Central Bedfordshire Council
Priory House
Monks Walk
Chicksands,
Shefford SG17 5TQ

This meeting may be filmed.*

Central Bedfordshire

please ask for Rebecca Preen
direct line 0300 300 4193
date 15 January 2015

NOTICE OF MEETING

CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE

Date & Time
Tuesday, 27 January 2015 10.00 a.m.

Venue at
Council Chamber, Priory House, Monks Walk, Shefford

Richard Carr
Chief Executive

To: The Chairman and Members of the CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE:

Cllrs P A Duckett (Chairman), Miss A Sparrow (Vice-Chairman), Mrs C F Chapman MBE, Dr R Egan, R W Johnstone, J Murray, Mrs M Mustoe, N Warren and T Woodward

[Named Substitutes:

Mrs B Coleman, C C Gomm, B Saunders, J A G Saunders and A M Turner]

All other Members of the Council - on request

MEMBERS OF THE PRESS AND PUBLIC ARE WELCOME TO ATTEND THIS MEETING

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AGENDA

1. **Apologies for Absence**

   Apologies for absence and notification of substitute members.

2. **Minutes**

   To approve as a correct record the Minutes of the meeting of the Corporate Resources Overview and Scrutiny Committee held on 16 December 2014 and to note actions taken since that meeting.

3. **Members' Interests**

   To receive from Members any declarations of interest and of any political whip in relation to any agenda item.

4. **Chairman's Announcements and Communications**

   To receive any announcements from the Chairman and any matters of communication.

5. **Petitions**

   To receive petitions from members of the public in accordance with the Public Participation Procedure as set out in Annex 2 of Part A4 of the Constitution.

6. **Questions, Statements or Deputations**

   To receive any questions, statements or deputations from members of the public in accordance with the Public Participation Procedure as set out in Annex 1 of part A4 of the Constitution.

7. **Call-In**

   To consider any decision of the Executive referred to this Committee for review in accordance with Procedure Rule 10.10 of Part D2.

8. **Requested Items**

   To consider any items referred to the Committee at the request of a Member under Procedure Rule 3.1 of Part D2 of the Constitution.

Reports

Item	Subject	Page Nos.
9	**Executive Member Update** To receive a brief verbal update from the Deputy Leader and Executive Member for Corporate Resources.	* Verbal
10	**Draft Budget and Housing Revenue Account 2015/16, MTFP 2014/18** To consider the draft Budget and Housing Revenue Account, updated Medium Term Financial Plan and Capital Programme pertaining to the Council's Budget proposals and specifically the Improvement and Corporate Services Directorate. Information that is relevant to the other directorates will also be considered in the other relevant OSC meetings. Members are requested to submit their comments, observations and recommendations in respect of the Executive's proposals to the meeting of the Executive on 10 February 2015. Papers relating to these items were circulated to Members in the Executive agenda for 13 January 2015 (Items 8, 9 and 10 refer). Members are requested to bring their copies of the Executive report with them to the meeting (hard copies will not be provided). The report is available to view and print at the following website:- http://www.centralbedfordshire.gov.uk/modgov/ieListDocuments.aspx?CId=577&MId=4620&Ver=4	* (As detailed)
11	**Quarter 2 Budget Monitoring** To receive the Quarter 2 Budget Monitoring report and presentation.	* 13 - 24
12	**Treasury Management Strategy** To consider the Treasury Management Strategy.	* 25 - 60
13	**NEPRO Update** To receive an update regarding the NEPRO project.	* To follow
14	**Work Programme 2014/15 & Executive Forward Plan** The report provides Members with details of the currently drafted Committee work programme and the latest Executive Forward Plan.	* 61 - 64

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CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE** held in Council Chamber, Priory House, Monks Walk, Shefford on Tuesday, 16 December 2014.

PRESENT

Cllr P A Duckett (Chairman)
Cllr Miss A Sparrow (Vice-Chairman)

Cllrs	Mrs C F Chapman MBE	Cllrs	J Murray
	Dr R Egan		Mrs M Mustoe
	R W Johnstone		N Warren
	D Jones		T Woodward

Substitutes:	Cllrs	B Coleman	
Members in Attendance:	Cllrs	C Hegley	Executive Member for Social Care, Health & Housing
		D J Hopkin	Deputy Executive Member for Corporate Resources
		M R Jones	Deputy Leader and Executive Member for Corporate Resources
		B J Spurr	Executive Member for Community Services
		B Wells	Deputy Executive Member for Community Services
		R D Wenham	Deputy Executive Member for Corporate Resources

Officers in Attendance:	Mrs M Clay	–	Chief Legal and Democratic Services Officer
	Ms M Damigos	–	Corporate Lawyer
	Mr P Hughes	–	Schools Energy Officer
	Mrs E Malarky	–	Head of Programmes & Performance Management
	Mr S Mooring	–	Environmental Policy Manager
	Mr G Muskett	–	Head of Revenues & Benefits
	Mrs R Preen	–	Scrutiny Policy Adviser
	Mr C Warboys	–	Chief Finance Officer

Public 0

CR/14/47. **Minutes**

RESOLVED

that the minutes of the meeting of the Corporate Resources Overview and Scrutiny Committee held on 21 October 2014 be confirmed and signed by the Chairman as a correct record. Also that the Minutes of the co-convened OSC held on 23 September 2014 be signed as a correct record.

CR/14/48. **Members' Interests**

Cllr Chapman MBE and Cllr Sparrow declared an interest in relation to Item 11 (NNDR Discretionary Relief Policy) as they were members of various charities.

CR/14/49. **Chairman's Announcements and Communications**

None.

CR/14/50. **Petitions**

None.

CR/14/51. **Questions, Statements or Deputations**

None.

CR/14/52. **Call-In**

None.

CR/14/53. **Requested Items**

None.

CR/14/54. **Executive Member Update**

The Executive Member for Corporate Resources informed the Committee that the Local Government Settlement, which set grants for the forthcoming year would be announced in the House of Commons on 17 December 2014. Central Bedfordshire Council would have access to the data on 18 December which would provide information as to the extent of the Council's grant.

A letter had been received by the Chief Executive regarding how well the Revenues and Benefits department was performing under the current management team.

Improvement and Corporate Services had been shortlisted for a Local Government Chronicle award regarding their outstanding work and the Executive Member would update the Committee when the outcome was known.

