation supplemented by the continuation of our transformational service delivery savings. This has been assisted by additional income from our new Investment Strategy approved at Executive in September. This has involved the acquisition of investment property and provision of debt finance yielding an overall net return capable of covering borrowing costs and helping bridge the funding gap.

- **Additional funding and use of reserves amounting to £12.97 million** comprising: -

- Council tax of £5.42 million:

- £2.67m from an increase in the 'relevant basic amount' of Council Tax of 2.99%, and
 - £1.77m from an increase of 2% in respect of the 'adult social care precept'
- For a band D property in Trafford this equates to an increase of £1.14 per week or £59.06 per annum.
- £979k from an increase in our overall tax base (the growth in property numbers should mean that we reach the landmark of having 100,000

residential properties in the Borough during 2018/19, an increase of nearly 3,400 since 2010)

Business rates of £5.42 million, due to revisions in assumptions following the implementation of the 100% business rate retention pilot in AGMA

- Release of a Council Tax Collection Fund surplus of £0.50 million
- The use of the budget support reserve, which has been set aside for this purpose, of £1.63 million. This gives us a temporary one-year smoothing effect which defers savings to 2019/20.

• **Income generation and savings amounting to £9.98 million** comprising: -

- Income Generation £3.92 million:
 - Additional share dividend income from the Manchester Airport Group (MAG) and returns on a new shareholder loan to support major asset improvements at Manchester and Stansted airports £1.64m
 - New income from our developing Investment Strategy £1.20m
 - Additional income from the kerbside green waste collection £575k
 - New proposals which are projected to generate £480k.
- Transformational Service Delivery Savings £6.06 million.

Meeting the Budget Gap	2018/19 £'000	2019/20 £'000	2020/21 £'000
Revised Budget Gap (Feb 2018)	22,945	8,881	8,839
Changes to Funding - Feb 2017 to Final			
Increase in Council Tax (2.99%, 1.99%, 1.99%)	(2,672)	(1,902)	(1,940)
Adult Social Care Precept	(1,772)	(932)	(14)
Increase in Council Tax Base over assumed	(979)	(11)	(12)
Release of Prior Year accumulated Council Tax Surplus	(500)	200	300
Benefit from Business Rates Pilot	(5,419)	0	0
Reserves	(1,630)	1,630	0
Total Funding Changes	(12,972)	(1,015)	(1,666)
Savings Feb 2017 to Final			
Income	(3,920)	(1,861)	1,758
Efficiencies & Policy Choice	(6,053)	245	(86)
Total Savings	(9,973)	(1,616)	1,672
Total Budget Gap (Feb 18)	0	6,250	8,845

The approach to addressing the budget gap continues to follow the principles of maximising funding and generation of new income streams whilst minimising the impact on key services. This growth in funding, which is a reflection of the emphasis the Council places on promoting economic growth and regeneration, has contributed

to significant levels of new investment which is included in these budget plans and most notably include: -

- An increased investment in our social care services of £5.9m coupled with £6.5m to cover the cost of adaptations and assistive technology to assist people to live in their own homes
- Additional capital investment in our highways infrastructure of £12.3m plus £2.1m for routine maintenance and pothole repairs over the next three years. This equates to over 20,000 pothole repairs and 14 miles of road surface repairs per year.
- Commitment towards further investment in our leisure centres
- Provision of additional places in our schools £24.7m and major maintenance of schools £5.4m
- Significant local contribution to the Metrolink extension through Trafford Park
- Major public realm improvements of £5.5m in Stretford and Altrincham Town Centres
- Improvements to parks infrastructure and play area refurbishments £0.6m
- Significant investment in the infrastructure improvements at Manchester Airport
- Funding school crossing patrols

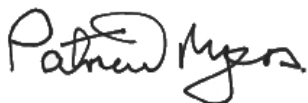
In addition, we have reviewed our fees and charges including: -

- a reduction in car parking charges
- being the first local authority in the north of the Country to abolish library fines.
- removal of burial charges for under 18's

The rising demand placed on our health and social care services continues to be a major pressure for both the Council and Clinical Commissioning Group (CCG). We have recently consulted on proposals to integrate with Trafford CCG with our priority to ensure that resident's wellbeing is the best it can be and, we believe that integrating commissioning and support service functions of the Council and the CCG we can together continue to provide excellent health and social care services to our communities. We have also been successful in securing £22m of funding which we can jointly use to transform the way we deliver health and social care services in the future.

Whilst this budget gap has now been closed for 2018/19 the size of the challenge over the following two years remains significant. For that reason, the budget process for 2019/20 will again commence immediately, so that sufficient time is afforded to consider all options at an `early stage. The emerging Investment Strategy which is already starting to deliver new income streams to support the budget will be developed further during 2018/19 with the objective of reducing the need to make savings in our key services.

Councillor Patrick Myers



Executive Member for Corporate Resources

BUDGET PROCESS 2018/19

1.1 Budget Approach 2018/21

1.1.1 The gross revenue expenditure of the Council in 2017/18 is £433m and comprises:-

- Gross revenue budget £225m (£161m, net of specific grants and fees and charges income)
- Schools (Dedicated Schools Grant) £139m (excluding academy schools)
- Housing Benefits £69m

1.1.2 In addition the Council has a capital programme of £355m in 2017/18 which covers the cost of acquisition of new assets and major maintenance and improvements of the Borough's infrastructure.

1.1.3 The draft budget for 2018/19 was agreed by the Executive on 16th October 2017 and set out the overall approach to the budget to address a funding gap of £36.00m in the revenue budget over the next three years, of which £18.03m related to 2018/19.

1.1.4 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 to reflect on its ambitions and has been incorporated into its Vision 2031 Strategy to further support this budget process to address the gap in the budget for 2018/19 to 2020/21.

1.1.5 The long term vision for the future is that '***no one will be held back and no one left behind***' and our Vision 2031 strategy holds this at its core.

1.1.6 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.

1.1.7 As part of this work our placed based strategy 'Vision 2031' 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

1.1.8 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.

1.1.9 As with previous budget rounds the Executive has continued the approach of growth, income 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.

1.1.10 At draft budget in October 2017 a number of income generation and savings totalling £8.39m were identified and assumptions were made on increases to the rate of council tax and one-off use of reserves. At this stage a budget gap of £5.55m remained.

Table 1 - Summary of the Reduction in the Revised Funding Gap	2018/19 £'000	2019/20 £'000	2020/21 £'000
Funding Gap Before Feb17 Savings & Funding Proposals	18,026	8,343	9,636
Savings & Income programmes (Feb 17)	(395)	(421)	0
Adult Social Care Precept (3% + 0%)	(2,672)	0	0
Increase in Council Tax (general increase of 1.99%)	(1,772)	(1,870)	0
BUDGET GAP (Feb17)	13,187	6,052	9,636
Changes to Budget Assumptions	(468)	(260)	(738)
Changes to Funding	1,215	(489)	230
TOTAL BUDGET MOVEMENTS	747	(749)	(508)
REVISED FUNDING GAP (Oct17)	13,934	5,303	9,128
New Budget Proposals (Oct17)	(8,385)	(272)	450
Increase in Council Tax (general increase of 1.99%)	0	0	(1,917)
TOTAL PROPOSALS	(8,385)	(272)	(1,467)
Investment Income	TBC	TBC	TBC
NEW BUDGET GAP (Oct17)	5,549	5,031	7,661

1.1.11 Unlike previous years there was no formal public consultation on the budget proposals which reflected a continuation of savings programmes agreed in earlier years or measures which did not warrant a new consultation. Since the draft budget which was approved by the Executive on 16th October 2017 there have been a number of factors which have impacted on the overall budgetary position.:-

- Provisional Local Government Finance Settlement (Section 2)
- In-year monitoring position (Section 3)
- General review of budget assumptions
- Scrutiny
- Staff Consultation

1.1.12 In order to assist the evaluation of the budget proposals and to ensure that the Council has paid due regard to its duties under the Equality Act, a number of Equality Impact Assessments (EIAs) have been carried out previously 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 for the savings measures included in the report.

1.2 Scrutiny Review

1.2.1 The Scrutiny process for the budget was undertaken across three different sessions:-

- Stage 1 - Review of the MTFP, budget assumptions and budget gap at the draft budget stage
- Stage 2 – Presentation by the Leader of the draft budget proposals
- Stage 3 – Final presentation by the Leader on 5 December 2017 to explain how the budget would be balanced.

1.2.2 All sessions were attended by relevant Executive Members and senior officers to give background to the budget proposals and answer questions.

1.2.3 Scrutiny Committee comments were submitted to the Executive on 29th January 2018 in the 'Overview and Scrutiny Review of the Executive's Draft Budget Proposals for 2018/19' report

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

- The level of savings rated as amber risk to delivery of £6m
- Adult social care
- Level of budget reserves
- Achievability of new income streams from the Investment Strategy

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

1.3 Staff Consultation – Terms and Conditions

1.3.1 For the period 2018/19, formal consultation has taken place to extend the 1.5 days mandatory leave for a further temporary period of 12 months, April 2018 to March 2019, with an exemption applied to staff on bands 1 and 2. The scheme being intended to supplement a voluntary scheme that was introduced in 2017/18.

1.3.2 The period of statutory consultation commenced on 16th November 2017, with the issue of a S.188 notice to the recognised trade unions and concluded on 8th January 2018.

1.3.3 During this period, there were three formal collective consultation meetings, with trade union officials. The purpose of these meetings was to discuss the proposal, receive feedback and try and reach a collective agreement. On the basis of the feedback it has been decided to end the requirement for staff to take mandatory leave in 2018/19 and only continue with voluntary scheme that is in place.

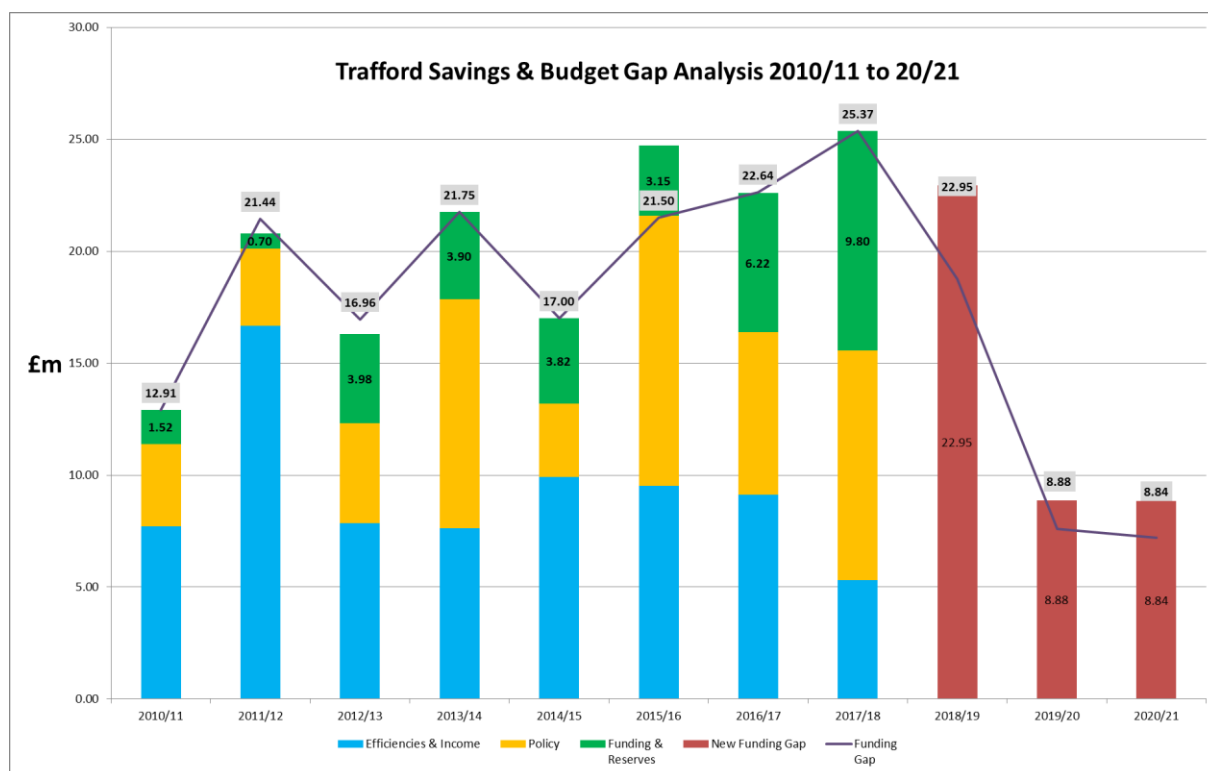
2. FINANCIAL BACKGROUND

2.1 Background

2.1.1 Since 2010 the Government has reduced the funding for Local Government and has announced plans to completely phase out Revenue Support Grant (RSG) by 2020, paving the way for the implementation of 75% Business Rate Retention scheme.

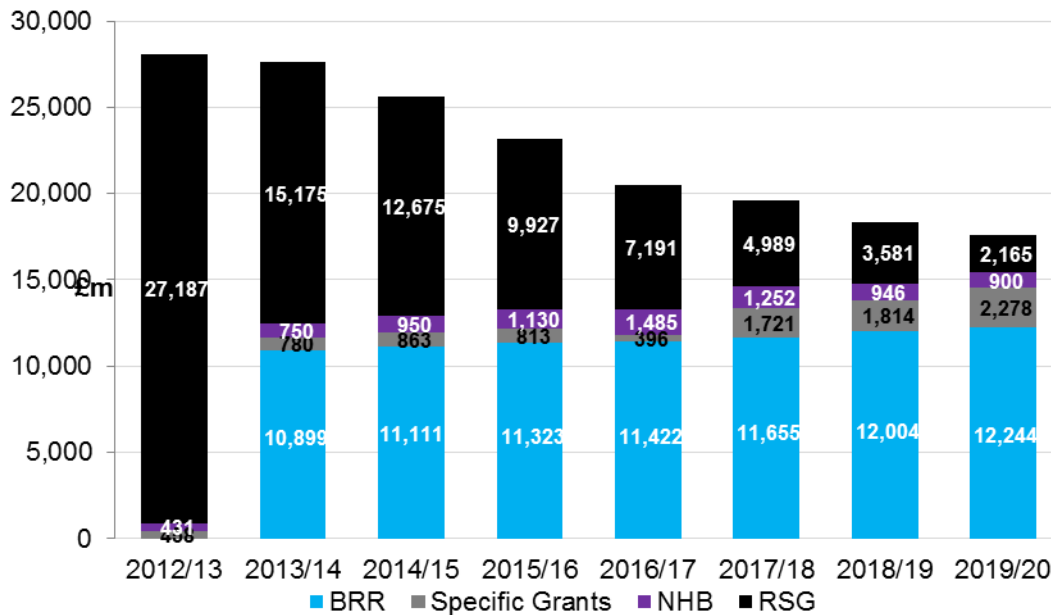
2.1.2 During this period the Council has successfully delivered £112.81m of savings and the current year 2017/18 budget includes a further £15.57m of savings. These are being delivered through a mixture of income generation, in-house efficiencies and the transformation of services and service delivery.

2.1.3 Over the next three years the Council is tasked with closing a funding gap which now stands at £40.67m.



2.2 Local Government Finance Settlement

2.2.1 The provisional 2018/19 Local Government Finance Settlement was released on the 19th December 2017 which provided updates to the national funding figures to 2019/20. These confirmed the national reduction in Revenue Support Grant (RSG) of £1.4bn (28%). Since the introduction of the 100% business rate pilot, RSG is now included in our overall baseline funding level.



2.2.2 The Settlement also included the following:-

- Increase to the council tax referendum threshold increased by 1% to 3% (18/19 and indicative for 19/20)
- Technical consultation on Fairer Funding launched – Implement by 2020/21
- Business Rate Reset by 2020/21
- Green Paper to be published by summer 2018 setting out the Government’s proposals for reform of social care funding
- A number of technical changes to business rates due to indexation changes – Est £1.4m budget benefit in 2018/19

2.2.3 The Final settlement was announced on 6 February 2018 and in addition to the above, included for a number of other factors to affect the overall budget:-

- Additional Adult Social Care Support Grant of £150m nationally (Trafford £591k)
- Technical changes to the calculation of the business rate tariff adjustment £19k (favourable)
- Reductions to a number of service grants £60k

2.2.4 The Final 2018/19 settlement figures re-confirmed those originally offered in accepting the four year settlement and can be found in the table below:

Table 2 - 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

Business Rates

- 2.2.5 Whilst the settlement contained a range of technical adjustments affecting the level of business rates available to support the budget in 2018/19 and later years, significant benefit will be realised from the pilot of the 100% business rate retention across Greater Manchester (GM). In February 2017 the 2017/18 Local Government Finance Settlement confirmed a number of areas including GM, Liverpool City Region, West Midlands, West of England, Cornwall and the Greater London Authorities will be piloting 100% Business Rates Retention from 1st April 2017. The main benefit from the Pilot being that the Government's share of business rate growth above baseline of 50% under the previous arrangement is no longer payable and instead retained within GM. This is estimated to be worth approximately £4.3m per year to Trafford Council. The overall additional benefit rising to £5.42m due to increases in section 31 compensation grants relating to the Small Business Rate Relief scheme and a analysis is shown in Annex C. The overall benefit from business rates growth supporting the Council's 2018/19 budget is £9.89m.
- 2.2.6 However, there still remains uncertainty over the level of funding that will be available from 2020 due to the impending reset to business rate baselines and a redistribution of funding formula and the overall reserves strategy needs to recognise this risk.

Council Tax

- 2.2.7 Council Tax in Trafford remains one of the lowest in the country, council tax revenues remain fairly buoyant due in part to the growth in the tax base. This is due not only to the success of the local economy, with less having to be paid in council tax support, but also the Council has a proactive approach in assisting housing developers with their planning applications including linking them into funding sources to improve the prospect of delivery. Also investment in public realm is expected to have the twin benefits of attracting more business whilst also making our town centres attractive places to live. Of course strong collection performance together with initiatives such as the single person discount review and proactive interventions in council tax support help maximise this important source of funding. The growth in property numbers should mean that we reach the landmark of having 100,000 residential properties in the Borough during 2018/19, an increase of nearly 3,400 since 2010).
- 2.2.8 Taking this into consideration The Chief Finance Officer, in accordance with her delegated powers, has approved a Tax Base of 76,045 Band D properties for 2018/19, an increase of 1,162 from 2017/18. The forward plans have an expectation of £400k growth in council tax each year.