An unplanned fire alarm at Watling House on 16 December 2014 had caused long queues on the telephone, repeat callers and a slightly higher abandonment rate than usual within Customer Services.

CR/14/55. **Budget Consultation and Residents Survey**

The Chief Communications Officer delivered a report regarding the Budget Consultation and Resident Survey, in light of which the Committee discussed the following aspects in detail:-

- The methodology of the survey and concerns that it was not representative.
- There was no information contained within the report detailing the questions asked and by whom.
- As a result of the survey, concerns had been raised by residents regarding road maintenance, public transport provision and the local retail industry. Members queried the strategy with regards to road repairs, whether anything could be done to improve public transport links given that they were largely commercially run and that the Regeneration and Business directorate would have some responsibility with regards to improvements within this area, particularly with regards to supporting retail development.

In response to the queries and concerns raised by the Committee, the Chief Communications Officer confirmed that the telephone survey had been carried out by Ipsos Mori and agreed to provide Members with details of the questions residents were asked via an email circulation. The Chief Communications Officer explained it was the same methodology used by other Local Authorities and had been used in the previous survey carried out by Central Bedfordshire Council, which meant the data was comparable.

Various outcomes had been identified as requiring attention, which would be the focus of work to increase standards but overall the survey responses had been very positive. The survey had identified that many residents felt that communication via Social Networking sites would be beneficial and there were now plans to ensure an increase in this area as a result. The use of smart phones for residents to log incidents such as road defects had proved very popular and Members agreed that the information cards available to residents detailing this feature had been an invaluable tool.

RECOMMENDED that the report be endorsed. Cllr Egan asked for her dissent to be noted due to the methodology used when carrying out the survey.

CR/14/56. **NNDR Discretionary Relief Policy**

The Head of Revenues and Benefits delivered a report regarding the NNDR Discretionary Relief Policy in light of a previous high level presentation delivered to the Committee in July 2014.

In light of the report the Committee sought clarification with regards to the following issues:-

- The procedure businesses should follow with regards to applying for rate relief in the eventuality they were negatively affected by regeneration projects, road closures and events out of their control. The Head of Revenues and Benefits explained that there were two possible routes for businesses to take. If there was a wholesale change to the business environment then the rateable value could be reduced the by the Valuation Office Agency. If it was a short term disruption due to regeneration projects then hardship relief could be applied for via the Council.

- The rate of relief to which charity shops were entitled. It was confirmed they could receive the 80% mandatory relief, applying if they wished for the discretionary 20% relief as well. In this case their goods for sale would be assessed and a decision made accordingly.

- Concerns about those organisations who declared charity status but who were selling predominantly new rather than used, donated goods. The Head of Revenues and Benefits clarified that staff could at any time verify the charity status of a shop or rate paying organisation and they could spot check them if they received intelligence which led them to believe an investigation was necessary.

- The reasons why long term empty properties received rate relief. It was clarified that this was for those who took occupation of those properties as an incentive to ensure they were occupied. It was not available to those which stood empty, they would be liable for full business rates.

- Whether shops within a conservation area would be exempt from business rates. It was confirmed that they were not, listed buildings were exempt regardless of the area but those not listed and within a conservation area would have to pay full business rates.

RECOMMENDED that the report be endorsed.

CR/14/57. **Energy Efficiency Update**

The Director for Improvement and Corporate Services introduced a report following which the School's Energy Officer delivered a presentation, which summarised reductions in energy usage in addition to projected increases in energy costs and the impact of the Electricity Market Reform from 2016. The presentation also detailed several specific energy efficiency projects currently underway. It was highlighted that if no action was taken to increase energy efficiency across the Corporate and Schools Estate then the increase in costs equated to around 70% over the next 7 years.

In light of the report and presentation Members discussed the following issues:-

- Caddington Village School and Leedon Lower School, which were examples of good practice with regards to energy efficiency and cost savings. They had introduced efficiencies such as regulated heating times and the installation of solar panels which produced electricity, enabling them to sell.it back to the grid, generating income. It was suggested that all Members be informed of the Caddington School model as many Members were school governors who could promote solar panels as a worthwhile investment.

- Approximately 40% of schools were actively engaged in the SCRAP programme and the Council were working hard to ensure other schools also signed up to it. The Executive Member highlighted that the SCRAP programme was included within the capital budget and that the business case detailed the cost savings against the long term plan.
- Queries regards the efficiencies that would be generated by re-glazing Watling House. The Director of Improvement and Corporate Services explained that the payback period describing costs versus savings was detailed within the presentation.
- Whether modelling had been carried out with regards to oil prices as it was not clear with regard to savings on capital costs. The Environmental Policy Manager explained that the 5% increase in prices detailed in the report addressed this issue.

RECOMMENDED

1. **That the Energy Efficiency Scheme continue as a priority for the Executive.**
2. **That a more detailed and targeted forward plan of action regarding school's uptake of the initiative be provided.**
3. **That the scheme continue to be supported within the Capital Programme.**
4. **That a further update be provided to the Committee in 12 months.**

CR/14/58. **Councillor Code of Conduct Complaints**

The Chairman of the Committee introduced the report, explaining that it had been produced due to concerns regarding time and cost resource to the Council.

The Chief Legal Officer delivered the report, which set out that changes to the Constitution had been proposed in order to find better ways of managing the complaints process and to respond to the significant changes to the old Member Standards Committee and the Localism Act. More extensive management of the situation was required due to the sharp increase in cases in recent months and the time it had taken to resolve cases, which in some instances had been up to 12 months.

In light of the report Members commented that they felt Town and Parish Councils should manage and be responsible for their own complaints, it should not be the responsibility of the Monitoring Officer. The Chief Legal Officer explained it was a statutory requirement for the Monitoring Officer to investigate formal complaints. It was also queried whether Town and Parish Councils had been made aware of this issue. A seminar with Town and Parish Councils to provide clear information and training for Town and Parish Council clerks in addition to early intervention to prevent complaints reaching the formal stage would be beneficial.

RECOMMENDED

1. **That the General Purposes Committee adopt the recommended amendments to the Constitution.**
2. **That a specific seminar to be held no later than spring 2015 to address these issues with the Town and Parish Councillors and clerks.**

CR/14/59. **Work Programme 2014/15 & Executive Forward Plan**

The Committee considered its current Work Programme and the latest Executive Forward Plan. It was noted that the West of A1 Agenda item would not be considered by the Executive in January 2015.

RECOMMENDED that the work programme be amended as outlined above.

(Note: The meeting commenced at 10.00 a.m. and concluded at 12.35 p.m.)

Chairman…………………………………..

Date…………………………………..

Corporate Resources Overview & Scrutiny Committee Financial Results for Q2 2014/15 27th January 2015

Agenda Item 11

Q2 2014/15 General Fund Revenue

Key Points to Note :

- Forecast outturn position as at September 2014 is over budget by £1.1M.
- SCHH are forecasting an overspend of £2.3M. This is due to a combination of the run rate on older people budgets: placements and care packages, learning disability packages from last year, increase in cost of physical disability high cost packages.
- The directorate is looking at options to mitigate these pressures but the financial implications have not yet been identified.
- Children's Services £0.4M over budget.
- Regeneration to £0.4M under, mainly due to increased planning income.
- Improvement & Corporate Services £0.2M under budget.
- Corporate costs are forecast to underspend by £1.1M as a result of less interest payable, and reduced pensions deficit costs.

Q2 2014/15 General Fund Revenue

Year to Date

- YTD Spend is £0.5M under budget (excluding Schools and HRA). Last year was £1.9M below.

Reserves

- The opening balance of General Fund Earmarked Reserves (EMR) is £24.7M (Excluding HRA and Schools). The current position proposes the planned use of £4.4M EMR (used to offset expenditure) and proposed transfer to EMR of £0.14M (budgeted), and the creation of a new proposed Business Rates Retention reserve for £0.4M due to technical accounting changes. This results in a forecast closing position of £20.8M.

Risks and Upsides

- Risks quantified to date are £0.93M and opportunities quantified to date are £0.25M. The net risk identified is £0.68M.

Q2 2014/15 Revenue Year to Date & Forecast outturn

Table 1

Directorate	Year to Date - September P6 Budget £m	Actual £m	Variance £m	Full Year Budget £m	Forecast Outturn £m	Variance £m
SCHH	31.5	32.7	1.2	62.9	65.2	2.3
Childrens Services	22.2	22.0	(0.3)	44.8	45.3	0.4
Community Services	18.4	18.3	(0.2)	36.7	36.8	0.1
Regeneration	1.8	1.1	(0.7)	5.1	4.7	(0.4)
Public Health	0.0	(0.1)	(0.1)	0.0	0.0	0.0
Improvement & Corporate Services	10.6	10.6	(0.0)	21.5	21.3	(0.2)
Corporate Resources	2.3	2.2	(0.1)	5.0	5.0	(0.1)
Corporate Costs	4.1	3.9	(0.2)	9.9	8.8	(1.1)
Total Exc HRA	**91.0**	**90.6**	**(0.5)**	**186.0**	**187.1**	**1.1**
Schools	0.0	(0.0)	(0.0)	0.0	0.0	0.0
HRA	0.0	0.0	0.0	0.0	0.0	0.0
Total	**91.0**	**90.6**	**(0.5)**	**186.0**	**187.1**	**1.1**

Note: Any minor rounding differences are due to linking to detailed appendices.

Q2 2014/15 Capital Position

Key points to note:

Key Points to Note :

Full Year Forecast

- The capital budget (including 2013/14 deferred spend from) for 2014/15 excluding HRA is £116.8M (£70.3M net).
- Gross forecast is to spend £97.8M (£111.1M in August) vs. budget of £116.8M. The variance of £19.0M is a result of proposed deferred spend to 2015/16 of £17.3M and underspend of £1.7M.
- The overspend relates to grants for Schools capital which are received after the capital budget is agreed. The forecast within Children's Services reflects the funding available, the majority of which is externally funded.

Year to Date

- Gross spend to date is £40M, below budget by £7.0M (spend last year was £30M).

Capital Receipts

- YTD Capital Receipts are £379k, the full year budget is £7.45M.

Q2 2014/15 Capital Outturn

Table 2

Directorate	Year to Date P6 Gross Budget £m	Gross Actual £m	Gross Variance £m	Full Year 2014/15 Gross Budget £m	Gross Forecast Outturn £m	Gross Variance £m	Year to Date P6 Net Budget £m	Net Actual £m	Net Variance £m	Full Year 2014/15 Net Budget £m	Net Forecast Outturn £m	Net Variance £m
CS	13.3	12.1	(1.2)	25.7	29.6	3.9	0.3	0.1	(0.1)	0.6	0.6	0.0
Community Service	26.6	23.1	(3.5)	67.8	47.2	(20.6)	18.0	15.9	(2.1)	53.9	31.5	(22.4)
Improvement & Corporate Improvement	4.2	3.2	(1.0)	11.7	11.0	(0.7)	4.2	3.2	(1.0)	11.7	11.0	(0.7)
Regeneration	0.3	0.0	(0.2)	3.4	3.3	(0.1)	0.3	(0.3)	(0.6)	1.4	1.3	(0.6)
ASCHH	2.8	1.7	(1.1)	8.2	6.6	(1.6)	0.5	(3.9)	(4.4)	2.7	2.1	(0.6)
Total Exc HRA	**47.2**	**40.2**	**(7.0)**	**116.8**	**97.8**	**(19.0)**	**23.3**	**15.1**	**(8.2)**	**70.3**	**46.5**	**(23.8)**

This gross position reflects the level of activity to deliver the Councils capital programme.

Note: Any minor rounding differences are due to linking to detailed appendices

Q2 2014/15 HRA Revenue / Capital

•Forecast outturn surplus of £7.3M compared to budget of £6.2M, an improvement of £1.1M.

• Driven by projected increase in rental income (£0.48M) and reduction in contributions to the capital programme (£0.88M) partially offset by increased spend on Asset Management (£0.1M) and Maintenance (£0.1M).

• Capital outturn forecast underspend of (£1.3M) due to underspends in Aids and Adaptations (£0.4M), Stock Remodelling and Refurbishment (£0.8M), and Sheltered Housing (£0.5M) offset by additional demand for roof replacement (£0.2M) and other minor overspends.

•Capital YTD underspend spend (£0.7M) due to a number of out of profile spends primarily on Sheltered Housing Reprovision (£1.0M).