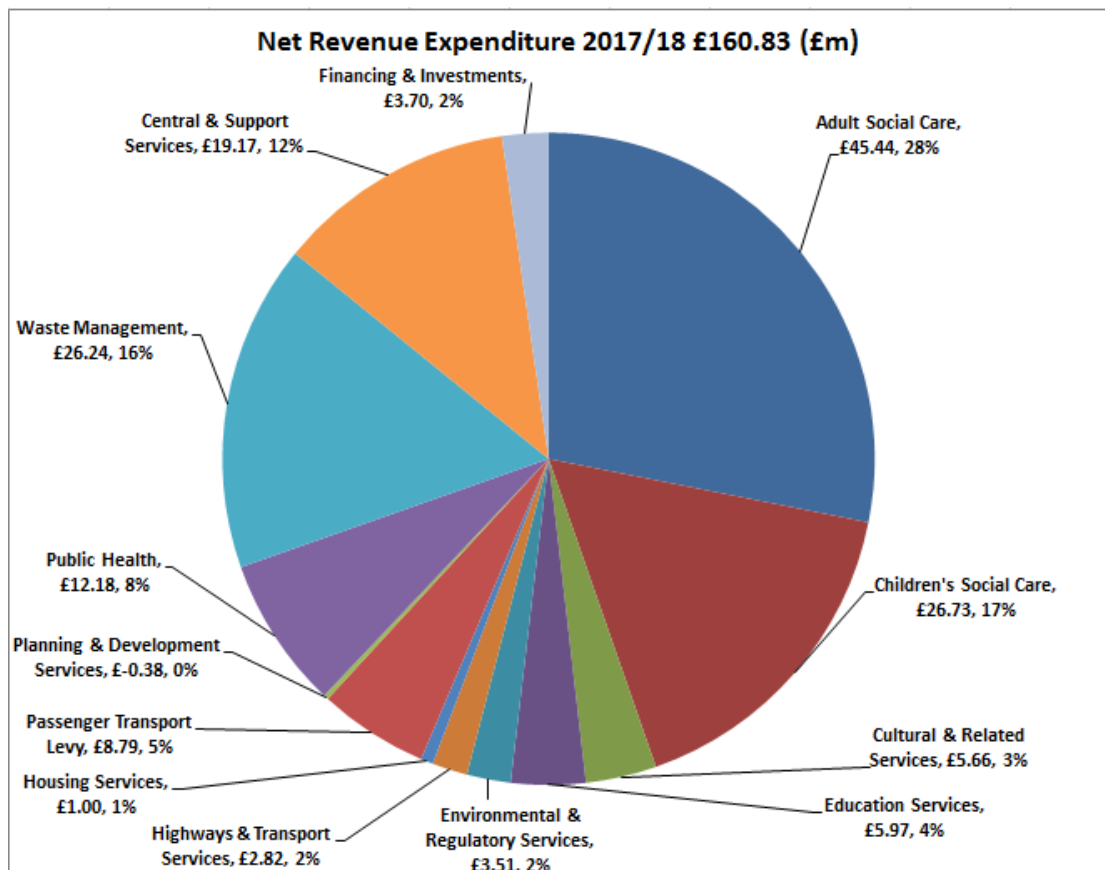
Summary

- 2.2.9 Although the levels of external grant available continue to decline, the additional funding from local tax revenues are proving crucial to balancing the budget and avoid the need to make further savings in the cost of public services. This will be supported further through new income streams from the Council's emerging investment strategy.

3. 2017/18 BASE BUDGET & MONITORING POSITION as at PERIOD 8 (November 17)

3.1 Base Budget 2017/18

3.1.1 The Council's current gross budget for 2017/18 is £432.94m however this includes specific funding of Dedicated Schools Grant and Housing Benefit. The Council's net controllable budget agreed by Council in February 2017 was £160.83m.



3.1.2 Which includes some of the following:

- Adult Social Care
 - Supported over 3,829 residents with a care package
 - Provided 6,878 services to service users.
 - Provided over 700,000 hours of external home care support
- Children's Social Services
 - 2856 children in receipt of children's safeguarding services
 - 477 periods of children being in the care of the local authority
 - 434 Child Protection plans in the reporting year to date
- 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 trees and 50,000 trees within public parks and open spaces
 - Remove approximately 440 tonnes per month of street sweepings and litter.
 - Empty approximately 35,000 bins of household rubbish every day.
 - Support and regulate over 5,000 premises for food, health and safety, trading standards, pollution and licensing.
 - Manage parking restrictions on street and off street across the borough with 1,440 car park spaces in 21 off street car parks
 - Licence and regulate approximately 2,400 premises, people and taxis within the Borough.
 - Carry out over 2,000 pest control treatments in homes, schools and businesses across the borough.
- Transformation & Resources
- The Council continues to collect over 98% 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 2017/18, the Contact Centre target is to answer 80% of telephone calls within 20 seconds.
 - The Catering Service serves on average 12,500 meals per day, over 2.38 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 4,900 online views.
 - During 2016/17 108,818 visitors to Waterside Arts Centre selling more than 40,609 tickets and receiving over 3,000 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 Council venues.

3.2 Revenue Budget Monitoring 2017/18 Period 8 (November 17)

- 3.2.1 Delivery of the 2017/18 budget is critical to maintaining the Council's budget proposals and future MTFS. The period 8 (November 2017) revenue budget monitoring report forecasts a small underspend of £216k as follows:

Table 3 - Budget Monitoring by Service	2017/18 Revised Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percent -age
Children's Services	31,289	31,930	641	2.1%
Adult Services (Inc. Public Health)	57,794	59,592	1,798	3.1%
Economic Growth, Environment & Infrastructure	38,318	37,868	(450)	(1.2)%
Transformation & Resources	16,893	16,164	(729)	(4.3)%
Total Directorate Budgets	144,294	145,554	1,260	0.9%
Council-wide budgets	16,531	15,055	(1,476)	(8.9)%
Net Service Expenditure variance	160,825	160,609	(216)	(0.1)%
Funding				
Business Rates	(67,462)	(67,462)	-	
Council Tax	(88,630)	(88,630)	-	
Reserves	(3,058)	(3,058)	-	
Collection Fund surplus	(1,675)	(1,675)	-	
Funding variance	(160,825)	(160,825)	0	0.0%
Net Revenue Outturn variance	0	(216)	(216)	(0.1)%

3.2.2 The current in-year variations contain a number of notable items:-

- Business Rates :
 - £5.1m (estimated) from the 2017/18 GM 100% Business Rates Retention Pilot. Transferred to a new earmarked reserve to fund the 2018/19 budget.
 - One-off income relating to the 2016/17 Business Rate Growth Pilot of £1.3m transferred to a new earmarked reserve to mitigate future business rates funding risks.
- Manchester Airport interim dividend of £1.784m.
- Investment Strategy covering the purchase of properties and other investments part year benefit of £328k
- Underspends in EGEI £450k and T&R £729k
- 1.5% increase in council tax base (equivalent to £1.5m per annum growth)
- Green bins income above target £600k
- £2m extra investment in Roads during the year.

3.2.3 These additional income streams and savings have mitigated the impact of continuing underlying pressures in both adults and children's social care caused by a combination of factors including:-

- An underachievement of £1.415m and £0.641m on the savings programmes in adults and children's services respectively
- Net increase in care fees of £383k – due to pressures from addressing delayed transfers of care and increasingly complex levels of care of £1.683m, offset by one-off savings in year of £1.3m.

3.2.4 These items above have been considered in developing the budget proposals for 2018/19 and later years.

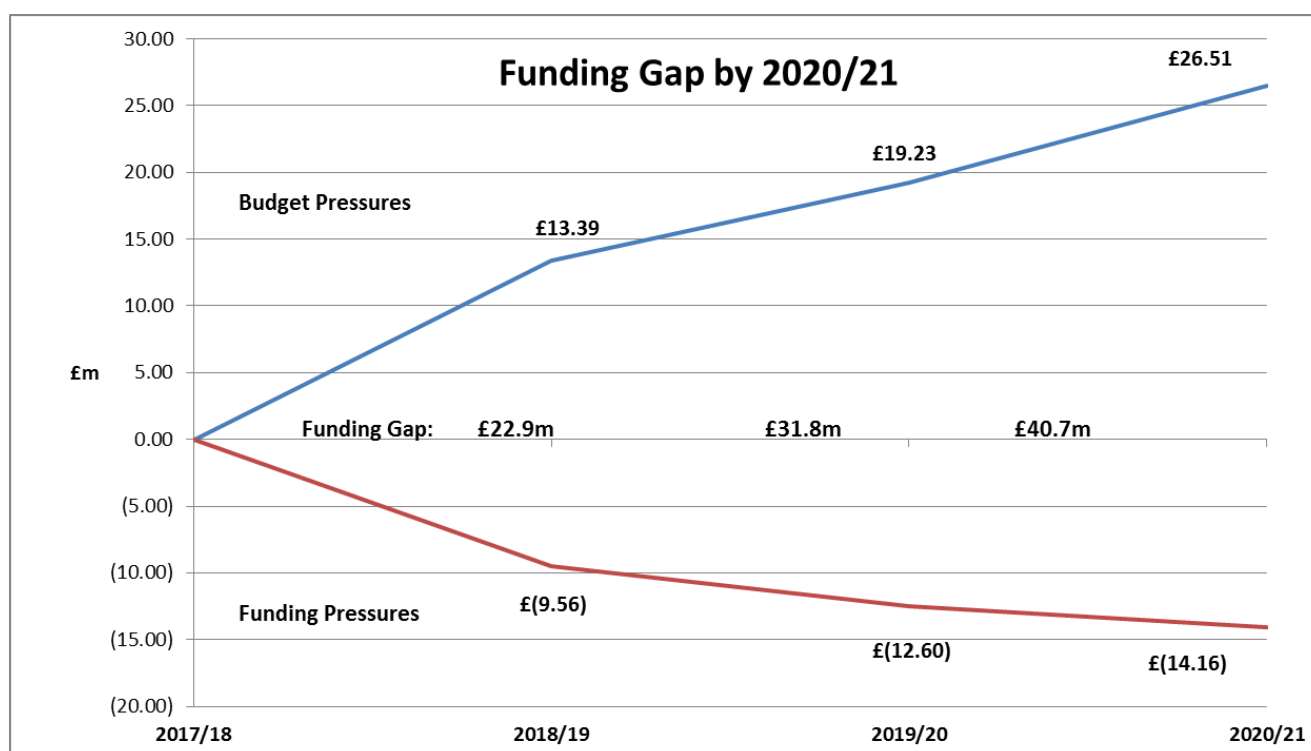
4. BUDGET UPDATES 2018/19 and MTFS 2019/21

4.1 This section identifies:-

- The overall funding gap for 2018/19 and later years and explains the changes since the draft budget was published in October 2017.
- How the funding gap has been closed for 2018/21.

4.2 Updated Annual Funding Position

4.2.1 The MTFS position reported to the Executive in the October 2017 Draft Budget Report showed an overall funding gap for 2017/18 to 2019/20 of £36.00m, however due to the in-year demand being experienced within Adult and Children Services, the release of the 2017 Autumn Statement and provisional 2018/19 Local Government Finance Settlement, and updates to policies, assumptions and estimates, the funding gap for the three years has now increased by £4.67m to £40.67m, as shown in the chart below:



4.3 Updated Cost Pressures, Investment and Funding Summary

4.3.1 Cost pressures and investment:

These total £26.51m 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; a further amount has been included in the general contingency equivalent to a further 1% for 2018/19 and 2019/20

- Inflation: relates to non-staffing budgets and includes a general allowance of 2%; plus other contractual inflation.
- Living Wage: the allowance of £5.20m has now been reduced by £400k due a lower than anticipated 2018/19 rate being confirmed in the 2017 Autumn Statement.
- Levies: allowances for waste disposal, transport and Environment Agency (flood defence).
- Demography: an annual budget increase to reflect the increasing number of adults & children requiring social care of £2.00m. A further amount has been added since the draft budget report of £3.4m in respect of the continuing increases in adult social care costs, mainly attributed to the impact of addressing delayed transfer of care, increasing complexity of care, frailty and to support the local care market; the latter supported by an additional Adult Social Care Support Grant announced in February 2018. In addition an extra £500k has been invested to address the increase in cost of looked after children.
- 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 New Homes Bonus to four year allocations and introduction of the deadweight and a reduction in DSG recharge.
- Additional investment of £433k in a number of policy areas which are subject to approval as part of this report, with further details in the separate report on fees and charges:-
 - a reduction in car parking charges £167k
 - being the first local authority in the north of the country to abolish library fines £28k.
 - removal of burial charges under 18's £52k
 - Ending the mandatory leave scheme for staff £186k
- Other: includes allowances for other minor service pressures & contingency items.

Overall increase in the estimate of budget pressures in 2018/19 since the November draft budget is £4.67m

4.3.2 Funding:

The overall reduction in resources is estimated at £14.16m over the next three years. The main element of this being the reduction in Revenue Support Grant, in part offset by the increase in the council tax-base. Of this £9.55m is in 2018/19 and includes a reduction of £5.43m in RSG and Transition Grant and reversal of the one-off application of reserves in 2017/18.

4.3.3 The table below summarises the budget movements caused by 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 - Movement in Budget Gap Draft to Final	2018/19 £'000	2019/20 £'000	2020/21 £'000
Budget Gap at Draft Budget Feb 2017 (Grossed up)	18,026	8,343	9,636
Changes to Budget Assumptions			
Increase in Adults Social Care Pressures	3,400	0	0
Increase in Childrens Social Care Pressures	500	0	0
Waste Levy	100	479	34
Special Projects Fund	100	0	0
Coroners and Mortuary Fees	100	0	0
Cost of Living Wage	(405)	0	0
Reduction in New Homes Bonus	89	197	0
Reinstatement of Vacancy Factor	(568)	0	0
Review of Inflation and Employee Pay Award	677	503	(280)
AGMA One off Refunds and Reduction in GMCA Contributions	(536)	480	0
Reduction in Car Parking Charges	167	0	0
Reduction In Transport Levy	(223)	0	0
Other minor movements (See Annex B for detail)	(47)	(632)	(781)
School Crossing Patrol	350	0	0
Changes to Funding			
Business Rates Tariff Adjustment	1,215	(489)	230
Revised Budget Gap (Feb 2018)	22,945	8,881	8,839

4.3.4 A subjective breakdown of the revised £40.67m funding gap is provided in the table below:

Table 5 - The 2018-21 Budget Gap	February 2018		
	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)
Budget Forecasts			
Net Budget b/fwd	160,825	174,158	179,993
<u>Budget Pressures</u>			
Pay	967	687	890
Living Wage	1,417	1,729	1,646
Inflationary	277	282	287
Contractual Obligations	1,939	1,742	1,706
Levies	675	1,085	487
Social Care Demographic	5,900	2,000	2,000
Grants, Legislative & Service Transfers	232	(2,198)	0
Loss of Income	320	(160)	(160)
Treasury Management	99	(420)	(698)
Policy Choice Investment *	247	0	0
Other	1,320	1,088	1,127
Total Annual Budget Pressures	13,393	5,835	7,285
Budget Requirement Before Savings	174,218	179,993	187,278
<u>Funding:</u>			
Council Tax	(89,073)	(89,519)	(89,966)
Business Rates: Local Share	(62,200)	(58,708)	(56,707)
Available Funding	(151,273)	(148,227)	(146,673)
Total Annual Funding Pressures	9,552	3,046	1,554
Annual Budget Gap	22,945	8,881	8,839
Cumulative Budget Gap	22,945	31,826	40,665

* Policy Choice Investment includes a reduction in car parking charges £167k, abolition of library fines £28k, and removal of burial charges under 18's £52k as referred to in para 4.3.1. The Policy Choice Investment relating to the reduction in Mandatory Leave of £186k is classified as a reduction of a savings proposal.

4.4 How The Funding Gap Has Been Met 2018/19

4.4.1 The table below shows the final position following the latest round of business cases & budget proposals and funding updates. In excess of 73% of the budget gap has been met from new funding, predominantly from retained business rates and additional council tax. This growth in local funding being as a result a continued investment in both economic growth initiatives and

regeneration projects. The Council's developing Investment Strategy is also starting to yield a recurrent benefit that will support the budget in future years.

Table 6 - Meeting the Budget Gap	2018/19 £'000	2019/20 £'000	2020/21 £'000
Revised Budget Gap (Feb 2018)	22,945	8,881	8,839
Increase in Council Tax (2.99%,1.99%,1.99%)	(2,672)	(1,902)	(1,940)
Adult Social Care Precept	(1,772)	(932)	(14)
Increase in Council Tax Base over assumed	(979)	(11)	(12)
Release of Prior Year accumulated Council Tax Surplus	(500)	200	300
Benefit from Business Rates Pilot	(5,419)	0	0
Reserves	(1,630)	1,630	0
Total Funding Changes	(12,972)	(1,015)	(1,666)
Savings Feb 2017 to Final			
Income	(3,920)	(1,861)	1,758
Efficiencies & Policy Choice	(6,053)	245	(86)
Total Savings	(9,973)	(1,616)	1,672
Total Budget Gap (Feb 18)	0	6,250	8,845

4.4.2 A summary of the changes since the Draft Budget Report in October 2017 which included a remaining gap of £5.549m are summarised as follows with more specific detail given in Annex B

Table 7 - Movements since Draft Budget	2018/19 £'000	2019/20 £'000	2020/21 £'000
Budget Gap (Oct 17)	5,549	5,031	7,661
Change to budget assumptions and new investment	4,172	1,287	(289)
Changes to Savings and Income Proposals	(1,193)	(923)	1,222
Additional Funding	(8,528)	855	251
Total Budget Gap (Feb 18)	0	6,250	8,845

4.4.3 The major changes being:-

- Review of Budget Assumptions:-

- Additional investment in both adults and children's social care of £3.9m due to pressures caused by the rising cost and complexity of care and rephasing of some savings programmes
- Additional budget allowed for due to expected inflationary pressures, particularly on pay related costs
- Continued investment on schools crossing patrols
- Changes in savings and income proposals:-
 - Mainly relating to £1m of additional savings from continuing adult social care programmes and additional income from the Investment Strategy
- Additional Funding:-
 - Additional benefit from the 100% business rate pilot scheme, changes to S31 compensation grants and technical formula changes £5.42m
 - Increase in the council tax base and one-off use of the collection fund surplus £1.47m
 - Additional use of the Budget Support Reserve £1.63m - 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 2018/19.

4.4.4 Council Tax

- Council Tax: within the Provisional 2018/19 Local Government Finance Settlement the Government set out its proposals regarding Council Tax referendum principles for 2018/19 and indicative levels for 2019/20:-
 - a) to allow Local Authorities to increase their Council Tax by less than 3% without the need to hold a referendum i.e. allow a 2.99% general increase in the 'relevant basic amount'. This budget report includes for a 2.99% increase in 2018/19 and a further 1.99% increase in 2019/21.
 - b) Continue the flexibility offered on the use of the 'adult social care precept', the original intention was for a 2% per year increase from 2017/18 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. The proposals in this report include for a further precept amount of 2% in 2018/19 and 1% in 2019/20, following the 3% levied for 2017/18.

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.

Therefore the budget for 2018/19 includes proposals for an overall increase in the level of Council Tax of 4.99%:

- 2.99% general increase in the 'relevant basic amount' and
- 2% for the 'Adult Social Care' precept

4.5 Existing & New Savings & Income Proposals

4.5.1 The table below summarises all the income and savings programmes of £9.97m in 2018/19 and proposals by Vision 31 intervention:

Note: The figures in the table below also include the full year impact of £4.39m from those income generating projects and savings identified in the 2017/18 budget process and consultation, and approved by Council in February 2017.

Table 8: Summary of Savings & Income Proposals by Intervention	2017/18 £'000	2018/19 £'000	2019/20 £'000
Transforming services	(5,989)	449	(86)
Accelerate housing and economic growth	(2,989)	(1,351)	1,858
One Trafford - being responsible, being bold, being healthy	(807)	(656)	0
Optimising technology to improve lives and productivity	(188)	(58)	(100)
Total Income and Savings	(9,973)	(1,616)	1,672

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

5. PROPOSED 2018/19 BUDGET and 2019/21 MTFS

5.1.1 The proposed net budget for 2018/19 is £164.245m an increase in the net budget of £3.42m or 2.1%, from £160.83m. Full subjective and objective summaries providing a breakdown of the 2018/19 net budget of £164.25m can be found in Annexes E & F.