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Corporate Resources Overview and Scrutiny Committee 27 January 2015

Budget Monitoring Quarter 2, 2014/15

Revenue –Corporate Resources Directorate

Key points to note (see full reports for details):

•The 2014/15 forecast outturn is an underspend of £1.4m, after earmarked reserves.

•The year to date spend is £0.4m behind profile.

•September outstanding debt (over 30 days) £0.6m.

Revenue Budget- Forecast at Q2

Quarter 2, 2014/15	Full Year				
£000's	Budget	Forecast	Variance	Net use of reserves	Variance after net use of reserves
Improvement and Corporate Services	21,475	21,505	30	-230	-200
Chief Executive and Finance	5,037	4,523	-514	431	-83
Corporate Costs	9,861	8,783	-1,078	0	-1,078
Total- Corporate Resources Directorate	36,373	34,811	-1,562	201	-1,361

- **Significant items contributing to variances:**

- £0.76m savings against Financing costs and Minimum Revenue Provision (MRP) largely as a result in lower than budgeted capital expenditure.
- £0.55m of the budget provision relating to the changes to the pension past service cost treatment, not required.
- £0.25m additional contribution from the Housing Revenue Account
- £0.25m pressure due to an element of the Passenger Transport Review efficiency which is unachievable.

Capital Budget- Forecast at Q2

Forecast variance for the year £0.6m overspend, with £1.3m proposed spend deferring into 15/16.
There is an under spend to date of £1.0m against budget profile.

Significant proposed deferred spend:

Stratton Phase 4	£0.34m
Biggleswade Medical Centre	£0.34m
Customer First phase 2	£0.62m

	Full Year Budget	**Full Year forecast**	**Proposed deferral to 14/15**	**Variance**
Service	**£000's**	**£000's**	**£000's**	**£000's**
Assets	7,905	7,224	681	0
Info Tech (IT)	3,528	3,555	622	649
Others	238	238	0	0
Totals	**11,671**	**11,017**	**1,303**	649

Meeting: **Corporate Resources Overview & Scrutiny Committee**

Date: **27th January 2015**

Subject: Treasury Management Strategy And Treasury Policy

Report of: **Cllr Maurice Jones , Deputy Leader and Executive Member for Corporate Resources**

Summary: This report outlines the Draft Treasury Policy and Treasury Management Strategy for 2015-16

Advising Officer: Charles Warboys, Chief Finance Officer

Contact Officer: Ralph Gould, Head of Financial Control

Public/Exempt: Public

Wards Affected: All

Function of: Executive

CORPORATE IMPLICATIONS

Council Priorities:

1. Effective management of the Council's financial resources and the associated risks is a cornerstone to the delivery of the Council's priorities.

Financial:

2. The Council's Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) are derived from the Medium Term Financial Plan (MTFP). The TMSS and PIs are explained within the body of this report.

3. Treasury management is defined by the Chartered Institute of Public Finance and Accountancy's (CIPFA) *Treasury Management in the Public Services: Code of Practice (2011 Edition)* as: 'The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

Legal:

4. The Council’s treasury management activities are regulated by statute, professional codes and official guidance. The Local Government Act 2003 (the Act) provides the powers to borrow and invest as well as providing controls and limits. Under the Act, Communities and Local Government has issued Guidance on Local Government Investments (revised March 2010) to structure and regulate the Council’s investment activities. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 – Statutory Instrument (SI) 3146 (plus subsequent amendments), develops the controls and powers within the Act. The SI requires the Council to undertake any borrowing activity with regard to the CIPFA *Prudential Code for Capital Finance in Local Authorities (2011 Edition)*. The SI also requires the Council to operate the overall treasury function with regard to the CIPFA *Treasury Management in the Public Services: Code of Practice (2011 Edition)* (the Code of Practice).

   CIPFA revised the Code of Practice in November 2011 to reflect developments in financial markets and the introduction of the Localism Act for English local authorities

Risk Management:

5. The approved strategy aims to manage the risks to the Council’s finances from instability in financial markets.

Staffing (including Trades Unions):

6. Not Applicable.

Equalities/Human Rights:

7. Not Applicable.

Public Health

8. Not Applicable.

Community Safety:

9. Not Applicable.

Sustainability:

10. Not Applicable.

Procurement:

11. Not applicable.

RECOMMENDATION(S):

The Committee is asked to:-

Consider the report and submit comments to the Executive as considered necessary.

The reason for recommendations is to put an effective treasury management framework in place for the Council.

Background

12. The Council's TMSS has been underpinned by the adoption of CIPFA's Code of Practice, which includes the requirement for determining a treasury strategy covering the likely financing and investment activity for the forthcoming financial year.

13. An updated Treasury Management Policy Statement is attached in Appendix A; this was revised February 2012 and is subject to review every three years. A revised TMSS is attached in Appendix B with the updated PIs in Appendix C.

14. The Code requires the TMSS for the year to be approved by Council, and it will be submitted for approval on 26th February 2015. Local arrangements require the Corporate Resources Overview & Scrutiny Committee to scrutinise the proposed revised strategy on an annual basis. Both the Policy and the Strategy documents are proposed to be presented to the Executive on 10th February 2015 for recommendation to Council.

15. This report summarises the changes to the Treasury Management Policy and the TMSS as a result of continuous review with our external advisers, Arlingclose Ltd.

Treasury Management Policy

16. It is the Council's responsibility to approve a Treasury Management Policy Statement on a periodic basis. This Policy will be reviewed every three years or whenever legislative, regulatory or best practice changes materially impact the effectiveness of the current Policy. This is the triennial review since the Treasury Management Policy Statement was adopted by Council in February 2012.

17. The Treasury Management Policy sets out the objectives and the regulatory requirements of the Council's treasury management function.

18. The principal objectives of this Treasury Management Policy Statement are to provide a framework within which:
    i) risks which might affect the Council’s ability to fulfil its responsibilities or which might jeopardise its financial security, can be identified
    ii) borrowing costs can be minimised whilst ensuring the long term security and stability of the Council’s financial position
    iii) Investment returns can be safely maximised and capital values maintained.

19. Section 4.2 of the Treasury Management Policy Statement (Appendix A) now also refers to the inclusion of a policy on the use of financial derivatives and a policy on apportioning interest to the Housing Revenue Account (HRA) in the TMSS.

Treasury Management Strategy Statement

20. CIPFA’s *Treasury Management in the Public Services: Code of Practice (2011 Edition)* and their *Prudential Code for Capital Finance in Local Authorities (2011 Edition)* require local authorities to determine the TMSS on an annual basis.

21. The TMSS is included in Appendix B, and comprises three main components:
    i) the ‘External Context’, drafted by the Council’s external treasury advisers, Arlingclose Ltd. This is important as the rate at which the Council can borrow and the return it will obtain on cash balances are linked to the performance of the wider UK and global economy.
    ii) a Borrowing Strategy, including the approved sources of long term and short term borrowing.
    iii) an Investment Strategy, including the type of institutions the Council is able to place its cash with and the limits with each type of institution.

22. The TMSS also includes other items that the Council is required by CIPFA and the Department for Communities and Local Government (CLG) to include as part of its strategy, including the Council’s policy on the use of financial derivatives, interest charges between the HRA and the General Fund and borrowing in advance of need.

23. The main changes to the TMSS for 2015/16 are:

- a lower minimum credit rating criteria for acceptable investment counterparties from A- (or Moody's equivalent of A3) to BBB+ (or Moody's equivalent of Baa1), which was approved by Council at the meeting of 27th November 2014. This change allows the Council flexibility to continue to invest with the major UK banks and building societies in the event of further downgrades in credit ratings arising from the UK implementing the final bail-in provisions of the EU Bank Recovery and Resolution Directive. This implementation is planned to commence in January 2015, a year ahead of most other European countries.

- an increase to the non-specified cash limit for total investment rated below a credit rating of A- (or Moody's equivalent of A3) from £15m to £30m in recognition of a lower minimum credit rating criteria as outlined above, which was approved by Council at the meeting of 27th November 2014.

- a reduction in the investment counterparty limit for any single organisation (or group of organisations under the same ownership) from £15m to £7m in order to manage credit risk, which was approved by Council at the meeting of 27th November 2014.

- an increase to the short-term fixed rate maturity borrowing limit from 20% to 30% of overall debt to facilitate an increased use of short term debt in line with the strategy for new borrowing. The intention is to minimise the revenue cost of debt, whilst acknowledging the latest market forecasts on interest rates.

- the PIs below have been updated in line with the latest draft Capital Programme.

Prudential Indicators

24. The CIPFA *Prudential Code for Capital Finance in Local Authorities (2011 Edition)* requires performance against specified key indicators to be measured and reported on a regular basis. The purpose of these indicators is to demonstrate prudence, affordability and sustainability.

25. An explanation of PIs is included in Appendix C. Key objectives of the indicators are to:

- ensure borrowing is less than the Council's Capital Financing Requirement (CFR), demonstrating that all long term borrowing has been undertaken for capital purposes in line with the Prudential Code
- set the Council's authorised and operational borrowing limits
- show the percentage of the revenue budget required to be spent on financing borrowing
- show the incremental impact of new capital investment decisions on Council Tax and housing rent levels.

26. PIs are monitored throughout the year and reported to Members at Council mid-year and at the end of the financial year, in line with the best practice requirements outlined in the CIPFA Treasury Management Code of Practice.

27. Appendix C also includes a statement of the Council's Minimum Revenue Provision (MRP) policy, used to calculate the amount the Council is annually required to set aside towards repaying its CFR.

Background Papers:
None

Appendices:
Appendix A – Treasury Management Policy
Appendix B – Treasury Management Strategy Statement
Appendix C – Prudential Indicators and MRP Statement

Appendix A – Treasury Management Policy Statement for 2015/16, 2016/17 and 2017/18

1. Introduction

In accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) *Treasury Management in the Public Services: Code of Practice (2011 Edition)*, this Council defines the policies and objectives of its treasury management activities as follows:

1.1 Treasury management is:
'The management of the Council'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 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

1.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its Medium Term Financial Plan (MTFP). It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

1.4 The Chief Finance Officer will maintain suitable Treasury Management Practices (TMPs), setting out the manner in which this Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.

1.5 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

1.6 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council's investments followed by the yield earned on investments remain important but are secondary considerations.

2. Objectives

2.1 The principal objectives of this Treasury Management Policy Statement are to provide a framework within which:

i) risks which might affect the Council's ability to fulfil its responsibilities or which might jeopardise its financial security, can be identified and managed

ii) borrowing costs can be minimised whilst ensuring the long term security and stability of the Council's financial position

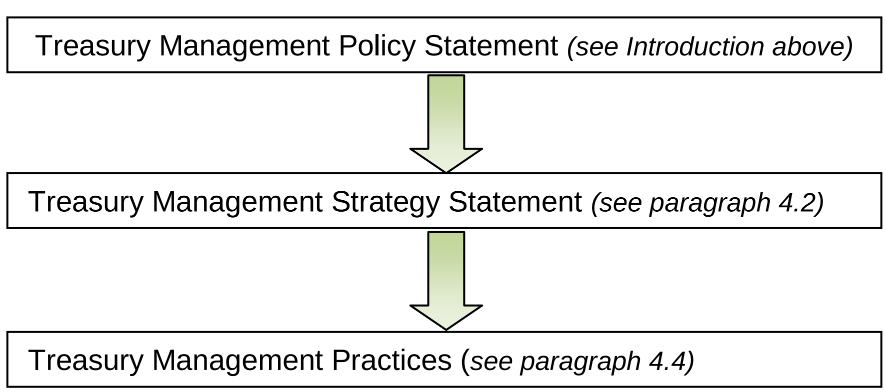
iii) investment returns can be safely maximised and capital values maintained.

3. Review Period

3.1 It is the Council's responsibility to approve a Treasury Management Policy Statement on a periodic basis. This Policy will be reviewed every three years or whenever legislative, regulatory or best practice changes materially impact the effectiveness of the current Policy. In the absence of changes, the next scheduled date for review is therefore January 2018.

4. Documentation

4.1 This document forms part of a suite of treasury documents intended to govern and regulate treasury management activity. The hierarchy of documents is set out below and the role of each is explained.



4.2 The annual Treasury Management Strategy Statement integrates with the Prudential Indicators set and will include the following:

- links to capital financing and treasury management Prudential Indicators for the current and forthcoming financial year

- a strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next year and for the restructuring of debt

- an Investment Strategy for the forthcoming year *(see paragraph 4.3)*

- the interest rate outlook against which the treasury activities are likely to be undertaken

- a policy on the use of financial derivatives

- a policy on apportioning interest to the Housing Revenue Account (HRA).