5.1.2 Whilst the budget gap has now been closed for 2018/19 the size of the challenge over the following two years remains significant. For that reason the budget process for 2019/20 will, as in previous years, 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.

<i>Table 9 - The 2018-21 Budget Gap</i>	February 2018		
	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)
Budget Forecasts			
Net Budget b/fwd	160,825	164,245	168,564
<u>Budget Pressures</u>			
Pay	967	687	890
Living Wage	1,417	1,729	1,646
Inflationary	277	282	287
Contractual Obligations	1,939	1,742	1,706
Levies	675	1,085	487
Social Care Demographic	5,900	2,000	2,000
Grants, Legislative & Service Transfers	232	(2,198)	0
Loss of Income	320	(160)	(160)
Treasury Management	99	(420)	(698)
Policy Choice Investment *	247	0	0
Other	1,320	1,088	1,127
Total Budget Pressures	13,393	5,835	7,285
<u>Approved Budget Proposals</u>			
Income	(3,920)	(1,861)	1,758
Efficiencies & Policy Choice	(6,053)	245	(86)
Total Approved Budget Proposals	(9,973)	(1,616)	1,672
Net Budget	164,245	168,564	177,521
<u>Funding:</u>			
Council Tax	94,496	97,809	100,254
Council Tax Prior Year Collection Fund (Surplus)/Deficit	500	300	0
Business Rates: Local Share	145,335	150,631	159,661
Business Rates: Tariff Payment	(87,609)	(96,914)	(110,516)

Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	9,893	10,488	13,027
Funding	162,615	162,314	162,426
<u>Movements in Reserves:</u>			
Budget Support Reserve	385	0	0
Other Funding Reserves	1,245	0	0
Movements to/(from) Reserves	1,630	0	0
Cumulative Revised Budget Gap	0	6,250	15,095
Annual Revised Budget Gap	0	6,250	8,845

* Policy Choice Investment includes a reduction in car parking charges £167k, abolition of library fines £28k, and removal of burial charges for under 18's £52k as referred to in para 4.3.1. The Policy Choice Investment relating to the reduction in Mandatory Leave of £186k is classified as a reduction of a savings proposal.

6. INVESTMENT STRATEGY

6.1 Background

6.1.1 Over the last twelve months significant emphasis has been placed on developing a Strategy which will support the Council's financial resilience over the next few years and offer an alternative solution that can be used to address future budget gaps. The Investment Strategy will only be one element of the Council's budget strategy and service savings and efficiencies will continue to be sought in future years, albeit that it is expected that the reliance on generating sustainable, low risk revenue streams will play an increasing role given the extent of savings already delivered since 2010/11.

6.1.2 The Council's Strategy was approved by Executive and Council in July 2017 when approval was given to increase the capital programme to £300m, supported by prudential borrowing, to support the approach.

6.1.3 It is crucial that in developing an investment strategy appropriate guidance is followed. Draft MHCLG Guidance on Local Government Investments considers three key areas. The Strategy:-

- should set out the authority's policies for prudent management of its investments and for giving priority firstly to **security of investments** and secondly **liquidity** followed by **yield**.
- Should identify the procedures for monitoring, assessing and mitigating risk of loss of the invested sums
- should be approved by full Council.

6.2 Coverage

6.2.1 The Council's overall approach to investments is included in the Treasury Management Strategy and Capital Strategy Reports found elsewhere on the agenda, with a summary of the Council's investment assets shown in Annex G.

- **Financial assets- (See Treasury Management Report)**
 - Specified Investments
 - Loans
 - Non specified Investments (ie MAG shares)
- **Non-financial investments (See Capital Strategy Report)**

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 2017 stood at £65.08m, of which £30.24m relates to Earmarked revenue reserves as shown below along with their projected usage over the 3 year planning period.

Table 10: Usable Reserves	14/15 £m	15/16 £m	16/17 £m	17/18 £m	18/19 £m	19/20 £m	20/21 £m
Specific	11.38	7.48	6.35	5.12	4.24	3.38	2.87
Smoothing	1.64	2.84	3.54	8.84	8.48	8.41	3.44
Budget Support	0.00	4.05	6.89	3.83	2.20	2.20	2.20
Service C/fwd	3.94	6.59	4.72	2.18	2.18	2.18	2.18
Investment Fund	0.00	0.00	2.48	4.96	2.94	0.92	0.92
NDR Deficit/Levy	6.81	(0.38)	6.26	5.26	0.00	0.00	0.00
Earmarked Reserves	23.77	20.58	30.24	30.19	20.04	17.09	11.61
General Reserve	7.87	7.89	6.00	6.00	6.00	6.00	6.00
Capital Related Reserves	30.25	17.77	20.63	6.32	0.49	0.49	0.49
School Related Reserves	10.73	9.42	8.21	7.57	7.57	7.57	7.57
Total Usable Reserves	72.62	55.66	65.08	50.08	34.10	31.15	25.67
Provisions	18.87	18.77	24.58	24.58	24.58	24.58	24.58
Total Usable Reserves & Provisions	91.49	74.43	89.66	74.66	58.68	55.73	50.25

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 2017 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 11: Advised minimum level of General Reserve	2018/19 £m
Tax & Treasury Management	0.31
Pay & inflation	0.78
Fees and Charges	0.18
Emergency & Disaster Recovery	1.04
Efficiencies	0.63
Demand led budgets	1.85
Other Pressures	0.57
General Fund Financing	3.70
TOTAL	9.06
Risk reduction of 34%	-3.06
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:

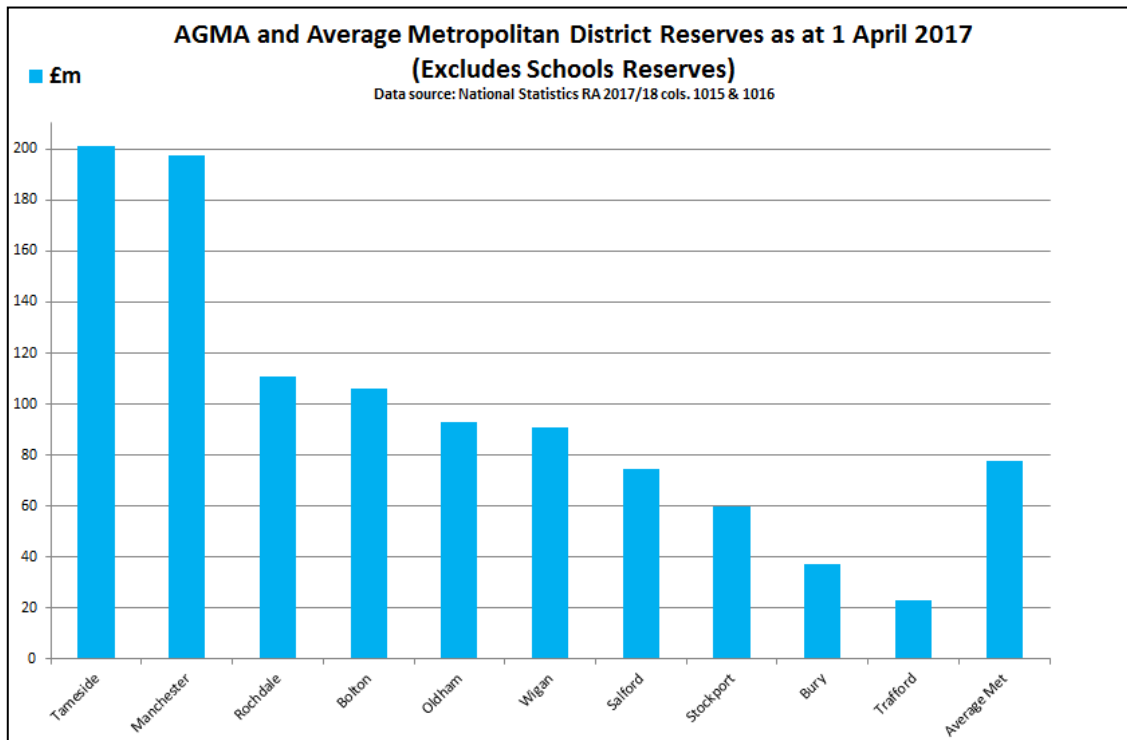
- Specific: mainly consists of the Insurance Reserve to cover potential future claims as a result of past events, the Employment Rationalisation Reserve for the costs of severance and related costs of structural change over and above the revenue budget provision and Major Projects Reserve. This latter reserve available to cover any costs related to current place shaping development and feasibility work and any deficits on schools in special measures which convert to academy status.
- Smoothing: established to reduce or smooth out volatility in the revenue budget where normal operating expenditure is not always similar year-on-year, mainly to dampen variations to the Waste Levy and business rates. In 2020/21 the business rate baselines will be the subject to a national reset and together with the introduction of Fairer Funding and reassessment of baseline need means that when the opportunity arises sums are added to reserve to mitigate any changes to overall funding in that year. The Smoothing Reserves also includes the estimated benefit of £5m received from the 2017/18 GM 100% Business Rates Retention Pilot, as a result of a new benefit sharing agreement. This ongoing benefit will be utilised in arrears to support the 2018/19 and future year's budget.
- 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.
- 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
- 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. In 2016/17, a Budget Support Reserve was established to provide a cushion against volatility in budget funding and the significant level of savings required over

the medium term. A drawdown of £1.6m will be made from this reserve to support the budget in 2018/19 leaving £2.2m available for future years.

7.2.6 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 Account (RA) expenditure and financing England: 2017 to 2018 budget individual local authority data:

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 H, 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 2018/19 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 £1.6m of general reserves to support the budget is a one-off source of funding and therefore the budget gap in 2019/20 increases by this amount.

8. SCHOOLS FUNDING & BUDGETS 2018/19

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. A National Funding Formula (NFF) has been introduced for 2018/19 and the DSG can be divided into four main areas:

- Schools Block - approximately £156m which essentially funds schools' budgets. This includes £65m for academies. There will be a 'soft' formula for 2 years where the NFF is used to set notional budgets for each school which will be aggregated to give the total schools block. After being consulted, schools and Funding Forum have opted to use the NFF rates from 2018-19 and 2019-20. It remains the Government's intention that a 'hard' formula will be introduced in 2020-21.
- Central Schools Services Block – £1.6m. This is a new block and has been created to reflect the ongoing local authority role in education.
- High Needs Block – provisional allocation £25m which primarily supports Special Educational Needs (SEN) expenditure. This includes £12m to fund Trafford Special Schools.
- Early Years Block - approximately £16m, which funds educational, provision for 2 to 5 year olds in both LEA Schools and Private, Voluntary and Independent (PVI) settings. This grant has been increased for the additional 15 hours of provision for 3 and 4 year olds of eligible working parents.

8.1.2 The increase in funding overall as a result of the NFF is £3.99m and pupil number increases have resulted in a further £1.49m. The increase in the Early Years Block is due to the full year effect of the additional 15 hours entitlement. The table below illustrates the allocations :

Table 12: NFF Allocations	2017/18 (£m)	2018/19 (£m)	Difference (£m)
Schools	150.120	155.603	5.483
Central School Services	-	1.558	1.558
High Needs	25.037	25.176	0.139
Early Years	14.195	15.696	1.501
Total	189.352	198.033	8.681

8.1.3 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 £3m, 6th Form Funding £1.5m and PE and Sports Grant £1.1m.

8.2 Summary Position 2017/18 and 2018/19

- 8.2.1 The estimated outturn position on the DSG for 2017/18 is a total overspend of £639k. This overspend will be financed from the central DSG reserve, leaving a balance carried forward to 2018/19 of just £85k.

Table 13 DSG Position 2017/18	Budget £	Expected Outturn £	Difference £
School's block	88,484,925	88,578,629	93,704
High Needs Block (*)	21,827,250	22,331,782	504,532
Early Years	14,207,132	14,247,927	40,795
Total	124,519,307	125,158,338	639,031
Reserve carried forward 16/17	724,175		
Expected reserves remaining	85,144		

(*) net of academy school costs

- 8.2.2 There is significant pressure in the High Needs Block mainly due to year on year increases in the costs of pupils with care plans where costs exceed available budget; the projected overspend in 2018/19 is £1.18m.

Table 14: DSG Allocations & Budget 2018/19	£m	£m
Schools Block Budget		
Allocated to schools (excl £0.4m growth fund)	155.20	155.20
High Needs Block Budget		
Special Schools	12.00	
Sensory Impairment	1.23	
Speech Therapy	0.24	
SEN	6.14	
Out of Borough	4.53	
Notional SEN Contingency	0.43	
Behaviour & Attendance	0.46	
PRU's	1.09	
Post 16 FE Colleges	0.13	
EFA High Needs Block Deduction	0.11	26.36
Early Years Block Budget	15.70	15.70
Schools Central Services	1.56	1.56
Total 2018/19 DSG Budgets		198.82
Schools Block Allocation	155.20	
Schools Central Services Block Allocation	1.56	
High Needs Block Allocation	25.18	
Early Years Block Allocation	15.70	
Total 2018/19 DSG Allocations		197.64
Shortfall		1.18

- 8.2.3 On 9 February 2018 the Education and Skills Funding Agency (ESFA) approved the council's request to top-slice the schools block by 0.5% (£778k)

to help finance these projected additional costs. The request was made following a school funding forum on 9 January 2018 which rejected the original request, despite the majority of schools agreeing to it when formally consulted. This means the additional costs in the high needs block will be distributed more equitably across all schools and equates to an adjustment of £21.62 per pupil.

- 8.2.4 Officers will be reviewing aspects of High Needs expenditure with a view to addressing the remaining gap and a further report will be presented to Executive in April setting out final proposals to ensure that high needs expenditure remains within budget, following further consultation with schools.

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 2018/19 Council Tax Requirement will be as follows:

LGFA 1992	Calculation of Council Tax Requirement & Relevant Basic Amount of Council Tax 2018/19	£
S 31A(2) (a) – (f)	Gross Expenditure Service expenditure	450,585,193
S 31A(3) (a, c, d)	Gross Income Fees, charges and specific grants Application of Budget Support Reserve	(286,339,515) (1,629,777)
	Budget Requirement (previous regulations)	162,615,901
(b)	Revenue Support Grant	0
(b)	Retained Business Rates Baseline Business Rates (Growth & S31 Grants) Collection Fund surplus (Business Rates)	(57,725,323) (9,894,019) 0
(b)	Collection Fund surplus (Council Tax)	(500,000)
S 31A(4)	Council Tax Requirement	94,496,559
	Council Tax Base in Band D's	76,045
S 31B	Relevant Basic Amount of Council Tax	£1,242.64

9.1.3 The Chief Finance Officer in accordance with their delegated powers approved the 2018/19 Trafford Council Tax Base (number of equivalent Band D properties in the borough) on 9 January 2018 at 76,045, which is a growth of 1,162 Band D equivalents on 2017/18. The 2018/19 Council Tax Base for the four Parish Councils were also approved as: Partington 1,550, Dunham Massey 224, Warburton 163 and Carrington 125.

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 2018/19 a figure of 6% has been set, which is a combination of the core principle of 3% 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, within the Provisional 2017/18 Local Government Finance Settlement, the Government announced that adult social care authorities would have the flexibility to increase their ‘adult social care precept’ by up to 3% in each of the three years to 2019/20, but could not exceed 6% in total over the same three year period.

9.2.4 As highlighted elsewhere in this report, it is proposed to raise the level of council tax in 2018/19 by 4.99%:

- 2.99% general increase in the ‘relevant basic amount’, and
- 2% for the ‘Adult Social Care’ precept (compared to the 3% increase in 2017/18).

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

	2017/18	2018/19
Council Tax Base	74,883	76,045
Council Tax Requirement with Levies (£)	88,630,021	94,496,559
Basic Amount of Council Tax (£) (excluding Social Care Precept)	1,127.66	1,163.05
Social Care Precept	55.92	79.59
Relevant Basic Amount of Council Tax	1,183.58	1,242.64
% increase in Relevant Basic Amount of Council Tax	4.99%	4.99%

9.2.6 It is proposed to increase the ‘relevant basic amount’ of Council Tax by 4.99%, which is within the 6% figure set by Government in 2018/19 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 Mayoral Police & Crime Commissioner is recommending a £12.00 increase in their Band D precept and the Mayoral General Precept (including Fire Services) is proposing an increase of £9.00 on their Band D precept.

9.2.8 Partington Town Council, at its meeting on 13 November 2017, elected to keep the level of Band D Council Tax at £42.50, the same as 2017/18. However, Carrington, Dunham Massey and Warburton Parish Councils have all agreed not to set a Precept in 2018/19.

9.3 Council Tax Levels and Bandings

9.3.1 The overall Precepts and Council Tax levels for 2018/19 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')	94,496,559	1,242.64	4.99%
Mayoral Police and Crime Commissioner (see note)	13,254,644	174.30	N/A
Mayoral General Precept (including Fire Services) (see note)	5,243,303	68.95	N/A
Total (excluding Parishes)	112,994,506	1,485.89	5.69%
Partington Precept	65,875	42.50	0%
Total for Partington		1,528.39	5.53%

9.3.2 Note: The Council Tax figures for the Mayoral Police and Crime Commissioner and Mayoral General Precept (including Fire Services) included above are recommended amounts and are subject to formal approval on 15th February 2018 and 20th February 2018 respectively.