4.3 Based on the Department for Communities and Local Government (CLG) Guidance on Investments, the Council will produce as part of its annual Treasury Management Strategy Statement (TMSS), an Investment Strategy that sets out:

- the objectives, policies and strategy for managing its investments

- the determination of which Specified and Non Specified Investments the Council will utilise during the forthcoming financial year based on the Council's economic and investment outlook and the expected level of investment balances

- the limits for the use of Non-Specified Investments.

4.4 The Treasury Management Practices set out the detailed procedures behind the Treasury Management Policy including the manner in which the Council will seek to achieve the policy objectives, describing how it will manage and control the activities listed below:

- risk management
- performance measurement
- decision-making and analysis
- approved instruments, methods and techniques
- organisation, clarity and segregation of responsibilities, and dealing arrangements
- reporting requirements and management information arrangements
- budgeting, accounting and audit arrangements
- cash and cash flow management
- anti money laundering procedures
- staff training and qualifications
- use of external service providers
- corporate governance.

5. Basis of Policy

5.1 The Council will adhere to the regulatory framework set out in the following documents:

a) CIPFA - Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2011 Edition)

b) CIPFA - The Prudential Code for Capital Finance in Local Authorities (2011 Edition)

c) the Council's Constitution, Code of Financial Governance and the Scheme of Officer Delegations.

5.2 Copies of the documents listed above are available from the Chief Finance Officer, if required. The Council will be bound by the requirements of any successor documents to those listed above unless a subsequent review of this Policy deems them no longer to be appropriate.

5.3 In arriving at treasury management decisions, due cognisance will be taken of written and verbal advice provided by the Council's treasury advisers, Arlingclose Ltd, but neither the Council nor its officers will be bound by such advice.

5.4 The Chief Finance Officer will only transact with brokers, funders and counterparties who have accepted the principles set out in the current Bank of England's 'Non Investment Products Code (NIPS Code)' (http://www.bankofengland.co.uk/markets/forex/fxjsc/nipscode.pdf).

6. Reporting of Treasury Management Activities

6.1 The CIPFA Code of Practice requires the Chief Finance Officer to produce for adoption by Council:

- an annual TMSS which will set out the borrowing and investment strategy to be pursued in the coming year, along with the associated Prudential Indicators in compliance with the CIPFA *Prudential Code for Capital Finance in Local Authorities (2011 Edition)*
- a mid-year review
- an annual report on the performance of the treasury management function. This will cover the effects of the decisions taken and the transactions executed in the past year, and any circumstances of non-compliance with the Council's Treasury Management Policy Statement and Treasury Management Practices (TMPs).

6.2 Annually, the Corporate Resources Overview & Scrutiny Committee considers the proposed TMSS and receives quarterly treasury management performance information as part of the budget monitoring process.

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Appendix B - Treasury Management Strategy Statement (TMSS) 2015/16

Introduction

In a Council meeting on the 29th November 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice (2011 Edition)* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

External Context

Economic background: There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP. However, inflationary pressure is benign and is likely to remain low in the short-term. There have been large falls in unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak.

The Monetary Policy Committee (MPC) meets on a monthly basis to set the Bank of England's Base Rate, which is used to control the level of inflation. The MPC aims for a target Consumer Price Index (CPI) inflation rate of 2.0%, within a range of plus or minus 1.0%, i.e., between 1.0% and 3.0%. The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee. Despite two MPC members having voted for a 0.25% increase in rates at each of the monthly meetings since August 2014, some Committee members have become more concerned that the economic outlook is less optimistic than at the time of the August *Inflation Report*.

Credit outlook: The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The *Bank Recovery and Resolution Directive* promotes the interests of individuals and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast *Deposit Guarantee Schemes Directive* includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world. However, due to the above legislative changes, the credit risk associated with making unsecured bank deposits will increase relative to the risk of other investment options available to the Council.

Interest rate forecast: The Council's treasury management adviser, Arlingclose Ltd, forecasts the first rise in official interest rates in August 2015 and a series of gradual increases thereafter, with the average Base Rate for 2015/16 being around 0.75%. Arlingclose Ltd believes the normalised level of the Base Rate post-crisis will range between 2.5% and 3.5%. The risk to the upside (i.e., interest rates being higher) is weighted more towards the end of the forecast horizon. On the downside, Eurozone weakness and the threat of deflation have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year. Arlingclose Ltd projects gilt yields on an upward path in the medium term, taking the forecast average 10 year Public Works Loan Board (PWLB) loan rate for 2015/16 to 3.40%.

A more detailed economic and interest rate forecast provided by Arlingclose Ltd is attached at Schedule 1.

Local Context

At 31st October 2014, the Council held £305.4m of borrowing and £18.6m of investments. This is set out in further detail at *Schedule 2.* Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31/3/14 Actual £m	31/3/15 Estimate £m	31/3/16 Estimate £m	31/3/17 Estimate £m	31/3/18 Estimate £m
General Fund CFR	254.1	296.2	330.9	372.4	400.1
HRA CFR	164.1	165.0	165.0	165.0	164.0
Total CFR	**418.2**	**461.2**	**495.9**	**537.4**	**564.1**
Less: Other long-term liabilities *	(16.8)	(16.3)	(15.7)	(15.3)	(14.6)
Borrowing CFR	**401.4**	**444.9**	**480.2**	**522.1**	**549.5**
Less: External borrowing **	308.0	291.6	282.2	275.6	274.6
Internal borrowing	**93.4**	**153.3**	**198.0**	**246.5**	**274.9**
Less: Usable reserves	103.1	98.7	94.3	83.5	76.5
Less: Working capital	24.7	25.0	25.0	25.0	25.0
Investments (or new borrowing)	**34.4**	**(29.6)*** **	**(78.7)**	**(138.0)**	**(173.4)**

* PFI liabilities that form part of the Council's debt

** shows only loans to which the Council is committed and excludes optional refinancing

*** Forecast borrowing is based on the full Capital Programme being achieved. The capital budget, however, assumes that 20% of the Capital Programme will be deferred to the next financial year.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves are the underlying resources available for investment. However, usable reserves include schools balances, those specific to the Housing Revenue Account (HRA) and other earmarked reserves. The usable General Fund reserves balance as at 31st March 2014 was £15.1m.