9.3.3 The council tax for 2018/19, inclusive of the 'adult social care precept', for each of the eight valuation bands would be as follows:

Band	Valuation range (in 1991 prices)	Council Tax (Excl. Parishes) £	Council Tax for Partington £
A	Up to £40,000	990.59	1,018.92
B	Over £40,000 and up to £52,000	1,155.68	1,188.74
C	Over £52,000 and up to £68,000	1,320.78	1,358.56
D	Over £68,000 and up to £88,000	1,485.89	1,528.39
E	Over £88,000 and up to £120,000	1,816.09	1,868.03
F	Over £120,000 and up to £160,000	2,146.28	2,207.67
G	Over £160,000 and up to £320,000	2,476.49	2,547.32
H	Over £320,000	2,971.78	3,056.78

MEDIUM TERM FINANCIAL OUTLOOK - BASE BUDGET ASSUMPTIONS

Base Budget Assumptions	2018/19 £m	2019/20 £m	2020/21 £m
Service Expenditure			
Pay: Inflation	2.0% to 9.0%	2.0% to 9.0%	1.0%
	£1.36	£1.36	£0.63
Pay: Pension Inflation	0.0%	0.0%	0.5%
	£0.00	£0.00	£0.26
Pay: Increments & Pension Auto-Enrolment	£0.34	£0.06	£0.00
Pay: Living Wage	£1.42	£1.73	£1.65
General Inflation: Prices	2.0%	2.0%	2.0%
	£0.28	£0.28	£0.29
Contractual Obligations: Inflation Specific e.g. energy	£1.94	£1.74	£1.71
Levies: Waste (GMWDA) Levy Increase	£1.12	£0.05	£0.32
Demographics: Children	£0.50	£0.50	£0.50
	Adults	£1.50	£1.50
Treasury Management			
Investment Rates	0.99%	1.24%	1.55%
Debt Rates	3.00%	3.50%	3.50%
Funding			
Council Tax rate increase (Adult Social Care)	2.00%	1.00%	0.00%
Council Tax rate increase (Relevant Basic Amount)	2.99%	1.99%	1.99%
Council Tax base increase	1.55%	0.50%	0.50%
Reduction in Settlement Funding Assessment	(12.49)%	(7.87)%	(8.27)%
	£(7.03)	£(3.88)	£(3.76)

Budget Movements & Proposals: Feb 2017 to Oct 2017

MOVEMENTS & PROPOSALS	2018/19	2019/20	2020/21
Funding Gap Before Feb17 Savings & Funding Proposals	18,026	8,343	9,636
Trafford Leisure Centre - Franchise Fee	(100)	(100)	0
Waterside Arts Centre - Business Development	(100)	0	0
Charging for Kerbside Garden Waste Collection	(75)	(395)	0
Sale Waterside - Sub-letting Income	(50)	0	0
CCTV New Trading Model	(10)	(15)	0
INCOME PROPOSALS (Feb17)	(335)	(510)	0
Supported Living	(250)	0	0
Mandatory Recycling	(232)	(261)	0
Review of Sale PFI contract	(50)	0	0
Business Scanning	(28)	0	0
Voluntary plus Compulsory Unpaid Leave	500	0	0
GMPF Reduced Allowance for Early Retirements	0	350	0
SAVING PROPOSALS (Feb17)	(60)	89	0
Adult Social Care Precept (3%+0%+0%)	(2,672)	0	0
Increase in Council Tax (general increase of 1.99%)	(1,772)	(1,870)	0
ADDITIONAL FUNDING (Feb17)	(4,444)	(1,870)	0
TOTAL PROPOSALS (Feb17)	(4,839)	(2,291)	0
BUDGET GAP (Feb17)	13,187	6,052	9,636
Reinstatement of Vacancy Factors (CFW & T&R)	(568)	0	0
Reduction of DSG recharge adjustment	(100)	(100)	0
Budget Review	(120)	0	120
Regent Road Car Park Temporary Closure	320	(160)	(160)
Investment Interest & Debt Charges	0	0	(698)
CHANGES TO BUDGET ASSUMPTIONS	(468)	(260)	(738)
Tariff Adjustment (RV @ 31st March & 1617 NNDR3)	1,042	(494)	579
BRR Small Business Rates Relief 1718 +£1m	173	5	(349)
CHANGES TO FUNDING	1,215	(489)	230
TOTAL BUDGET MOVEMENTS	747	(749)	(508)
REVISED FUNDING GAP (Oct17)	13,934	5,303	9,128
Additional Income from Existing Investments	(1,000)	0	0
Additional Income from £9.7m Investment in 1718	(641)	(214)	0
Continued Green Waste Take-up	(500)	0	0
Review of Estates & Rental Income	(150)	0	0
Extra Care Income (New Residents)	(77)	0	0
Assistive Technology Income	(69)	0	0
GM Road Access Permit Scheme Income (RAPS)	(50)	0	0
MOVEMENTS & PROPOSALS	2018/19	2019/20	2020/21

Additional Parking Income (not fees increase)	(40)	0	0
Planning Application Fees	(30)	0	0
Environmental Enforcement Income (Match Days)	(10)	0	0
NEW INCOME PROPOSALS (Oct17)	(2,567)	(214)	0
Continuation Adults Programme	(1,450)	0	0
Service Budgets Savings Target - T&R	(1,000)	0	0
Housing Benefit Overpayment Recovery	(1,000)	0	500
Continuation Children's Programme	(900)	0	0
Continuation of voluntary / mandatory leave scheme	(532)	0	0
Savings from Estate Review	(400)	0	0
Service Budget Savings Target – EGEI	(200)	0	0
SAP Maintenance Annual Fee reduction	(91)	(8)	0
Parking Services - Business Rates	(90)	0	0
Early Payment of Suppliers Discount	(50)	(50)	(50)
Building Control Income & Efficiencies	(30)	0	0
Public Protection Efficiencies	(30)	0	0
AGMA NW Evergreen	(25)	0	0
Strategic Economic Growth Team Efficiencies	(20)	0	0
NEW SAVING PROPOSALS (Oct17)	(5,818)	(58)	450
Increase in Council Tax (general increase of 1.99%)	0	0	(1,917)
ADDITIONAL FUNDING	0	0	(1,917)
INVESTMENT INCOME	TBC	TBC	TBC
TOTAL PROPOSALS (Oct17)	(8,385)	(272)	(1,467)
NEW BUDGET GAP (Oct17)	5,549	5,031	7,661

2018/19 Movements Between Draft Budget (Oct 2017) & Final (Feb 2018)

MOVEMENTS & PROPOSALS SINCE DRAFT BUDGET	2018/19	2019/20	2020/21
	(£000)	(£000)	(£000)
BUDGET GAP AT DRAFT (Oct17)	5,549	5,031	7,661
CHANGES TO BUDGET ASSUMPTIONS (Oct 17 to Feb 18)			
Increase Adults Base Budget due to demand	3,400	0	0
Increase CYPS Base Budget due to demand	500	0	0
Waste Levy	100	479	34
Special Projects Fund	100	0	0
Coroners and Mortuary Fees	100	0	0
Reduce cost of Living Wage	(405)	0	0
Reduction in New Homes Bonus	89	197	0
Review of Pay Inflation	677	503	(280)
AGMA Budgets	(536)	480	0
Reduce Car Parking Charges *	167	0	0
Reduction in Transport Levy	(223)	0	0
Advertising New Opportunities	50	0	0
Review Contingency	(500)	(250)	0
Realignment of Apprentice Levy Budget	(20)	0	0
Remove charges for Child burials *	52	0	0
Remove library fines *	28	0	0
Remove School Crossing Patrol Savings (17/18 Saving)	350	0	0
Shortfall in Early Retirement Allowance (17/18 Saving)	165	(122)	(43)
Other	78	0	0
TOTAL CHANGES TO BUDGET ASSUMPTIONS (Oct 17 to Feb 18)	4,172	1,287	(289)
CHANGES TO SAVINGS AND INCOME PROPOSALS			
Reduce Sale Waterside - Sub-letting Income	50	0	0
Reduce on Street Parking Income	20	0	0
Rephase income from Leisure CIC	100	0	(100)
Investment Property Net Income	(1,198)	(1,137)	1,858
Change to Environmental Enforcement savings	10	0	0
Review Public Protection Efficiencies	(130)	0	0
Parking Services - Business Rates	0	14	14
Reduce and Rephasing of PFI Savings	200	(100)	0
Rephasing of Early Repayment of Supplier Discount	50	0	(50)
Reduce Housing Benefit Overpayment recovery	500	300	(500)
Reduce External Audit Fees	(35)	0	0
Further efficiencies in Adults Services	(1,000)	0	0
Review of Mandatory Leave Savings *	240	0	0
TOTAL CHANGES TO SAVINGS AND INCOME PROPOSALS	(1,193)	(923)	1,222

ADDITIONAL FUNDING (Oct 17 to Feb 18)			
Increase in Council Tax Base	(979)	(11)	(12)
Release of accumulated Council Tax Surplus	(500)	200	300
Benefit of Business Rates Pilot	(5,419)	0	0
Adjustment to contribution from Reserves	(1,630)	1,630	0
Change in Adult Social Care Precept (2% 18/19, 1% 19/20)	900	(932)	(14)
Change in Council Tax (general increase) 2.99% 18/19, 1.99% 19/20)	(900)	(32)	(23)
TOTAL CHANGES TO FUNDING (Oct 17 to Feb 18)	(8,528)	855	251
TOTAL CHANGES SINCE OCT 17 (DRAFT TO FINAL)	(5,549)	1,219	1,184
NEW BUDGET GAP Feb 2018	0	6,250	8,845

* Policy Choice Investment as referred to in para 4.3.1.

Business Rate Growth Supporting the Budget in 2018/19

2018/19	50%	100% PILOT
	£	£
Gross Rates Payable	182,565,243	182,565,243
Transitional Adjustments and Mandatory & Discretionary Reliefs	(15,865,758)	(15,865,758)
NET RATES PAYABLE	166,699,485	166,699,485
Accounting Adjustments (Appeals & BDP) & Cost of Collection	(12,636,373)	(12,636,373)
NNDR Income	154,063,112	154,063,112
Local Share	75,490,925	152,522,481
Tariff	(36,901,771)	(87,609,184)
Retained Business Rates	38,589,154	64,913,297
Baseline Funding Level (*)	35,031,471	57,725,323
Growth	3,557,683	7,187,974
SAICA Renewable Energy	80,952	80,952
Section 31 Compensation Grants	3,748,522	7,299,896
GM Pool Levy	(3,250,289)	0
GM Pool Levy Rebate at 33%	1,082,346	0
Growth/(Decline) to Baseline	5,219,215	14,568,822
GM Pilot 'No Detriment' Over Payment	0	(9,349,607)
GM Pilot 'No Detriment Rebate at 50%	0	4,674,804
NO DETRIMENT GROWTH/(DECLINE) TO BASELINE (*)	5,219,215	9,894,018

(*) Business Rate Growth plus Baseline Funding = £67.619m

Transforming Services

Report	Portfolio	Service Area	Description of Saving	Category of Saving	New or existing saving	2018/19 £000's	2019/20 £000's	2020/21 £000's	Impact of Saving (e.g. service, equality, other)
Feb-18	Executive Member for Children and Families	Children	Continuation Children's Programme	Efficiency	Existing	(900)	0	0	This is in part the full year effect of the programme from 2017/18 and the development of new business cases for 2018/19. The emphasis will be on continuing the progress made to date through the transformation project with additional focus on older young people's services.
Feb-18	Executive Member for Children and Families	Children	Reversal of prior year voluntary / mandatory leave scheme	Policy Choice	Existing	126	0	0	
Feb-18	Executive Member for Children and Families	Children	Continuation of voluntary leave scheme	Policy Choice	Existing	(71)	0	0	

Feb-18	Executive Member for Adult Social Care	Adults	Continuation Adults Programme	Efficiency	Existing	(1,700)	0	0	This is in part the full year effect of the programme from 2017/18 and then its continuation in 2018/19. A range of new business cases will be developed with an emphasis on asset based interventions as well as the continuing to improve market stability and price.
Feb-18	Executive Member for Adult Social Care	Adults	Carry forward of 2017/18 programme.	Efficiency	Existing	(1,000)	0	0	This is the continuation of the 2017/18 Adults savings programme.
Feb-18	Executive Member for Adult Social Care	Adults	Extra Care Income (New Residents)	Income	New	(77)	0	0	Introduce a care and support related wellbeing charge to new tenants.
Feb-18	Executive Member for Adult Social Care	Adults	Reversal of prior year voluntary / mandatory leave scheme	Policy Choice	Existing	72	0	0	
Feb-18	Executive Member for Adult Social Care	Adults	Continuation of voluntary leave scheme	Policy Choice	Existing	(32)	0	0	

Feb-18	HP&ES, H&SP	Directorate-wide	Service Budget Savings Target	Efficiency	New	(200)	0	0	In recent years the Directorate has had an underlying underspend relating to the natural staff turnover of over £200k (an approximate 3.5% vacancy level). This is included as an ongoing saving in the budget and will be managed at whole Directorate level.
Feb-18	H&SP	Public Protection – Parking	Parking Services - Business Rates	Efficiency	New	(90)	14	14	Rate review reductions already achieved in 2017, plus a saving in rates from the transfer of Oakfield Road car park and temporary closure of Regent Road car park.
Feb-18	H&SP	Public Protection/ Strategic Growth	Public Protection and Strategic Growth Team Efficiencies	Efficiency	New	(50)	0	0	These are housekeeping savings arising from a full budget review to identify minor budget lines that have been consistently underspent in recent years, e.g. IT spend, staff mileage claims, legal fees, office expenses. There are no staff implications and no effect on service delivery.
Feb-18	H&SP	Public Protection – Parking	Public Protection Procurement efficiency	Efficiency	New	(130)	0	0	The contract for Parking Enforcement has been re-let from April 2018 and has delivered a saving in prices for the same level of service provision.
Feb-18	H&SP	Public Protection – Building Control	Building Control Income & Efficiencies	Efficiency	New	(30)	0	0	Business development changes being implemented following a review of the service in 2017/18. This aims to reduce agency costs and increase income.

Feb-18	HP&ES	Highways	GM Road Access Permit Scheme (RAPS)	Income	New	(50)	0	0	Based on income levels already being achieved in 2017 and expected to continue.
Feb-18	H&SP	Planning Development	Planning Application Fees	Income	New	(30)	0	0	This includes additional income from Planning Performance Agreements introduced in 2016 plus other income already being achieved in 2017/18 from increased development activity and expected to continue.
Feb-18	H&SP	Public Protection – Parking	Parking income	Income	New	(20)	0	0	£8k from the introduction of match day parking fees (Ringo) at Eleventh Street Car Park, £7k from advertising on all pay and display tickets (cost recovery), £5k from increasing the intensity of Bailiff action for persistent non-payment.
Feb-18	HP&ES, H&SP	Directorate-wide	Continuation of voluntary leave scheme	Policy Choice	Existing	(31)	0	0	
Feb-18	HP&ES, H&SP	Directorate-wide	Reversal of prior year voluntary / mandatory leave scheme	Policy Choice	Existing	38	0	0	
Feb-18	C&P	Partnerships & Communities	Waterside Arts Centre	Income	Existing	(100)	0	0	Continued business development to increase net income.
Feb-18	C&P	Partnerships & Communities	CCTV New Trading Model	Income	Existing	(10)	(15)	0	Ongoing saving from 2017/18. Relates to the trading of CCTV services to generate income.

Feb-18	C&P	Partnerships & Communities	Trafford Leisure Franchise Fee	Income	Existing	0	(100)	(100)	To be negotiated and agreed during 2018.
Feb-18	CR/C&P	Transformation & Resources Directorate	Service Budgets Savings Target	Policy Choice	New	(1,000)	0	0	<p>In recent years the Directorate has consistently underspent by at least £1m and is on target to do this again this year.</p> <p>This is not as a result of excess budget provision in any particular area but rather as a result of good housekeeping year on year or income on traded services being higher than budgeted levels.</p> <p>The Directorate has taken on the challenge of saving £1m next year as a one off saving from such housekeeping items. This one off saving is planned to be replaced on a recurrent basis by an increase in income on traded services.</p>
Feb-18	CR/C&P	Transformation & Resources Directorate	Continuation of voluntary leave scheme	Policy Choice	Existing	(158)	0	0	
Feb-18	CR/C&P	Transformation & Resources Directorate	Reversal of prior year voluntary / mandatory leave scheme	Policy Choice	Existing	126	0	0	

Feb-18	Corporate Resources	Treasury Management	Potential Savings from PFI Termination	Efficiency	New	(200)	(100)	0	Anticipated savings in the unitary service payment on the Sale Waterside PFI agreement
Feb-18	Corporate Resources	Treasury Management	Review of PFI Contract	Efficiency	Existing	(50)	0	0	Anticipated savings in the unitary service payment on the Sale Waterside PFI agreement
Feb-18	Corporate Resources	Other centrally held budgets	External Audit Contract	Efficiency	New	(35)	0	0	Public Sector Audit Appointments are proposing that scale audit fees for 2018/19 should reduce by 23 per cent, compared to the fees applicable for 2017/18. This reduction is possible as a result of the favourable prices secured from audit firms in the recent audit services procurement. It follows a period from 2012/13 to 2017/18 in which scale fees reduced significantly by an aggregate of 55 per cent.

Feb-18	Corporate Resources	Levies & Subscriptions	AGMA NW Evergreen	Efficiency	New	(25)	0	0	The original North West Evergreen Fund 5 year partnership funding deal with the Council, agreed by the Executive on 22 November 2010, ended in December 2016. Any future requests for payment into the 'Fund' will need to be approved by the Council under a new agreement. However, there have been no payment requests for the last 2 years as the Partnership has secured funding from other sources.
Feb-18	Corporate Resources	Treasury Management	GMPF Reduced Allowance for Early Retirements	Efficiency	Existing	0	350	0	Reduction to savings associated with the early retirement pension strain cost. Will require renegotiation.
Feb-18	Corporate Resources	Housing Benefit Subsidy	Housing Benefit Overpayment Recovery	Policy Choice	New	(500)	300	0	
Feb-18	Corporate Resources	Terms & conditions	Reversal of prior year voluntary / mandatory leave scheme	Policy Choice	Existing	138	0	0	
						(5,989)	449	(86)	

Accelerate housing and economic growth

Report	Port-folio	Service Area	Description of Saving	Category of Saving	New or existing saving	2018/19 £000's	2019/20 £000's	2020/21 £000's	Impact of Saving (e.g. service, equality, other)
Feb-18	HP&ES	Property - Estates	Review of estates and rental income	Income	New	(150)	0	0	A number of rent reviews were confirmed in 2017 totalling £100k, plus an additional £50k is assumed from future reviews.
Feb-18	Corporate Resources	Treasury Management	Income from existing investment	Income	New	(1,000)	0	0	Projected additional income from existing investments.
Feb-18	Corporate Resources	Treasury Management	Income from additional £9.7m Manchester Airport Group Investment	Income	New	(641)	(214)	0	Loan interest receivable from a strategic investment in the expansion of Manchester Airport.
Feb-18	Corporate Resources	Property Investments	Gross Income from Investment Properties	Income	New	(2,760)	(1,314)	2,109	Estimated income in the form of new rents and loan repayments from assets held as part of the Council's new investment portfolio.
Feb-18	Corporate Resources	Property Investments	Gross MRP related to Investment Properties	Income	New	1,562	177	(251)	The debt costs associated with the above investment properties.
						(2,989)	(1,351)	1,858	

One Trafford - being responsible, being bold, being healthy

Report	Port-folio	Service Area	Description of Saving	Category of Saving	New or existing saving	2018/19 £000's	2019/20 £000's	2020/21 £000's	Impact of Saving (e.g. service, equality, other)
Feb-18	HP&ES	Waste Management	Garden Waste Income continued uptake	Income	Existing	(575)	(395)	0	The Council introduced charging for garden waste collection and disposal in 2017 and subscriber numbers reached the three year target in the first three months. The saving assumed for 2018/19 has been increased by £500k accordingly, which assumes a similar level of service take up in 2018. The total ongoing saving after costs is estimated at £1.4m per annum.
Feb-18	HP&ES	Waste Management	Mandatory Recycling	Policy Choice	Existing	(232)	(261)	0	2018/19 is year 2 of a three year programme to reduce waste disposal costs through increased recycling. This will be achieved through a range of initiatives, such as targeting food waste recycling, recycling levels of flats/houses of multiple occupation, improving education/awareness and, where necessary, stricter enforcement.
						(807)	(656)	0	

Optimising technology to improve lives and productivity

Report	Port-folio	Service Area	Description of Saving	Category of Saving	New or existing saving	2018/19 £000's	2019/20 £000's	2020/21 £000's	Impact of Saving (e.g. service, equality, other)
Feb-18	Executive Member for Adult Social Care	Adults	Assistive Technology Income	Income	Existing	(69)	0	0	Additional income from charging those in receipt of assistive technology.
Feb-18	CR	Finance	Business Scanning	Efficiency	Existing	(28)	0	0	Full year effect of approved 2017/18 saving (total full year saving £128k)
Feb-18	CR	ICT	SAP Maintenance Annual Fee reduction	Efficiency	New	(91)	(8)	0	This has already been negotiated and agreed with the provider during 2017/18
Feb-18	CR	Finance	Early Repayment of Suppliers Discount	Efficiency	New	0	(50)	(100)	Review of Accounts Payable processes to maximise potential supplier discounts.
						(188)	(58)	(100)	

Total						(9,973)	(1,616)	1,672	
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HP&ES - Highways, Parks and Environmental Services
H&SP - Housing and Strategic Planning

2018/19 Subjective Budget Analysis

	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	89,102	38,128	16,896	16,699		160,825
<u>Budget Pressures :</u>						
Pay	653	55	251	8		967
Living Wage	1,293	50	74	0		1,417
General Inflation	31	76	168	2		277
Contractual Inflation & Obligations	1,165	729	45	0		1,939
Levies	0	(14,194)	0	14,869		675
Social Care Demographic	5,900	0	0	0		5,900
Grants, Legislative & Service Transfers	(2,298)	0	108	2,422		232
Loss of Income	0	320	0	0		320
Treasury Management	0	0	0	99		99
Policy Choice Investment	0	167	80	0		247
Other	0	30	455	835		1,320
Total Budget Pressures	6,744	(12,767)	1,181	18,235		13,393
<u>Budget Savings</u>						
Income Generation	(146)	(825)	(110)	(2,839)		(3,920)
Savings Proposals Efficiencies & Policy Choice	(3,505)	(725)	(1,151)	(672)		(6,053)
Savings Proposals Efficiencies	0	0	0	0		0
Total Approved Budget Proposals	(3,651)	(1,550)	(1,261)	(3,511)		(9,973)
PROPOSED NET BUDGET	92,195	23,811	16,816	31,423	0	164,245
<u>Funding:</u>						
Council Tax					(90,005)	(90,005)
Council Tax - 2.99% General Increase					(2,691)	(2,691)
Council Tax - 2% Adult Social Care Increase					(1,800)	(1,800)
C Tax Prior Year Collection Fund (Surplus)/Deficit					(500)	(500)
Business Rates: Local Share					(145,335)	(145,335)
Business Rates: Tariff Payment					87,609	87,609
Business Rates: Growth Assumptions, S31						
Grants, GM Pilot					(9,893)	(9,893)
Funding Total					(162,615)	(162,615)
PROPOSED FUNDING					(162,615)	(162,615)
<u>Additional Use of Reserves:</u>						
Budget Support Reserve					(385)	(385)
Other Funding Reserves					(1,245)	(1,245)
Movement in Reserves Total					(1,630)	(1,630)
FUNDING FROM RESERVES					(1,630)	(1,630)
BUDGET GAP						0

2018/19 Objective (Service) Budget Analysis

DIRECTORATE	SERVICE EXPENDITURE ANALYSIS	Net Budget 2017/18 (£'000)	Proposed Net Budget 2018/19 (£'000)
Children's Service	Children with Complex and Additional Needs	1,633	1,676
Children's Service	Commissioning	1,785	1,817
Children's Service	Children's Social Services	20,183	20,860
Children's Service	Education and Early Years' Service	5,153	5,258
Children's Service	Early Help Delivery Model	707	720
Children's Service	Multi Agency Referral & Assessment Services	1,640	1,714
Children's Service	Youth Offending Service	231	217
Children's Service	DSG	0	0
Children's Service	Sub-Total	31,332	32,262
Adults Service	Client Costs	39,098	43,531
Adults Service	BCF and Brought Forward Savings	(6,277)	(8,107)
Adults Service	Social Support	438	446
Adults Service	Assistive Equipment and Technology	952	989
Adults Service	Social Care Activities - Care Management	9,616	9,388
Adults Service	Commissioned Contracts	721	412
Adults Service	Commissioning and service delivery	1,025	1,066
Adults Service	Public Health	12,199	12,210
Adults Service (incl. Public Health)	Sub-Total	57,772	59,935
EGEI - Environmental, Technical & Property Services	One Trafford Partnership	13,192	12,876
EGEI - Environmental, Technical & Property Services	Street Lighting Energy	730	766
EGEI - Environmental, Technical & Property Services	Media Advertising	(868)	(817)
EGEI - Environmental, Technical & Property Services	Waste Disposal Levy	22,536	8,342
EGEI - Environmental, Technical & Property Services	Strategic Management	500	515
EGEI - Economic Growth & Planning	Economic Growth & Planning	1,746	1,605
EGEI - Economic Growth & Planning	Public Protection &	830	848

	Enforcement		
EGEI - Economic Growth & Planning	Parking Services	(1,405)	(1,121)
EGEI - Economic Growth & Planning	Strategic Support Services	867	798
Economic Growth, Environment & Infrastructure	Sub-Total	38,128	23,812
Transformation and Resources	Legal & Democratic Services	2,764	2,785
Transformation and Resources	Access Trafford	2,753	2,805
Transformation and Resources	ICT Services	2,251	2,211
Transformation and Resources	Communications	209	211
Transformation and Resources	Finance Services	4,867	4,251
Transformation and Resources	Partnerships and Communities	1,472	1,583
Transformation and Resources	Culture and Sport incl. Waterside Arts Centre	488	429
Transformation and Resources	Human Resources	2,319	2,353
Transformation and Resources	Executive	440	442
Transformation and Resources	Transformation (funded from grants and the capital programme)	0	0
Transformation and Resources	School Crossing Patrols	28	384
Transformation and Resources	Bereavement Services	(811)	(746)
Transformation and Resources	Catering & Cleaning Traded Services	117	109
Transformation and Resources	Sub-Total	16,897	16,817
TOTAL SERVICE BUDGETS		144,129	132,826
Council Wide Service	Transport Levy	8,792	23,686
Council Wide Service	Flood Defence	140	143
Council Wide Service	Coronors & Mortuary	584	684
Council Wide Service	AGMA/ Other	907	124
Council Wide Service	Contingencies, Provisions and Corporate savings	2,850	4,786
Council Wide Service	Interest and Dividends Receivable	(3,423)	(4,317)
Council Wide Service	Loan Debt (principal and interest)	7,409	8,320
Council Wide Service	Property Investment Fund	0	(2,759)
Council Wide Service	Insurance	810	810
Council Wide Service	Members Expenses	859	868
Council Wide Service	Other Centrally held budgets	1,839	1,304
Council Wide Service	Central Grants	(4,071)	(2,229)
COUNCIL-WIDE BUDGETS		16,696	31,420
PROPOSED NET BUDGET		160,825	164,245

Council Investments

	Financial Investments			Non-Financial Investments		
	Specified Investments	Loans	Other Non - Specified Investments	Existing Commercial Property	Loans	New Commercial Property
Type of Asset	Short term cash deposits (Treasury Investments)	CCLA Property Investment	MAG Shares		LCCC Hotel Loan £4m MAG Strategic Investment £9.7m Debt Finance for a new residential development £37.8m(*)	
Financed From	Cashflow	Cashflow	Historic Debt	Prudential Borrowing	Prudential Borrowing	Prudential Borrowing
Estimated Value 31/3/18	£26.5m	£4.9m	£43.7m	£34.4m	£51.5m	£40.4m
Estimated Net Income 2018/19	£0.50m	£0.24m	£3.5m	£2.11m	£1.85m	£0.43m
Average Return	0.60%	5%	8.10%	6.10%	6.7%	1.54%
Basis of Valuation	Historic Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Valuation Frequency	Annual	Annual	Annual	Annual	Annual	Annual
Changes to Value	Revenue Budget	Revenue Budget	Balance Sheet	Balance Sheet	Revenue Budget	Revenue Budget
(*) not yet advanced						

**REPORT of the CHIEF FINANCE OFFICER
to the COUNCIL 21 FEBRUARY 2018**

**ROBUSTNESS of the 2018/19 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 2017/18 budget monitoring process and planning process review have been addressed in the 2018/19 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 2018/19, 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 2018/19 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, whilst not on similar levels to previous years continues to be demanding on the capacity of managers and staff;
- The approach to investments as included in our emerging investment strategy has mitigated to a certain extent the need to make further efficiencies in service delivery. The assessment of risks is crucial to ensure this course of actions continues to provide a secure source of income to support the revenue budget and remains proportionate;
- 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 also the risk with the ability of the external care market to provide sufficient capacity at the right price to support our growing care needs;
- 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 overall schools budget, particularly measures required to control spending in the high needs area;
- Continuing uncertainty around public sector pay and other inflationary pressures.

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;
- Review of contingency budgets in the Council-wide area to cover general item such as additional pay pressures.

- Review of proposed savings, particularly recovery of housing benefit overpayments which have been reduced since draft budget after considering the impact of the introduction of Universal Credit.
- The establishment of a Budget Support Reserve in 2016/17, to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term. A drawdown of £1.6m is required to support the budget in 2018/19 leaving £2.2m available for future years;
- Adjustment to the income from Business Rates to reflect the new 100% GM pilot and the updated sharing agreement agreed across AGMA;
- 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.

Annex I

OUTLINE OF 2018/19 FUNDING FORMULA RECOMMENDED BY SCHOOL FUNDING FORUM

	Description	Amount per pupil		Pupil Units		Sub Total	Total
	Primary (Years R-6)	£2,761.71		20,832.00		£57,531,943	
	Key Stage 3 (Years 7-9)	£3,883.68		9,454.00		£36,716,311	£119,413,156
	Key Stage 4 (Years 10-11)	£4,409.48		5,707.00		£25,164,902	
		Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR		
Deprivation	FSM	£442.36	£442.36	1,783.00	1,312.00	£1,369,104	£9,310,159
	FSM6	£542.89	£789.20	3,234.55	2,881.65	£4,030,203	
	IDACI Band F	£201.07	£291.55	1,151.29	801.08	£465,046	
	IDACI Band E	£241.29	£392.09	1,474.01	1,057.80	£770,418	
	IDACI Band D	£361.93	£517.76	886.02	589.38	£625,831	
	IDACI Band C	£392.09	£563.00	777.25	532.08	£604,314	
	IDACI Band B	£422.25	£603.21	1,184.23	851.23	£1,013,511	
	IDACI Band A	£578.08	£814.34	351.63	280.55	£431,731	
		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	£517.76	£1,392.42	2,424.51	245.49		£1,597,146
		Amount per pupil		Eligible proportion of primary and secondary NOR respectively			
Prior attainment	Low Attainment % new EFSP	£1,055.62		5,283.27		£5,577,122	£8,325,114
	Low Attainment % old FSP 78 Secondary pupils not achieving (KS2 level 4 English or Maths)	£1,558.30		1,763.46		£2,747,992	
Lump Sum						£110,589.00	£9,289,476
Additional Lump Sum for amalgamating schools							£154,824
Split Sites							£40,000
Rates							£1,479,004
Additional funding under the minimum funding level							£1,769,352
Total Funding for Schools Block Formula (excluding MFG Funding Total)							£151,378,232

Minimum Funding Guarantee (MFG is set at +0.5%)	£3,824,861
Total Funding For Schools Block Formula	£155,203,093
less de-delegation	-£1,031,909
less Education functions	-£250,000
Total Funding For Schools Block Formula less de-delegation	£153,921,184

TRAFFORD BOROUGH COUNCIL

Report to: Executive and Council
Date: 21 February 2018
Report for: Decision
Report of: The Executive Member for Corporate Resources and the Chief Finance Officer

Report Title

FEES, CHARGES & ALLOWANCES 2018/19

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 2018/19 has been based. Most fees and charges have been reviewed and amended as appropriate either by regulation or as aligned to the budget and service planning process. New charges for 2018/19 or revised wording to existing charges are highlighted in blue on the schedule and significant changes are referred to in paragraph 3.3 below.

In particular policy proposals reflected in this report:

- Removal of the charges for child burials from April 2018.
- Introduction of new tariff bands which reduce parking charges to encourage use of our town centres and better reflect customer demand.
- Removal of all library fines from April 2018.

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 2018/19, 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)

That the Executive:

1. Recommends to Council that;

- The Fees and Charges for 2018/19, 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 2018/19 in the event of any change in the rate of VAT, as appropriate;
- Approval be delegated jointly to the Corporate Director for EGEI in conjunction with the Chief Finance Officer to amend the fees and charges for Pest Control during 2018/19 following a planned review of the service.

Contact person for access to background papers and further information:

Name: Councillor Patrick Myers, Executive Member for Corporate Resources
Nikki Bishop, Chief Finance Officer Extension: 4884

Background Papers: None

Implications:

Relationship to Policy Framework/Corporate Priorities	Value for Money. The proposed draft budget for 2018/19 supports all key priorities and policies.
Financial	The report sets out the proposed Fees and Charges for 2018/19.
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. None of the income proposals in this report required public consultation. A number of measures approved in 2017/18 and earlier years are continuing and these were subject to public consultation and equality impact assessments at that stage.
Equality/Diversity Implications	The Council has complied with the requirements of its Public Sector Equality Duty. None of the income proposals in this report required public consultation. A number of measures approved in 2017/18 and earlier years are continuing and these were subject to public consultation and equality impact assessments at that stage.
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 where they apply.
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 Public Sector Equality Duty.
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

None of the income proposals in this report required public consultation. A number of measures approved in 2017/18 and earlier years are continuing and these were subject to public consultation and equality impact assessments at that stage.

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 ...NB.....

Legal Officer Clearance ...DA.....

CORPORATE DIRECTOR'S SIGNATURE

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 2018/19 and included in the revenue budget proposals for 2018/19 to be presented to Council on 21 February 2018.
- 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	65	8%	0	35%	4%
M / D*	80	10%	0	0%	0%
D / D*	11	1%	0	0%	0%
M / D	66	8%	0	76%	9%
D / D	586	73%	0	58%	2%
Total	808	100%	0	51%	3%

This does not represent a 3% 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 35% of mandatory fees have changed by an average of 4%. 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:

Children, Families & Wellbeing

- The % increase on Appointee charges are in line with the % increases applied by the Government's Court of Protection.

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 been revised to include the introduction of new tariff bands which reduce parking charges to encourage use of our town centres and better support customer demand;
- Trading standards weights and measures fees have been revised to align with the standard rates agreed across all Greater Manchester Councils;
- Pest Control - charges have been reviewed to better reflect how the service is delivered and the cost of delivery;
- Planning - pre-application advice 20% increase in line with the nationally set changes to planning fees;
- Bereavement Services – fees will no longer be charged for Child/Junior burial fees under 18 years of age.

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

- Libraries – Council on the 30 January 2018 approved the removal of all library fine charges.

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 That the Executive:

1. Recommends to Council that;

- The Fees and Charges for 2018/19, 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 2018/19 in the event of any change in the rate of VAT, as appropriate;
- Approval be delegated jointly to the Corporate Director for EGEI in conjunction with the Chief Finance Officer to amend the fees and charges for Pest Control during 2018/19 following a planned review of the service.

TRAFFORD COUNCIL

Report to: Executive and Council

Date: 21 February 2018

Report for: Decision

Report of: The Executive Member for Corporate Resources and the Chief Finance Officer

Report Title

CAPITAL STRATEGY & PRUDENTIAL INDICATORS 2018/21

Summary

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

Capital Strategy – 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.

General Capital Programme - The level of resources forecasted to be available for general capital investment purposes during the period 2018/21 is £137.43m. New schemes with a value of £54.01m are recommended for approval (Appendix 1). If agreed this would result in a Capital Programme for 2018/21 totalling £139.65m (Appendix 2). This equates to £2.22m of over-programming over the three year programme and will be reviewed each year to ensure actual capital resources are not overcommitted.

Capital Investment Strategy – This report highlights the Council's proposals to utilise the fund created during 2017 by acquiring a range of investment assets to provide a sustainable revenue stream and cover any related borrowing costs whilst facilitating development and regeneration and also support local authority functions. The fund agreed of £300m was predominantly phased in 2017/18 (£295m) with a number of investments agreed to date; £5m is phased to 2018/19.

Prudential and Local 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 4.

Recommendations

That the Executive:-

- 1) approve the Capital Expenditure Strategy as detailed in the report;
- 2) recommends the Council to approve the overall Capital Programme in the sum of £144.65m for the period 2018/21;
- 3) recommends the Council to approve £41.96m of additional prudential borrowing to support revenue generating investment opportunities as detailed in Paragraphs 20 and 21;
- 4) recommends the Council to approve the Prudential and Local Indicators as set out at Appendix 4 of this report.
- 5) Approves the Investment Strategy as detailed in the 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	The Council has complied with the requirements of its Public Sector Equality Duty.
Sustainability Implications	None arising out of this report.
Staffing/E-Government/Asset Management Implications	A number of improvement schemes are being undertaken in 2018/21.
Risk Management Implications	Assumptions have been made on Land Sale Programme and the level of receipts to be generated in 2019/20 & 2020/21. 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. Any other properties or other assets acquired as part of the Investment Fund will be subject to the annual review and revaluation. If the fair value of these assets falls then consideration will be given to making additional charges to the revenue budget.
Health and Safety Implications	A number of schemes are being undertaken in 2018/21 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 2017 with regard to the 2018/19 and 2019/20 budgets in light of any new priorities and bids for capital support
 - to provide an update on available capital resources for the period 2018/21
 - propose an indicative 2018/21 Capital Programme taking into account the issues reported above
 - ensure that there are adequate levels of resources available to finance the three year Capital Programme and
 - Update the prudential indicators for 2017/21.

CAPITAL EXPENDITURE STRATEGY

2. In December 2017 CIPFA issued an update to the Prudential Code requiring authorities to look at capital expenditure in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long-term financing implications and potential risks to the authority.
3. Whilst the majority of the code remains unchanged authorities are now required to produce a Capital Strategy in order to demonstrate that it takes capital expenditure decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.
4. The Council's strategy for capital expenditure is:-
 - **Capital expenditure links to Council priorities** by ensuring resources are allocated to schemes using a transparent prioritisation process.
 - **Achieves 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.
 - **Ensures Council resources are used to their maximum potential** by ensuring that resources are employed to:-
 - support improvements in the Borough's infrastructure and property,
 - ensure schemes of a mandatory / contractual nature are prioritised,
 - invest in assets which generate additional revenue to support the revenue budget,
 - support invest to save schemes or reduce revenue liabilities and
 - support schemes that meet Council priorities.
 - **Develops 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, sustainable and proportionate,
 - Considering the full extent of revenue implications in the Medium Term Financial Plan,
 - Optimising the level of capital receipts from asset disposals and
 - Maximising the use of external support towards capital projects.
 - **Manages 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 and
 - Identifying and managing risks; and implementing measures to mitigate them.
5. In addition the Council has adopted a Capital Investment Strategy to specifically address the governance of the capital investment portfolio (Section 2).

CURRENT CAPITAL PROGRAMME 2017/20

6. The current Capital Programme for 2017/20 is £444.12m and is split into two distinct elements, the general capital programme and the capital investment strategy. These two elements are shown in the table below and are included in this report as :

- Section 1 : General Capital Programme
- Section 2 : Capital Investment Portfolio

Table 1 - Capital Investment Programme 2017/20	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Service Analysis:				
Children, Families & Wellbeing	15.62	11.61	23.04	50.27
Economic Growth, Environment & Infrastructure	37.82	11.13	16.83	65.78
Transformation & Resources	6.78	16.22	5.07	28.07
General Programme Total	60.22	38.96	44.94	144.12
Capital Investment Portfolio	295.00	5.00	-	300.00
Total Programme	355.22	43.96	44.94	444.12

SECTION 1 - GENERAL CAPITAL PROGRAMME

7. The current forecasted expenditure for 2017/18 to 2019/20 is £144.12m and when the budget was set all anticipated capital resources were allocated, leaving a small amount of over-programming; the current level of which is £1.51m as detailed below:-.