The Council has an increasing CFR due to the Capital Programme and continues to adhere to its long-standing strategy of holding low cash balances to reduce investment counterparty risk and contain its borrowing costs by utilising cash balances in lieu of borrowing externally. The balance sheet forecast in table 1 shows that the Council cannot fund future capital borrowing requirements by internally borrowing from its own cash balances going forward and will have to externally borrow from December 2014 as cash balances are expected to have been reduced to a minimum level.

CIPFA's *Prudential Code for Capital Finance in Local Authorities (2011 Edition)* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2015/16.

Borrowing Strategy

At 31st October 2014, the Council held external borrowing of £305.4m and naturally maturing debt means that this would fall to £291.6m by the end of the 2014/15 financial year if no new borrowing was taken out. However, the balance sheet forecast in table 1 shows that the Council expects to take out new borrowing of around £30.0m in 2014/15 to finance its Capital Programme.

The primary objective when borrowing money is to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Given the significant reductions in public expenditure and in particular local government funding, the borrowing strategy continues to address the key issue of affordability without compromising the longer term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term fixed rate loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing and short-term fixed rate loan finance will be monitored regularly against the potential for incurring additional costs when long-term borrowing rates are forecast to rise. Arlingclose Ltd will assist with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council considers borrowing additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Council may take out short-term fixed rate loans (normally for up to one to three months) to cover unexpected cash flow shortages.

The approved sources of long-term and short-term borrowing are:

- the PWLB
- UK local authorities
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds
- special purpose companies created to enable joint local authority bond issues
- capital market bond investors.

The Council and its predecessors raised the majority of the long-term borrowing from the PWLB. The Council plans to maintain minimum cash levels for operational purposes and source its borrowing needs from other local authorities on a short-term fixed rate rolling basis at around (or even below) the prevailing Base Rate in order to achieve significant revenue cost savings in the short term, over the more traditional route of borrowing long term from the PWLB.

The revenue implications of the capital programme over 2015/16 to 2018/19 have been calculated on the assumption that most new borrowing will be taken on a short-term fixed rate basis taking advantage of current low interest rates. This borrowing strategy assumes that interest rates will continue to remain low for longer than previously envisaged, in line with advice from Arlingclose Ltd who forecast the first rise in official interest rates in August 2015 and a series of gradual increases thereafter, with the average Base Rate for 2015/16 being around 0.75%. The average forecast Base Rates for 2016/17, 2017/18 and 2018/19 are 1.25%, 1.50% and 1.75% respectively.

There is a risk that interest rates may increase or be higher than current rates when it comes to refinancing debt taken out on a short term basis. This would lead to higher revenue implications arising from the draft capital programme over the longer term, beyond the current Medium Term Financial Plan (MTFP) period. However, interest rate risk is preferable to credit risk which is minimised through the use of short-term fixed rate borrowing to enable the Council to maintain minimum operational cash balances.

The Council holds £13.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2015/16, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

Short-term fixed rate and variable rate loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limits on the exposure to variable interest rates and short-term fixed rates in the treasury management indicators below.

Debt Rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Some bank lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, where this is expected to lead to an overall saving or reduction in risk.

Investment Strategy

At 31st October 2014, the Council held £13.7m of invested funds, (excluding externally invested funds) representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £12m and £64m. The Council plans to maintain minimum cash levels for operational purposes and therefore significantly lower levels are expected to be maintained in the forthcoming year.

Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Given the increasing risk and continued low returns from short-term unsecured bank deposits, the Council aims to effectively manage this risk by maintaining minimum cash levels for operational purposes.

The Council may invest its surplus funds with any of the counterparties in Table 2 below:

Table 2: Approved Investment Counterparties

<table>
<tr><th colspan="2">Counterparty</th></tr>
<tr><td rowspan="8">Banks and other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:</td><td>AAA</td></tr>
<tr><td>AA+</td></tr>
<tr><td>AA</td></tr>
<tr><td>AA-</td></tr>
<tr><td>A+</td></tr>
<tr><td>A</td></tr>
<tr><td>A-</td></tr>
<tr><td>BBB+</td></tr>
<tr><td colspan="2">UK Central Government (irrespective of credit rating)</td></tr>
<tr><td colspan="2">UK Local Authorities (irrespective of credit rating)</td></tr>
<tr><td colspan="2">Money market funds and other pooled funds</td></tr>
</table>

In addition, the Council may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the treasury management adviser, Arlingclose Ltd.

Current Account Bank: The Council's current accounts are held with NatWest which is currently rated at the minimum BBB+ (or Moody's equivalent of Baa1) rating in Table 2. Should the credit ratings fall below BBB+, the Council may continue to deposit surplus cash with NatWest providing that any investments can be withdrawn on the next working day, and that the bank maintains a credit rating no lower than BBB- (or Moody's equivalent of Baa3) which is the lowest investment grade rating.

Registered Providers: Formerly known as Housing Associations, Registered Providers of Social Housing are tightly regulated by the Homes and Communities Agency and retain a high likelihood of receiving Government support if needed. The Council will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.

Building Societies: The Council takes additional comfort from the building societies' regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the Council's deposits would be paid out in preference to retail depositors. The Council will therefore consider investing with unrated building societies where independent credit analysis shows them to be suitably creditworthy. The Government has announced plans to amend the building society insolvency regime alongside its plans for wide ranging banking reform, and any investments in lower rated and unrated building societies will therefore be kept under continuous review.

Money Market Funds: These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Council. Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts.

Other Pooled Funds: These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. They offer enhanced returns over the longer term, but are potentially more volatile in the shorter term, and their performance and continued suitability in meeting the Council's investment objectives need be monitored regularly. The Council has one pooled fund, inherited from one of the legacy councils (The Lime Fund). This continues to be a sound investment and is monitored regularly with our treasury management adviser, Arlingclose Ltd. There are no plans currently to invest further in pooled funds.

Other Organisations: The Council may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Council's treasury management adviser, Arlingclose Ltd.

Externally Managed Funds: these are managed on a discretionary basis by a fund manager. The manager has scope to add value through the use of the investments listed in table 2 and must operate within the same limits. Performance is monitored and measured against the benchmark set for the fund, prevailing economic conditions and investment opportunities.