Table 2 - 2017-20 Programme & Resourcing	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Capital Programme Total	60.22	38.96	44.94	144.12
<i>Resourcing</i>				
Capital Grants	19.87	10.70	24.49	55.06
External contributions	10.27	8.82	13.40	32.49
External Resources	30.14	19.52	37.89	87.55
Reserves & revenue	2.89	4.97	4.96	12.82
Borrowing	10.46	4.09		14.55
Receipts – Land Sales Programme	18.20	4.71	4.78	27.69
Internal Resources	31.55	13.77	9.74	55.06
Resourcing total	61.69	33.29	47.63	142.61
Surplus / (Deficit)	1.47	(5.67)	2.69	(1.51)

8. The 2017/18 programme of £60.22m includes the delivery of a number of key projects including:-

- School Places and condition works of £11.93m
- Adult Social Care of £3.69m
- Corporate landlord investment of £4.86m
- Relocation of depot facilities of £5.01m
- Town centre regeneration and investment of £7.30m
- Highways improvements of £13.19m
- Metrolink extension contribution of £7.00m
- Parks and Open Space improvements of £1.22m

- ICT investment of £3.11m
- Other investment of £2.91m

9. As part of the budget process this year the Programme has been reviewed to ensure it continues to meet Council priorities and remains affordable within the level of resources available; this has involved:-

- Undertaking a capital bidding round for those projects requiring support from discretionary resources, i.e. capital receipts and prudential borrowing. This included uncommitted schemes in the existing programme giving priority to:-
 - support improvements in the Borough’s infrastructure and property,
 - ensure schemes of a mandatory / contractual nature are prioritised,
 - support invest to save schemes or reduce revenue liabilities and
 - support schemes that meet Council priorities.
- An update to the level of all capital resources available to support the new programme.
- Identifying those schemes that can be financed from other sources e.g. prudential borrowing and external contributions.

CAPITAL BIDS RECEIVED

10. All service areas were requested to submit new capital bids for the three years from 2018/21. This has included re-bidding for schemes in the current 2018/20 programme where those schemes were uncommitted. A full review of all bids was undertaken by the Corporate Leadership Team.

11. The value of bids received for 2018/21 totalled £72.50m. A number, valued at £8.04m, were assessed as low priority and a number of self-funded schemes with a value of £39.28m were also identified; being those which can be financed through prudential borrowing or external contributions. The remaining schemes, with a value of £25.18m, were assessed against the level of internal resources available.

CAPITAL RESOURCES UPDATE 2017/21

12. A review of capital resources was undertaken to determine the scope for including schemes in the Programme over the next three years and allowing for the requirement for funding the 2017/18 programme the level of available resources is :-

Table 3 – Changes to available resources	Total £m	Additions £m	Total £m
Capital Grants	55.06	8.51	63.57
External contributions	32.49	1.09	33.58
External Resources	87.55	9.60	97.15
Reserves & revenue	12.82	0.06	12.88
Borrowing	14.55	40.81	55.36
Receipts – Land Sales Programme	27.69	3.46	31.15
Internal Resources	55.06	44.33	99.39
Resourcing total	142.61	53.93	196.54
2017/18 Capital Programme Requirement (*)			(59.11)
Resources Available 2018/21			137.43

(*): 2017/18 Capital Programme Requirement is net of un-committed schemes.

External Resources

13. 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 and S.111 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.

14. **Capital Grants - £63.57m** : These include grants from central government departments and agencies and the major areas include :-

- **£40.84m** for schools related investment from the Department for Education.
- **£8.16m** from the ministry of Housing, Communities and Local Government for Disabled Facilities Grants
- **£10.34m** from the Department of Transport to support investment in highways and infrastructure.
- **£3.46m** from Transport for Greater Manchester for a range of cycling and road safety initiatives.
- **£0.77m** on a range of other projects

15. Included in the estimate of grants available the opportunity has been taken to adjust allocations for 2018/19 and 2019/20 and make assumptions as to the level of grant expected in 2020/21 resulting in additional resources of £8.51m.

Table 4 : Updated Level of Capital Grants	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
<i>Adjustment to current allocations</i>				
• Schools Devolved Formula	(0.02)	(0.02)		(0.04)
• Schools Maintenance	(0.05)	(0.04)		(0.09)
• Schools – SEND grant			0.34	0.34
• Disabled Facilities	0.44	0.34		0.78
• Highways Structural Maintenance	(0.23)	(0.22)	1.87	1.42
Sub-Total	0.14	0.06	2.21	2.41
<i>New notifications/ Assumptions</i>				
• Schools – Healthy Pupils Programme	0.19			0.19
• Schools Devolved Formula			0.37	0.37
• Schools Maintenance			1.80	1.80
• Disabled Facilities			2.04	2.04
• Highways - Pot Hole Funding	0.18	0.17	0.18	0.53
• Highways Incentive Fund	0.39	0.39	0.39	1.17
Sub-Total	0.76	0.56	4.78	6.10
Total	0.90	0.62	6.99	8.51

16. **External Contributions - £33.58m** : The majority of other external resources are made up of Section 106 contributions from developers which cover all areas of investment. The major areas currently included are :
- **£20.0m** contribution to the Metrolink extension. An amount of £7.0m has already been paid to Transport for Greater Manchester in 2017/18. The balance is phased across 2018/19 and 2019/20.
 - **£5.96m** for the continuing investment in public realm improvements in Altrincham and Stretford town centres. Funded from a mixture of developer contributions including the anticipated S.106 and S.111 contributions relating to the redevelopment of Barton Square.
 - **£0.78m** in respect of the Council's outstanding contributions to TfGM in respect of the improvement works at Altrincham Interchange.
 - **£2.3m** contributions to support proposed improvements in leisure facilities.
 - **£4.54m** of contributions to support a range of other projects.
17. Included in the estimate are new developer contributions of £1.09m to support the continuing Altrincham Town Centre public realm works and highway junction improvements at Carrington village.

Internal Resources

18. 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 prudential borrowing and capital receipts.

Prudential Borrowing

19. **Prudential Borrowing - £55.36m** : Current investment financed from borrowing is £14.55m and includes:
- £4.61m for the relocation and development of depot facilities.
 - £3.85m for the development of Urmston Leisure Centre and
 - £1.46m for the completion of the LED replacement programme
 - £4.63m of other borrowing supporting a number of schemes.
20. As part of the review of new bids the ability to provide additional income or savings to support borrowing was assessed and a number of schemes can support being funded in this manner. The proposals put forward for inclusion in the Capital Programme are:

- **Leisure Centre Development £29.35m** – Proposals are currently being considered for new leisure centres in Altrincham and Stretford as well as refurbishment of Sale and Urmston leisure centres and investment in other community facilities. The total estimated cost is likely to be in the region of £46.6m for which business cases are currently being developed. Financing will be in the form of a mix of external grants and contributions (£2.3m), capital receipts (level based on extent of outstanding condition works £9.95m); the balance from other resources, to be identified, of £5.0m and borrowing. The total borrowing requirement is estimated at £29.35m and specific business cases will be brought to Executive for each project. These business cases will include proposals for how the cost of borrowing will be financed.
- **ICT – SAP Developments £1.9m** – Proposed replacement / upgrade of the existing SAP finance system. Scheme to progress only if the borrowing requirements can be funded through revenue savings.
- **CCTV Transformation Programme £0.56m** – Continuing the CCTV transformation programme with the provision of a new WIFI network along with the replacement and upgrading of cameras at 50 sites to be financed from revenue savings.
- **General borrowing £9m over three years** – provision was included in the MTFP in February 2017 to support an element of borrowing to offset the impact of the new capital receipts flexibility which was intended to be used to support the cost of transformational activity. Alternative resources were identified during the year which meant this borrowing was never undertaken. Given a sooner than expected increase to base rates this has contributed to a small element of headroom in the treasury management budget which can be used to support further new borrowing. This represents an increase of £7.2m on the borrowing levels previously agreed and is necessary given the scale of priority capital bids received.

21. In September 2017 the Executive gave approval for the development of Urmston Leisure Centre. The estimated cost of £6.45m to be financed from a combination of capital receipts and borrowing. The total borrowing element is £3.85m, of which £2.7m was approved as part of setting the budget for 2017/18. Therefore approval is now sought for the remainder **of £1.15m**. This is already included in the borrowing figures shown in Table 2 and Table 3 – see paragraph 19 above.

Reserves and Revenue

22. **Reserves and Revenue – £12.88m** : There are currently a range of projects supported by the application of reserve including:

- **£9.93m** for strategic investment in the Manchester Airport Group to assist with the development of airport infrastructure and facilities.
- **£2.00m** for investment in structural maintenance works to the highways
- **£0.82m** in support of a range of ICT initiatives and developments.
- **£0.13m** supporting other minor capital projects.

Capital Receipts

23. **Capital Receipts – £31.15m** : A review of the sites included in the current Land Sale Programme has been undertaken and an estimate for 2020/21 has been built-in. These will be subject of a future report to the Executive.

24. The table below gives the current position of capital receipts for 2017/18 to 2019/20 and the commitment against them along with an estimate for 2020/21 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 leaving £9.81m available to support new investment.

Table 5 : Capital Receipts	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
<i>Land Sale Programme</i>					
Carried forward from 2016/17	8.53				8.53
Land Sales Programme	2.10	8.18	2.05	9.15	21.48
Less costs (at 4%)	(0.08)	(0.33)	(0.08)	(0.37)	(0.86)
Net Land Sale Programme	10.55	7.85	1.97	8.78	29.15
<i>Other Receipts</i>					
Local Authority Mortgage Scheme repayment	2.00				2.00
Other Receipts Total	2.00				2.00
Total Estimated Receipts	12.55	7.85	1.97	8.78	31.15
Capital Programme requirement					
Committed (Appendix 3)	15.63	5.71			21.34
Net Receipts	(3.08)	2.14	1.97	8.78	9.81

25. Allowing for the capital receipts availability of £9.81m (Table 5) and general prudential borrowing of £9.0m (Paragraph 20) the level of internal resources forecasted to be available for new general capital investment purposes during the period 2018/21 is £18.81m.

26. As reported in paragraph 11 the value of remaining bids totals £25.18m and is significantly higher than the £18.81m of resources available.

27. All bids have been assessed under the priorities reported in paragraph 4 given the limited resources available. During this process a number of bids were identified as a lower priority or the level of bid was able to be reduced. Appendix 1 provides a proposed list of new schemes with a value of £21.03m recommended for addition to the 2018/21 capital investment programme to be financed from discretionary capital resources.

28. This equates to £2.22m of over-programming over the three year programme which will be reviewed each year to ensure actual capital resources are not overcommitted.

29. It is proposed that those non scheme specific approvals such as public building repairs, highways and parks & greenspace will be the subject of a further report

to the Executive in March 2018 providing details of the programme of projects to be undertaken.

FUTURE DEVELOPMENTS

30. **Investment in Highways** – The proposals in this report will provide for a structural maintenance budget, financed by a combination of capital grants and receipts, of £3.2m each year. A full review is currently being conducted with the objective of identifying a strategy for addressing the current condition of the highway network and a further report will be presented to the Executive in March 2018.
31. **Stretford Masterplan and UA'92.** Further reports will be brought to the Executive once former proposals are known, particularly around the development of student accommodation.
32. Section 4.8 of the CIPFA code of Practice 2016/17 permits authorities to select an accounting policy of expensing or capitalising borrowing costs on qualifying assets. The costs for the purchase of the Kellogg's site on Talbot Road, Stretford are £12.0m and will be funded from borrowing with the interest costs, whilst the development of the site is being undertaken, being capitalised. The development is expected to take 18 months to complete and the amount of interest to be capitalised will be approximately £450k.
33. **Parklife initiative** – in partnership with the Football Association a range of locations are being reviewed to provide 3G pitches at 3 sites across the borough for which the Council will be responsible for 40% of the capital costs. If schemes are viable and there is a business case that demonstrates that any borrowing costs can be repaid then further reports will be brought back to the Executive.
34. Costs associated with the planning and development of proposals will be incurred however any abortive costs will have to be charged to revenue and will be met from reserves.

SECTION 2 – THE CAPITAL INVESTMENT STRATEGY

35. The Council's Investment Strategy was approved by Executive in July 2017 and at this time Council gave approval to increase the capital programme to £300m, financed by prudential borrowing, to support the approach. To date five transactions have been made at a total capital cost of £90.68m with others currently under consideration.

Table 6 : Capital Investment Strategy	2017/18 £m	2018/19 £m	Total £m	
Total Investment Fund	295.00	5.00	300.00	
Activity to date :				Average 10 yr.net return (%)
Projected Cost				
K Site, Stretford (*)	1.13	11.38	12.51	n/a
Sonova House, Warrington	12.17		12.17	0.69
DSG, Preston	17.39		17.39	2.60
Grafton Centre incl. Travelodge Hotel, Altrincham	10.81		10.81	1.34
Provision of debt financing for residential development	37.80		37.80	6.00
Total investments	79.30	11.38	90.68	
Balance available			209.32	

(*): Projected costs include £450k for the capitalisation of temporary borrowing for the period covering the development of the site.

Objectives

36. The key objective of the overall strategy is:

The Capital Investment Strategy seeks to acquire a balanced portfolio of investment assets capable of providing sustainable income streams to support the MTFP, facilitate development and regeneration and support local authority functions.

37. The details of the strategy:

- The target income return should be between 5.0% and 6.5% to deliver sufficient margin over borrowing costs and MRP requirements, whilst still providing the investment security required. The actual returns required will depend in part on the specific MRP approach adopted.
- To achieve sustainable returns, without being over-exposed to risk, to target direct investment in prime and good secondary assets across a variety of sectors.
- Based on sector performance and the objectives, it is recommended to focus on Industrial, Retail Warehousing (including Food Stores) and alternative sectors (i.e. budget hotels).
- Other asset classes should be considered on an opportunity basis to help meet the objectives, especially where they may help achieve longer term strategic growth (i.e. regeneration).
- Creating a diversified portfolio is important, whilst balancing the need to generate a return to support local authority functions. A target **average** lot size of between £20m and £30m (so a fund made up of between 10 – 15 assets with a total

investment of £300m). Investments outside of this range will be considered on an opportunity-led basis and considered on their merits.

- Multi-let properties will help reduce asset and tenant specific risk. No more than 10% of the portfolio income should be from a single tenant to maintain the tenant specific risk at a manageable level.
- Initial geographical focus will be on the North West of England. However, opportunities that are outside the region will be considered on a case by case basis if they meet the objectives of the fund.
- Consideration to be given to lending to fund investment or development as part of the strategy, as this can have additional benefits especially when focused in the local area. Up to 30% of the portfolio could be allocated to debt, but consideration to a higher level on a case by case basis.

38. The objectives to be achieved through either:-

- Direct Investment (Medium to high risk and return),
- Development Debt (Medium risk; medium to high return), or
- Debt Investment (low to medium risk and return).

Governance and Stewardship

39. CBRE have been appointed as the Council's investment advisors and assist the Council with developing the Investment Strategy, identifying investment opportunities aligned with the objectives and strategy and to make recommendations for investments opportunities. They also assist in due diligence on any purchases.

40. It is crucial that the Council is able to act quickly in order to secure investments and therefore have procured a legal and technical team capable of supporting the completion process for each acquisition.

41. As part of the decision making process an Investment Management Board has been established to oversee the approval of new acquisitions and to undertake a performance management role. The Board to comprise the Executive Member for Investment, the Leader of the Council, Leader of the Opposition, Leader of the Liberal Democrats and the Chief Executive. The IMB acts under advisement from the Director of Legal and Democratic Services, Chief Finance Officer and the Corporate Director EGEI. This process is supported by independent external advice from CBRE on each acquisition and also a robustness statement from the Chief Finance Officer.

42. The financial performance of the investment portfolio and of each property within the portfolio will be measured and reported on a quarterly basis by an officer group to the IMB and subsequently to Executive. Performance measurement will be based on external revaluations and net yield generated and reporting will be undertaken with a view to making recommendations concerning sales or purchases and any amendments to the adopted strategy to ensure that the main objectives continue to be achieved.

Risk Management

43. A rigorous assessment of all risks is required for each investment in order firstly to value each property and then to check its suitability for inclusion in the portfolio. The risks fall into two categories, firstly economic and property market risks in specific property market sub-sectors and locations and secondly asset-specific risks including:-

- Location of property
- Building specification quality
- Tenure
- Length of lease unexpired
- Occupational Demand
- Liquidity
- Financial strength of tenant(s)
- Rental levels payable relative to current open market rental values
- Residual value

44. Reputational risks will also be considered particularly in relation to the types of commercial properties to be acquired and the type of tenant.

45. The performance of the assets will be reviewed annually to ensure the assets are performing sufficiently well and delivering the estimated returns originally envisaged. This will be undertaken by our investment property advisors.

2018/21 INDICATIVE CAPITAL PROGRAMME

46. The value of the indicative three year Capital Programme is £144.65m and a summary shown in the table below, with detailed analysis shown in Appendix 2. At this stage the figures for 2018/19 are known in detail, whereas the resource position for 2019/20 and 2020/21 is less certain, but these will be updated as resources are confirmed.

Table 7: Capital Programme and funding 2018/21	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget Total
	£m	£m	£m	£m
Children, Families & Wellbeing	11.85	23.01	4.90	39.76
Economic Growth, Environment & Infrastructure	13.97	18.60	5.59	38.16
Transformation & Resources	28.60	20.15	12.98	61.73
General Programme Investment	54.42	61.76	23.47	139.65
Capital Investment Portfolio	5.00			5.00
Total Investment	59.42	61.76	23.47	144.65
Grants	11.61	25.10	6.99	43.70
External Contributions	9.40	13.41	0.50	23.31
Prudential Borrowing	27.48	12.73	9.69	49.90
Revenue & reserves	5.02	4.97		9.99
Capital Receipts	4.77	1.97	8.79	15.53
Total Funding	58.28	58.18	25.97	142.43

PRUDENTIAL AND LOCAL INDICATORS

47. 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.
48. All the indicators take account of the proposals in this report and a list of Prudential and Local Indicators is included at Appendix 4.

RECOMMENDATIONS

49. That the Executive:-

- approve the Capital Expenditure Strategy as detailed in the report;
- recommends the Council to approve the Capital Programme in the sum of £144.65m for the period 2018/21;
- recommends the Council to approve £41.96m of additional prudential borrowing to support revenue generating investment opportunities as detailed in paragraphs 20 and 21
- recommends the Council to approve the Prudential and Local Indicators as set out at Appendix 4 of this report.
- Approves the Investment Strategy as detailed in the 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 £0.3m in 2018/19. 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; 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 2018/21. 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)TR.....

CORPORATE DIRECTOR'S SIGNATURE



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

2018/21 CAPITAL PROGRAMME : NEW START PROPOSALS (includes schemes funded from general borrowing provision of £9.0m)	2018/19 £'m	2019/20 £m	2020/21 £m	Total £m
Invest to save schemes				
Foster Carers - Accommodation Improvements	0.20	0.18	0.17	0.55
Care Leaver Accommodation - Improvements	0.03			0.03
Assistive Technology/Technology Innovation	0.17	0.17	0.17	0.51
Development Sites - Pipeline Programme	0.25			0.25
Sale Waterside - Fixed furniture & equipment	0.10			0.10
Waterside Arts Centre - Building Refurbishment	0.12			0.12
Sub-total	0.87	0.35	0.34	1.56
Schemes that protect the asset base				
Public Building Repairs Programme (Note)	0.88	0.76	0.76	2.40
Disability Discrimination Act – Compliance works (Note)	0.20	0.20	0.20	0.60
Highway Structural Maintenance (Note)	0.75	0.75	0.75	2.25
Street Lighting – Column testing & replacement programme	0.40	0.50	0.40	1.30
Parks Infrastructure (Note)	0.10	0.10	0.10	0.30
Play Areas : Refurbishment Programme (Note)	0.10	0.10	0.10	0.30
Parking - Signs & software improvements	0.02			0.02
Parking - Legacy Non-electronic Signs Improvements	0.03			0.03
Flixton House, Flixton : Refurbishment (Phase 2)	0.26			0.26
ICT - Windows 10 : Implementation & Roll-out	0.75	0.25		1.00
Sub-total	3.49	2.66	2.31	8.46
Council Priorities				
Leisure Facilities Development	3.35	3.30	3.30	9.95
Integrated Transport Plan (Note)	0.30	0.30	0.30	0.90
Owner Occupier Grants	0.04	0.04	0.04	0.12
Talkshop, Sale Waterside – Medical room conversion	0.03			0.03
Vehicular Activated Signs (VAS) & Variable Message Signs (VMS)	0.01			0.01
Sub-total	3.73	3.64	3.64	11.01
TOTAL PROPOSALS	8.09	6.65	6.29	21.03

Note: Approval of the individual projects to be undertaken will be the subject of a further report to the Executive in March 2018.

NEW PRUDENTIAL BORROWING SPECIFIC PROPOSALS	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Leisure Facilities Development	9.99	9.68	9.68	29.35
CCTV Transformation Programme - Phase 2	0.51	0.05		0.56
ICT - SAP Developments		1.90		1.90
TOTAL BORROWING PROPOSALS	10.50	11.63	9.68	31.81
SELF-FUNDED PROPOSALS				
Supported Living Flats - Development of enhanced facilities	0.02			0.02
Parks - Mandatory Signage	0.05	0.01		0.06
Carrington Village - Flixton Road junction works	0.51			0.51
Wilding Trafford	0.08			0.08
Altrincham Public Realm			0.50	0.50
TOTAL SELF-FUNDED PROPOSALS	0.66	0.01	0.50	1.17
TOTAL OF NEW SCHEMES PROPOSALS	19.25	18.29	16.47	54.01

2018/2021 INDICATIVE CAPITAL PROGRAMME				
	2018/19	2019/20	2020/21	Total
DESCRIPTION	£000	£000	£000	£'000
Schools				
Basic Need : School Places & Condition Issues	6,576	18,102		24,678
Devolved Formula Capital	471	371	371	1,213
Capital Maintenance Grant	1,805	1,805	1,805	5,415
Special Educational Needs Grant	344	344	344	1,032
Healthy Pupils Capital Grant	187			187
Sub-total	9,383	20,622	2,520	32,525
Children & Adults Social Care				
Disabled Facility Grants	2,017	2,040	2,040	6,097
Supported Living Flats - Development of enhanced facilities	23			23
Assistive Technology/Technology Innovation	170	170	170	510
Foster Carers - Accommodation improvements	198	175	175	548
Care Leaver Accommodation - Improvements	30			30
Talkshop, Sale Waterside - Medical Room Conversion	26			26
Sub-total	2,464	2,385	2,385	7,234
Economic Growth, Environment & Infrastructure				
Public Building Repairs	880	760	760	2,400
Disability Discrimination Act Compliance Works	200	200	200	600
Sale Waterside – Fixed furniture & equipment	100			100
Development Sites - Pipeline Programme	250			250
Altair Development, Altrincham	450			450
Altrincham Town Centre – Public Realm	560	2,385	500	3,445
Stretford Town Centre – Public Realm	360	1,520		1,880
9/11 Market Street, Altrincham – Redevelopment	239			239
Affordable Housing : S.106 Funded Programme	255	546		801
Integrated Transport Schemes	300	300	300	900
Vehicular Activated Signs (VAS) & Variable Message Signs (VMS)	10			10
Integrated Transport : S106 Funded Programme		68		68
Altrincham Interchange	700			700
Metrolink extension into Trafford Park - Contribution	5,000	8,000		13,000

Highways Structural Maintenance	2,623	2,623	2,623	7,869
Highways Incentive Funding	390	390	390	1,170
Pot Hole Funding	175	175	175	525
Street Lighting - Column Testing & Replacement Programme	400	500	400	1,300
Carrington Village - Flixton Road junction works	511			511
Highways - S106 Funded Programme		68		68
Parks Infrastructure	100	100	100	300
Parks - Mandatory Signage	54	6		60
Wilding Trafford	75			75
Play Area Refurbishments	100	100	100	300
Parks & Open Space - S.106 Funded Programme	141	823		964
Assistance to Owner Occupiers	40	40	40	120
Parking - Signs & software improvements	25			25
Parking - Legacy Non-electronic Signs Improvements	30			30
Sub-total	13,968	18,604	5,588	38,160
Transformation & Resources				
Timperley Sports Club - Artificial Pitch contribution (*)	350			350
Waterside Arts Centre - Building upgrade	128			128
CCTV Transformation Programme - Phase 2	513	50		563
Flixton House, Flixton : Refurbishment (Phase 2)	258			258
Strategic Investment - Manchester Airport	4,965	4,965		9,930
Leisure Facilities Development	21,583	12,984	12,983	47,550
CRM Upgrade	51			51
ICT - SAP Development / Replacement	0	1,900		1,900
Windows 10 - Implementation & Rollout	750	250		1,000
Sub-total	28,598	20,149	12,983	61,730
GENERAL PROGRAMME TOTAL	54,413	61,760	23,476	139,649
Capital Investment Portfolio	5,000			5,000
TOTAL INVESTMENT	59,413	61,760	23,476	144,649

(*) Contractual obligation to contribute to the replacement of an artificial pitch

Capital Programme – Committed projects funded internally	2017/18 £m	2018/19 £m	Total £m
Children, Families & Wellbeing			
Gorse Hill Primary School	0.50	2.00	2.50
Other Schools projects	0.30	0.31	0.61
LDD Assessment Unit - Shawe View, Flixton	0.05		0.05
ICT - Replacement SAP/CRM Softbox	0.13		0.13
ICT - Agile Working Programme (note)	0.08		0.08
Assistive Technology/Technology Innovation	0.65		0.65
CFW Total	1.71	2.31	4.02
Economic Growth, Environment & Infrastructure			
Corporate Landlord Schemes	2.36		2.36
Altrincham - Library / Community Facility	1.74		1.74
Highways Structural Maintenance	1.29		1.29
Integrated Transport Schemes	1.28		1.28
Street Lighting & LED Programme	0.92		0.92
Altair Development, Altrincham	0.72	0.45	1.17
Parks, Play Areas & Greenspaces	0.67		0.67
Claremont Centre, Sale - Purchase	0.64		0.64
Bridge Assessments & Strengthening	0.59		0.59
Relocation of Depot Facilities	0.40		0.40
Stretford Town Centre Public Realm Works	0.38		0.38
Land Purchase : Sinderland Road Broadheath	0.35		0.35
Waste – Tri Bin : “Recycling on the Go”	0.26		0.26
Altrincham Crematorium and Cemetery	0.20		0.20
Parking related projects	0.15		0.15
Housing Grants	0.12		0.12
Lancashire County Cricket Club - development	0.10		0.10
Altrincham Town Centre Public Realm Works	0.05		0.05
Bringing Town Centres Alive	0.04		0.04
EGEI Total	12.26	0.45	12.71
Transformation & Resources			
Sale Waterside - Fixed furniture & equipment	0.09		0.09
Waterside Arts Centre - building refurbishments	0.14		0.14
Trafford & GMP - New HR Shared Service Centre	0.10		0.10
Leisure Services Assets - Improvement Programme	0.61		0.61
Timperley Sports Club - Artificial Pitch contribution		0.35	0.35
Leisure Strategy - Urmston Leisure Centre		2.60	2.60
ICT Related Projects	0.72		0.72
T&R Total	1.66	2.95	4.61
Committed Projects Total	15.63	5.71	21.34

Note: The total budgets for a number of these schemes are in excess of the figures above as they include external grants and contributions.

Prudential and Local Indicators – Estimates 2018/21

Capital Prudential Indicators	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Capital Expenditure: General Programme Investment Strategy	59.12 295.00	54.42 5.00	61.76 0.00	23.47 0.00
Capital expenditure - the table above shows the estimated capital expenditure to be incurred for 2017/18 and the following three years.				
Capital Financing Requirement as at 31 March	447.94	462.73	466.86	463.04
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	5.5%	6.7%	6.1%	7.7%
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 movement from 2019/20 to 2020/21 reflects a change to the Minimum Revenue Provision calculation in respect of the completion of Investment Fund Reserve.				
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 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.

Local Indicators on the Investment Strategy

Local Indicators	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Commercial Net Income to Net Revenue Stream	0.0%	0.7%	1.4%	0.3%
Commercial income to net revenue stream - this indicator shows the proportionality of the net income realised from the Council's Capital Investment Strategy (Lease/rental income less cost of borrowing) against the Council's net revenue stream.				
Estimated Gross Income	£0.621m	£2.821m	£4.157m	£2.011m
2018/19 and 2019/20 include estimated one-off income associated with a short term debt finance arrangement.				
External Interest Cost	£0.234m	£0.823m	£1.021m	£0.728m
Minimum Revenue Provision (2.5% = 40 years)	£Nil	£0.739m	£0.739m	£0.739m
Each year the fair value of investments will be assessed. If the value is less than the level of outstanding debt then consideration will be given to making an additional charge to the revenue budget.				

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee 7 February 2018
Executive and Council 21 February 2018
Report for: Decision
Report of: The Executive Member for Corporate Resources and the
Chief Finance Officer

Report Title

TREASURY MANAGEMENT STRATEGY 2018/19 – 2020/21

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 recommend to the Executive and 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), Operational Boundary, Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

Contact person for access to background papers and further information:

Name: Graham Perkins

Extension: 4017

Background papers: None

Relationship to Policy Framework / Corporate Priorities	Value for Money
Financial	The treasury management strategy will aim to maximise investment interest whilst minimising risk to the Council. The Council's debt position will be administered effectively 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, Ministry of Housing, Communities & Local Government (MHCLG) 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, which has been prepared in accordance with the Council's Financial Procedure Rules number 8, outlines the forecasted treasury management activities for the forthcoming three years. Further reports are produced during the course of the year informing Members of the preceding financial year's actual activities together with a current mid-year update.

Economic position (Appendix 2)

Brexit negotiations between the UK Government and the European Union are set to continue to dominate the headlines during the forthcoming year and the impact these will have on both economies remains uncertain at this time. The general world economic situation is currently projecting a positive outlook with good performance and falling unemployment being reported. Appendix 2 highlights the main economic events of 2017 and projections for 2018 for reference.

Debt (Section 3)

Borrowing interest rates whilst forecasted to rise marginally from their current position are still forecast to be at historically low levels during the next 12 months. Any new external borrowing will be taken in order to assist finance the Council's capital borrowing requirement as outlined in the 2018/21 Capital Programme report 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.

Medium Term Financial Plan (See Appendix 7)

Appendix 7 reflects the current forecasted financial requirements of the Council's treasury management functions during this reporting period.

Background

- 1.1 Treasury management as defined by the Chartered Institute of Public Finance Accountancy (CIPFA) is:

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

- 1.2 The main function associated with this process is to ensure that the Council’s cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet service activity and its approved capital strategy. This will involve both the management of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. This strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

- 1.3 Members are required to receive and approve, as a minimum, 3 reports annually which incorporate a variety of policies, forecasts and actuals as follows;

- **Annual treasury strategy** (issued February and includes);
 - A Minimum Revenue Provision (MRP) policy (this reflects capital expenditure previously financed by borrowing and how the principal element is charged to revenue over time),
 - The treasury management strategies (how the investments and borrowings are to be organised) including treasury indicators and
 - An investment strategy (the parameters on how investments are to be managed).
- **Mid-year update** – (issued November / December and provides an);
 - update for members with the progress of the treasury management activities undertaken for the period April to September and
 - opportunity for amending prudential indicators and any policies if necessary.
- **Annual outturn** – (June and contains);
 - details of actual treasury operations undertaken in the previous financial year.

- 1.4 Each of the above 3 reports are required to be adequately scrutinised before being recommended to Council for final approval and this role is undertaken by the Accounts & Audit Committee.

- 1.5 All treasury management transactions undertaken will comply with the statutory requirements together with MHCLG Guidance and CIPFA Treasury Management Code of Practice which the Council has previously adopted. A brief outline of these frameworks is provided at Appendix 1.

- 1.6 In December 2017, CIPFA issued a revised Treasury Management Code of Practice which primarily focused on non-treasury investments, particularly the purchase of property with a view to generating income. This update has clarified CIPFA’s position in that it has now drawn a cleaner separation between treasury and non-treasury investments, the latter being included in the Capital Programme report.

- 1.7 Further consultations were also carried out by the MHCLG on both investments and MRP guidance and focused primarily on non-financial asset investments. These consultations closed on 22 December 2017 and the outcomes of which are currently awaited. Once these outcomes have been received they will be

examined and where appropriate any significant amendments will be implemented and reported to Members in due course.

- 1.8 This report which has been prepared in accordance with the required statutory regulations and guidance includes;
- Economic & Interest Rate forecast (section 2)
 - Debt Strategy (section 3)
 - Minimum Revenue Provision (section 4)
 - Investment Strategy (section 5)
 - Investment Risk Benchmarking (section 6)
 - Prudential Indicators (section 7)
 - Related Treasury Issues (section 8)
 - Recommendations (section 9).
- 1.9 The Council uses Link Asset Services (formerly 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.
- 1.10 Whilst the advisors provide support to the in-house treasury management team, the Council recognises that the final decision on all treasury management matters remains with it at all times.
- 1.11 The Council further 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.
- 1.12 In order to assist with this undertaking, a Member training event was provided on 30 January 2017 and similar events will be provided when required. Officers will continue to attend courses / seminars presented by CIPFA and other suitable professional organisations.

2. Economic & Interest Rate forecast

- 2.1 Economic and interest rate forecasting continues to be very difficult as a result of so many external influences impacting on the UK economy however it is predicted that;
- Investment returns are likely to remain low during 2018/19 rising gently over the next few years and
 - Borrowing rates will continue at their current low levels with minor movements upwards expected.
- 2.2 The general overall world economic position looks to be on an encouraging trend of stronger performance with falling levels of unemployment and further details on the major economic events which occurred during 2017 and forecasts for 2018 are outlined at Appendix 2 for reference.
- 2.3 Link Asset Services produces interest rate projections periodically throughout the year and the latest forecasts (November 2017), covering the period up to March 2021, are highlighted in the table below;

Average rates	2017-18 Forecast %	2018-19 Forecast %	2019-20 Forecast %	2020-21 Forecast %
Bank Rate	0.35	0.58	0.88	1.10
Investment Rates (LIBID)				
3 month	0.35	0.50	0.75	0.70
1 Year	0.65	0.90	1.15	1.15
PWLB Loan Rates				
5 Year	1.50	1.50	1.95	2.20
25 Year	2.80	3.00	3.25	3.50

2.4 Over the next few years, the Council will continue to adopt a cautious approach to its treasury management activities whilst utilising the information available from both its external advisors Link Asset Services and other sources which may become available during this time.

3. Debt Strategy

3.1 In order to assist short term cash flow or finance longer term capital investment, the Council has the powers to borrow new funds from a variety of sources comprising of;

- Other local authorities,
- The Government via the Public Works Loan Board, (PWLB),
- Dedicated publicly funded companies e.g. Salix,
- Municipal Bond Agency, which is currently still in the process of being set up or
- Financial institutions within the money market.

3.2 The table below shows the level of external debt which the Council may undertake;

	2017/18	2018/19	2019/20	2020/21
	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Debt at 1 April	105,233	406,822	430,288	438,360
External Debt maturing	(3,875)	(4,020)	(4,662)	(4,662)
Potential level of External Debt*	305,464	27,486	12,734	9,683
Debt at 31 March	406,822	430,288	438,360	443,381

*This reflects the phasing in the Capital Programme and predominantly relates to the Council's Capital Investment Property programme.

3.3 Whilst the above table reflects the Council's expected loan position, the table below details the position of its other long term liabilities in respect to the Private Finance Initiative (PFI) funding.

	2017/18	2018/19	2019/20	2020/21
	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Other long-term liabilities – (1 April)	5,778	5,556	5,319	5,067
Expected repayment	(222)	(237)	(252)	(268)
Other long-term liabilities – (31 March)	5,556	5,319	5,067	4,799

- 3.4 The Council is currently maintaining an under-borrowed position and previously this was reported to be £38.8m and this is currently forecasted to be £44m by 31 March 2018. This position has arisen from decisions taken previously not to finance capital spending from new external loans but instead cash supporting the Council's reserves, balances and cash flow has been temporarily used. This strategy is prudent as investment returns are low and counterparty risk, whilst this has significantly reduced over the recent few years, remains an issue that needs to be considered.
- 3.5 The policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years due to debt interest rates being consistently higher than investment returns available and this situation is forecasted to continue for the foreseeable future. Whilst the Council has no budgetary provision to cover interest costs for taking on new debt, the amount applied to finance the capital spend incurred, principal, is being reinstated via the Council's annual MRP charge.
- 3.6 The Chief Finance Officer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances within the 2018/19 treasury operations. Any new borrowing undertaken which will be undertaken to assist finance the Council's self-financing Commercial Investment Property programme will be subject to favourable interest rates.
- 3.7 Appendix 6 shows the level of the Council's loans totalling £139.2m together with the average interest rate, as at 31 December 2017, and this is split between PWLB £77.4m & Market (banks & publically funded companies) £61.8m.
- 3.8 The Council holds, as at 31 March 2018, £61.8m of Market loans and of these £40.0m 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 can either accept the new rate or 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 possibility that this could occur. In accordance with the Chief Finance Officer's delegated authority, should an opportunity present itself to repay a LOBO loan without incurring any penalty costs, then this option will be taken and a further decision will also be made at the same time as to whether it is prudent to take a replacement loan from the PWLB. The remainder of the Market loans, £21.8m are held at fixed rates of interest.
- 3.9 In addition to the borrowing undertaken directly, the Council is also responsible for a further £0.7m of loan debt 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.
- 3.10 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 to short term debt or due to low investment returns running down investment balances to repay debt prematurely. The cost of premiums incurred however due to early repayment, will also need to be taken into account before any restructuring is undertaken.
- 3.11 The Council retains the flexibility to borrow funds in advance of requirement should market conditions unexpectedly change i.e. a sharp rise in interest rates is suddenly expected, and any decision to borrow in advance will ensure that funds are taken within the forward approved Capital Financing Requirement estimates. The Capital Financing Requirement (CFR) is simply the historic level of

outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure essentially of the Council's underlying borrowing need and is reduced from the level of Minimum Revenue Provision (MRP) provided for annually.

3.12 The Council will not borrow any funds ahead of schedule purely to profit from the investment of the extra sums borrowed and any borrowing taken by the Chief Finance Officer in advance of need 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
- the Council would not look to borrow more than 12 months in advance of need.

3.13 The Council's debt maturity profile 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 their respective market loans.

3.14 *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) if required.

4.2 *The Council is requested, in accordance with MHCLG regulations, to approve an MRP Statement in advance of each year and this is detailed at Appendix 3.*

5. Investment Strategy

5.1 The Council undertakes investments, from temporary surplus income which has been received in advance of spend requirement and from its balances and reserves which it holds. The primary principle governing the Council's investment criteria is the **S**ecurity of its investments, followed by **L**iquidity whilst ensuring that a reasonable level of **Y**ield is also achieved

5.2 All of the Council's investments are undertaken in accordance with guidance issued by both the MHCLG and CIPFA. In order to minimise the risk to its investments, the Council creates and maintains a list of high creditworthy institutions which enables diversification and avoidance of concentration risk. A minimum acceptable credit criteria is applied and the key ratings used to monitor counterparties are the Short Term "F1" or equivalent and Long Term "A-" or equivalent ratings as issued by the three independent rating agencies (Fitch, Moody's and Standard and Poor's).

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

5.4 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 meet the minimum credit rating detailed in 5.2 above.

- 5.5 A full explanation of the credit ratings determining the institutions which the Council will use can be found at Appendix 5.
- 5.6 The Council's in-house treasury management team recognises ratings should not be the sole basis of determining the quality of an institution and continual assessment and monitoring of the financial sector in relation to the economic and political environments in which institutions operate will also be carried out. To achieve this, the Council will with its advisors, monitor market pricing on additional factors such as "credit default swaps" and overlay this information on top of the credit ratings. This additional market information is detailed for Members' reference at Appendix 5.
- 5.7 Further information will also be used to assess the credit worthiness of an institution including the financial press, share price and other such information pertaining to the financial sector in order to establish a robust scrutiny process concerning the suitability of potential investment counterparties.
- 5.8 Investment instruments identified for use in the financial year and counterparty limits are detailed in Appendix 3.
- 5.9 Members are asked to approve this base criteria, however 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.
- 5.10 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.
- 5.11 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.
- 5.12 The level of the Council's investments together with the average interest rate, as at 31 December 2017, is provided for reference at Appendix 6.
- 5.13 In the continuing environment of low interest rates, the Council is not able to generate a significant return from its investments. Against this backdrop it is easy to forget recent history and search for that extra return to ease revenue budget pressures an issue recently highlighted by the Financial Conduct Authority who has stated that;
 - “The main risks in the industry for the coming year are firms designing products that:

- aren't in the long-term interest of consumers,
- contain a lack of transparency on what's being sold,
- lead to a poor understanding by consumers of risk,
- shift toward more complex structured products that lack oversight".

5.14 With respect to this, the Council's in-house treasury management team will not actively seek to place funds with institutions paying considerably over and above market levels and will continue to carry out proper and full risk assessments of any new product which may come onto the market before committing funds into it.

5.15 *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 MHCLG Investment Guidance require that appropriate security and liquidity benchmarks are considered and reported to Members with details of these being provided in Appendix 5.

6.2 Benchmarks are simple guides to maximum risk (not limits) for use with cash deposits and so may be breached 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 the 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 2018/19 is set at 6 months, with a maximum of 3 years for cash time deposits;
 - Liquid short term deposits - at least £15m is available within a week 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 restrict 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 112 first time buyers were able to purchase a property in Trafford, with the Council placing funds totalling £3m (£2m in 2012/13 & £1m 2013/14) with Lloyds bank for a period of 5 years to match the life of the indemnity. During 2017/18, £2m of the amount originally advanced was repaid back to the Council with the balance, £1m due to be repaid during 2018/19.
- 8.2 Greater Manchester Pension fund. During 2017/18, the Council along with several other local Councils took advantage of GMPF wider investment powers and paid over 3 years employer pension contributions at a discounted rate.
- 8.3 Investment Properties. During 2017/18 the Council introduced a programme to acquire suitable assets which will deliver significant economic development and regeneration benefits for the area and/or increase the Council's income generating capacity enabling it to maintain the provision of services in future years. Of the properties completed to date all spend has been financed from new external loans.
- 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 which Members need to be aware of.

9. Recommendations

That the Accounts & Audit Committee recommend to the Executive and 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 2018/19 to 2020/21, 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 Finance Officer to the Council.

Consultation

Advice has been obtained from Link Asset Services, the Council's external advisors.

Reasons for Recommendation

The Financial Procedure Rules, incorporating the requirements of the CIPFA Treasury Management Code of Practice 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 MHCLG 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 2018

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

Finance Officer Clearance ...GB...

Legal Officer Clearance ...DA....

Director's Signature



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 MHCLG 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

MHCLG 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 2017

GLOBAL OUTLOOK-

- World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.
- In addition, inflation prospects are generally muted and it is particularly notable that wage inflation has been subdued despite unemployment falling to historically very low levels in the UK and US.

UK-

- After strong economic growth in 2016 of (1.8%), 2017 looks to be weaker with growth coming in at quarter 1 +0.2% (+2.0% y/y), quarter 2 +0.3% (+1.7% y/y) and quarter 3 +0.4% (+1.6% y/y);
- Consumer Price Index (CPI) opened the year at 1.8% in January 2017 rising to 3.1% in November 2017;
- The Bank of England Inflation Reports during 2017 highlighted that CPI was to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time;
- At the Monetary Policy Committee, (MPC), meeting of 14 September 2017 it was announced that Bank Rate will need to rise soon. This was borne out on 2 November when the MPC announced its first rate rise in 10 years increasing the Bank Rate from 0.25% to 0.50%;
- The rate of unemployment continues to fall from 4.7% in January 2017 to 4.3% in September the lowest level since 1975;
- Due to the uncertainty around the Brexit negotiations, both consumer and business confidence to spend on investing, remains subdued and below is the proposed Brexit timetable for reference;
 - March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
 - March 2019: initial two-year negotiation period on the terms of exit
 - UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
 - The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
 - The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
 - If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.

- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

Eurozone –

- GDP in 2016 was (1.9%) and this positive momentum continues in 2017 with growth being reported as 0.5% in quarter 1 (2.0% y/y), 0.6% in quarter 2 (2.3% y/y) and 0.6% in quarter 3 (2.5% y/y);
- European Central Bank is still struggling to get inflation up to its 2% target and in October inflation (CPI) was 1.4%;
- Unemployment rate fell from 9.6% in January 2017 to 8.8% in October 2017;
- European Central Bank continues to hold its central policy rate at 0.00% where it has been since March 2016.

US –

- Growth in the American economy since 2015 has been inconsistent and it appears 2017 is following that path again with quarter 1 coming in at only 1.2% (2.0% y/y) with quarter 2 rebounding to 3.1% (2.2% y/y) and quarter 3 coming in at 3.0% (2.3%y/y);
- The Federal Reserve increased its interest rate from 0.75% at the beginning of the year to its current level of 1.25% in May 2017;
- Unemployment continues to fall starting at 4.8% in January 2017 falling to its lowest levels for many years, reaching 4.1% in October 2017,
- CPI fell from its starting position at 2.3% in January, to 1.8% in October 2017.

Other –

- China's economic growth appears to have slowed down from that reported in previous years with the annual growth reported in October 2017 of 6.8%.
- Japan continues to struggle to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus.

MAIN ECONOMIC FORECASTS FOR 2018

Producing accurate economic forecasts is difficult to do as a result of many external factors having an impact on them however forecasters are currently predicting the following levels of activity for the year ahead;

Indicator	UK	Eurozone	US	China
Growth Domestic Product	1.4%	2.3%	2.7%	6.5%
Consumer Price Index	2.4%	1.8%	2.4%	2.0%
Unemployment Rate	4.3%	8.5%	4.5%	4.3%
Bank Rate	0.75%	0.25%	1.75%	4.10%

Source - Trading Economics & Office for Budget Responsibility

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

In accordance with the current MHCLG Guidance, CIPFA Treasury Management Code of Practice, 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 2018/19 – 2020/21 as detailed below.

TREASURY PRUDENTIAL INDICATORS AND LIMITS –

In accordance with the current 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 Council is required to approve the prudential indicators and limits affecting treasury management performance as shown below;

	2017/18 estimate £m	2018/19 estimate £m	2019/20 estimate £m	2020/21 estimate £m
Authorised Limit for External debt				
- External loan debt (01.04)	440.0	460.0	470.0	470.0
- Other long term Liabilities (PFI)	6.0	5.5	5.5	5.0
Total	446.0	465.5	475.5	475.0
Authorised external debt limit - maximum level of external debt that the authority will require for 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.				
	2017/18 estimate £m	2018/19 estimate £m	2019/20 estimate £m	2020/21 estimate £m
Operational Boundary for External debt				
- External loan debt (01.04)	420.0	440.0	450.0	450.0
- Other long term Liabilities (PFI)	6.0	5.5	5.5	5.0
Total	426.0	445.5	455.5	455.0
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.				

	2017/18 estimate £m	2018/19 estimate £m	2019/20 estimate £m	2020/21 estimate £m
Upper limit for Principal sums invested over 364 & 365 days	90	90	90	90
Upper Limit for sums invested for over 364 & 365 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 the Manchester Airport Shares which at 31 March 2017 were independently valued at £43.7m and the Church Commissioners Local Authorities Property Investment Fund investment of £5m. This limit also takes account of the proposed change in the CIPFA Treasury Code from a 364 day limit to 365 days.				
	2017/18 estimate £m	2018/19 estimate £m	2019/20 estimate £m	2020/21 estimate £m
Upper limits on fixed interest rate exposure based on net debt	6.1	13.7	14.2	14.7
Upper limits on variable interest rate exposure based on net debt	2.8	3.6	3.7	3.9
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.				
Maturity structure of all external loan debt – 2018/19 to 2020/21	Lower limit %		Upper limit %	
Under 12 months	0		20	
12 months to 2 years	0		20	
2 years to 5 years	0		20	
5 years to 10 years	0		20	
10 years to 20 years	0		20	
20 years to 30 years	0		20	
30 years to 40 years	0		20	
40 years and above	0		90	
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.				

Gross Debt and the Capital Financing Requirement – this 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.

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 - (minor changes to policy as highlighted in order to comply with the latest guidance issued – 2 February 2018)

In accordance with the current MHCLG 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 and in accordance with MHCLG guidance;
- Expenditure incurred on the Capital Investment programme financed by Prudential Borrowing will be based on those periods outlined above stipulated within the MHCLG Guidance with annual reviews undertaken to ensure that this policy remains prudent;
- 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 the 2010 Guidance;
- In instances where the Council incurs borrowing in order to lend funds to a third party, in accordance with the revised guidelines issued by the Secretary of State, MRP is required to be provided over the useful life of the asset created. The Council in this instance will not follow the guidance but rather treat any advance as "Serviced debt" and therefore no MRP will be set-aside providing there is an agreed repayment date. Annually the Council will undertake a financial assessment of the third parties ability to repay the debt and where any adverse changes are perceived to be occurring then a provision will be created to cover any future potential financial losses.
- In response to the policy agreed by Council on 22 February 2017, MRP on debt incurred pre 2007/08 was to be provided for using a more appropriately linked procedure based on the average useful life of its assets. As a result of this it was established that the Council has, during the period 2007/08 to 2014/15, previously over-provided MRP by £9.93m. This level of overpayment will be recovered by reducing the annual MRP charge equally over the next four years commencing 2016/17 with the unused MRP budget being transferred to an Investment Fund' Earmarked Reserve. The use of this

Investment Fund will only be deployed on sustainable income generating or 'invest to save' i.e. revenue saving programmes or projects of work and it is intended that it will be applied to support the additional shareholder loan for the Manchester Airport Group which was approved by the Executive on 30 October 2017.

INVESTMENT CRITERIA – (no 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 – <ul style="list-style-type: none"> •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	£75m £25m £10m	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 – <ul style="list-style-type: none"> •Pooled Investment Vehicles –e.g. Money Market Funds & Ultra Short Dated Bond Funds (formerly known as Enhanced Money Market Funds) - (AAA rated); •UK Government (including treasury bills, gilts and the DMO) •Local Authorities •Supranational Institutions 	-	£100m	3yrs
Category 5 – <ul style="list-style-type: none"> •Local Authority Property Investment fund 	-	£30m	10yrs

Note- The limits shown in the above table are set at a contingency level however, operationally monies will be placed with a number of institutions and no one institution will have 100% of the Council's investments at any time.

Specified and Non Specified Investments – (no change)

In accordance with the current 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 and 365 days.

Instruments & Maximum period

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

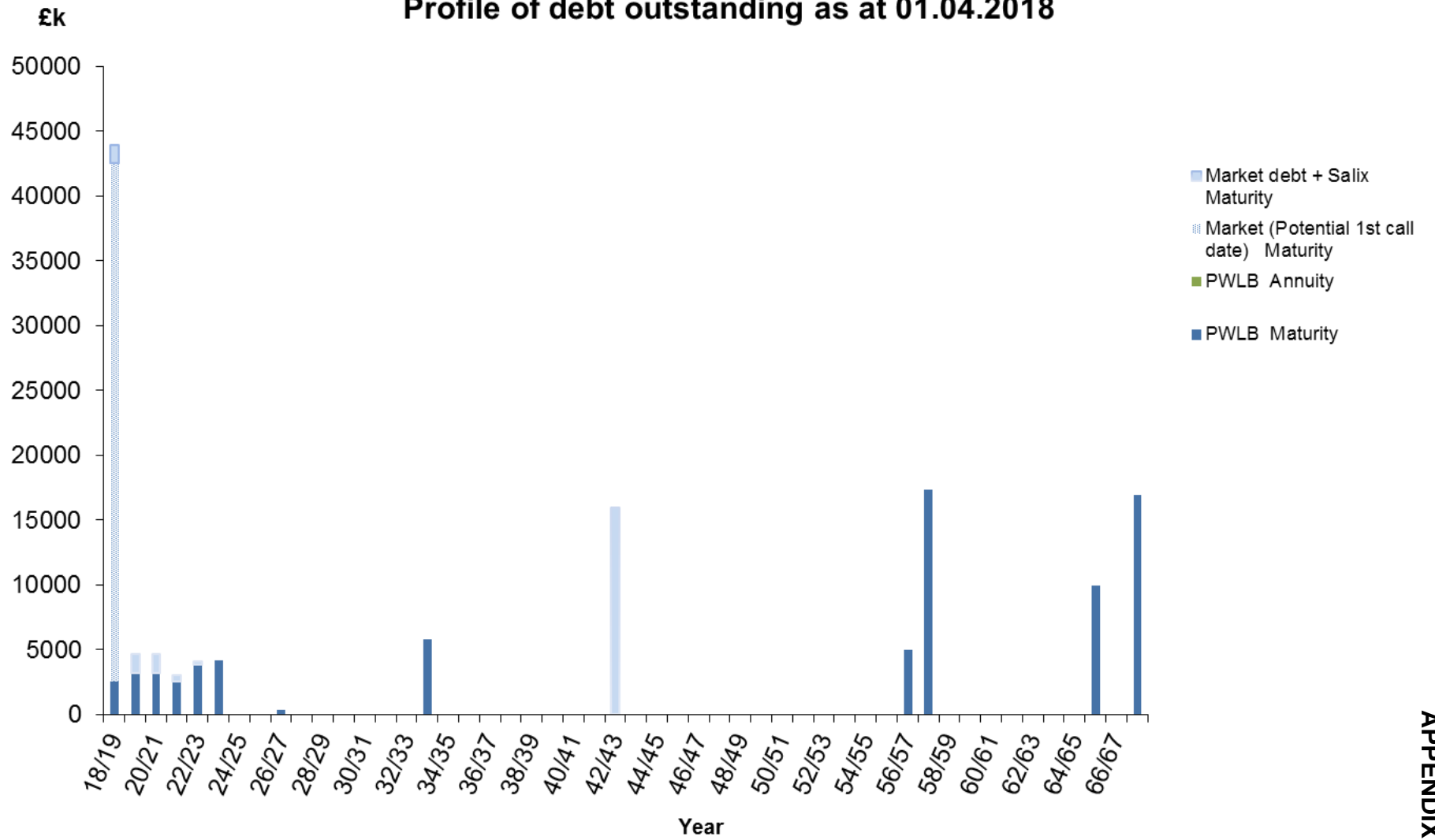
Specified Investments

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 and low volatility bond 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
<p>Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p>The security of 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.</p>	3 Years
<p>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.</p>	3 Years
<p>The Council's own bank if it fails to meet the basic credit criteria with balances being kept to a minimum.</p>	1 Day
<p>UK Banks which have significant Government holdings</p>	1 Year
<p>Any bank or building society which meets the minimum long term credit criteria detailed in Appendix 3, for deposits with a maturity of greater than one year (including forward deals in excess of 1 year from inception to repayment).</p>	3 Years
<p>The UK Government including Local Authorities and Debt Management Office.</p>	3 Years
<p>Any non-rated subsidiary of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to being guaranteed from the parent company and is included for clarity and transparency purposes.</p>	3 Years
<p>Share capital or loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. It is envisaged this facility will apply to the Manchester Airport share-holding which the Council holds at a historical value of £43.7m as reported in the 2016/17 Statement of Accounts. It is not envisaged that this type of investment will be undertaken in the future.</p>	Unspecified
<p>Manchester Airport Group – This is in response to the restructuring of the airports existing debt and is included for clarity and transparency purposes only.</p>	Term of loans
<p>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.</p>	10 Years

Profile of debt outstanding as at 01.04.2018



INVESTMENT CREDIT AND INSTITUTION RISK MANAGEMENT

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

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

Investment Institution information.

Whilst the Council's Investment institutions list is prepared primarily using credit rating information, full regard will also be given to other available information on the credit quality of each 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 current 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 31.12.2017

	Principal £m	Average Rate %
DEBT		
Fixed rate:		
- PWLB	77.4	4.38
- Market	21.8	3.60
Sub-total	99.2	4.21
Variable rate:		
- PWLB	0.0	0.0
- Market	40.0	5.88
Sub-total	40.0	5.88
Total debt	139.2	4.69
INVESTMENTS		
- Fixed rate	(60.2)	0.54
- Variable rate	(15.3)	1.82
Total Investments	(75.5)	0.80
NET ACTUAL DEBT / (INVESTMENTS)	63.7	

SUMMARY MEDIUM FINANCIAL PLAN 2018/19-2020/21

	2018/19 £000	2019/20 £000	2020/21 £000
DEBT			
Interest & Premium	6,986	6,689	6,400
MRP	3,022	3,164	5,721*
Sub-total	10,008	9,853	12,121
INVESTMENTS			
Interest	(876)	(986)	(1,666)
MAG	(5,281)	(5,495)	(5,495)
Sub-total	(6,157)	(6,481)	(7,161)
RESERVES			
Contribution to Interest Smoothing Reserve **	158	200	100
Sub-total	158	200	100
TOTAL	4,009	3,572	5,060

The above figures exclude associated debt costs from any additional borrowing undertaken to fund the Councils Commercial Investment Programme as these will be self-financing.

*The increase in MRP reflects the completion of the 4 year realignment period whereby funds previously over provided are being placed into an Investment Fund.

**The estimated value of the reserve at 31 March 2018 is £492k and this is required to cover:-

- In year interest variations on the council's variable rate debt,
- Any adverse changes in investment interest rates and
- Any defaults on specific loan advances to third parties or adverse changes in value of other non-financial investments.

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