Risk Assessment and Credit Ratings: The Council uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Council's treasury adviser, Arlingclose Ltd, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made; and
- consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a BBB+ rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling
- due to be repaid within 12 months of arrangement
- not defined as capital expenditure by legislation, and
- invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long term investments, i.e., those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition of high credit quality. Limits on non-specified investments are shown in Table 3 below.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long term investments	£10m
Total investments without credit ratings or rated below A-	£30m
Total investments in foreign countries rated below AA+ by individual country	£10m

Investment Limits: The Council's general revenue reserves available to cover investment losses are forecast to be £15.1m on 31st March 2015. In order that no more than £7m of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £7m. A group of banks under the same ownership will be treated as a single organisation for limit purposes.

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£7m each
UK Central Government	unlimited
UK Local Authorities	unlimited
Any group of organisations under the same ownership	£7m per group
Any group of pooled funds under the same management	£10m per manger
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£10m per country
Registered Providers	£10m in total
Unsecured investments with Building Societies	£10m in total
Loans to small businesses	£10m in total
Money Market Funds	70% in total

Liquidity management: Cash flow forecasting is used to determine the maximum period for which funds may prudently be committed. Limits on long term investments are set by reference to the Council's Medium Term Financial Plan and cash flow forecast.

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable interest rate exposures, expressed as the proportion of net principal borrowed will be:

Table 5: Limits on Fixed and Variable Rate Exposures

	2015/16 **%**	**2016/17** **%**	**2017/18** **%**
Upper limit on fixed rate exposure	100	100	100
Upper limit for variable rate exposure	40	40	40

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For example, a rise in interest rates would increase the revenue cost of borrowings at variable rates. The Council has a number of strategies for managing interest rate risk and aims to keep a maximum of 40% of its borrowings in variable rate loans.

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper Limit %	Lower Limit %
Under 12 months	30	0
12 months - 24 months	20	0
24 months - 5 years	60	0
5 years - 10 years	100	0
10 years - 20 years	100	0
20 years - 30 years	100	0
30 years - 40 years	100	0
40 years - 50 years	100	0
50 years and above	100	0

The increased 30% upper limit for 'Under 12 months' will accommodate the Council's borrowing strategy of taking most of its new borrowing on a short-term fixed rate basis to take advantage of current low interest rates. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment, e.g., LOBO option dates (on which the lender can require payment) are treated as potential repayment dates.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£10m	£10m	£10m

Other Items

There are a number of additional items that the Council is obliged by CIPFA and CLG to include in its Treasury Management Strategy Statement.

Policy on Use of Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Policy on Apportioning Interest to the HRA: The Council has adopted a two pooled approach and all the costs/income arising from long-term loans (e.g., premiums and discounts on early redemption) will be either charged from or credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured and interest transferred between the General Fund and HRA at the Council's average interest rate on investments, adjusted for credit risk.

Investment Training: The needs of the Council's treasury management staff for training in investment management are assessed regularly as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose Ltd and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Investment Advisers: Arlingclose Ltd is the appointed treasury management advisers providing specific advice on investment, debt and capital finance issues.

Investment of Money Borrowed in Advance of Need: The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £533.4m million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower risk of losses from credit related defaults, but any such losses will be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses will be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain

Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income. Unable to deliver the full Capital Programme.	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain

Schedule 1 – Arlingclose Economic & Interest Rate Forecast

(drafted by Arlingclose Ltd, October 2014)

Underlying assumptions:

- The UK economic recovery has continued. Household consumption remains a significant driver, but there are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP throughout this year.
- We expect consumption growth to slow, given softening housing market activity, the muted outlook for wage growth and slower employment growth. The subdued global environment suggests there is little prospect of a significant contribution from external demand.
- Inflationary pressure is currently low and is likely to remain so in the short-term. Despite a correction in the appreciation of Sterling against the US dollar, imported inflation remains limited. We expect commodity prices will remain subdued given the weak outlook for global growth.
- The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee.
- Nominal earnings growth remains weak and below inflation, despite large falls in unemployment, which poses a dilemma for the MPC. Our view is that spare capacity remains extensive. The levels of part-time, self-employment and underemployment are significant and indicate capacity within the employed workforce, in addition to the still large unemployed pool. Productivity growth can therefore remain weak in the short term without creating undue inflationary pressure.
- However, we also expect employment growth to slow as economic growth decelerates. This is likely to boost productivity, which will bear down on unit labour costs and inflationary pressure.
- In addition to the lack of wage and inflationary pressures, policymakers are evidently concerned about the bleak prospects for the Eurozone. These factors will maintain the dovish stance of the MPC in the medium term.
- The continuing repair of public and private sector balance sheets leave them sensitive to higher interest rates. The MPC clearly believes the appropriate level for the Base Rate for the post-crisis UK economy is significantly lower than the previous norm. We would suggest this is between 2.5% and 3.5%.

- While the ECB is likely to introduce outright Quantitative Easing (QE), fears for the Eurozone are likely to maintain a safe haven bid for UK government debt, keeping gilt yields artificially low in the short term.
- The probability of potential upside risks crystallising have waned a little over the past two months. The primary upside risk is a swifter recovery in the Eurozone.

Forecast:

- Arlingclose Ltd continues to forecast the first rise in official interest rates in Q3 2015; general market sentiment is now close to this forecast. There is momentum in the economy, but inflationary pressure is benign and external risks have increased, reducing the likelihood of immediate monetary tightening.
- We project a slow rise in the Base Rate. The pace of interest rate rises will be gradual and the extent of rises limited; we believe the normalised level of Base Rate post-crisis to range between 2.5% and 3.5%.
- The short run path for gilt yields is flatter due to the deteriorating Eurozone situation. We project gilt yields on an upward path in the medium term.

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Official Bank Rate													
Upside risk				0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	**0.50**	**0.50**	**0.75**	**0.75**	**1.00**	**1.00**	**1.25**	**1.25**	**1.50**	**1.50**	**1.75**	**1.75**	**1.75**
Downside risk			0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00
3-month LIBID rate													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	**0.60**	**0.75**	**0.90**	**1.05**	**1.20**	**1.35**	**1.50**	**1.60**	**1.70**	**1.80**	**1.90**	**2.00**	**2.10**
Downside risk	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	-0.95	-0.95	-0.95	-0.95	-1.00
1-yr LIBID rate													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	**1.00**	**1.05**	**1.20**	**1.35**	**1.50**	**1.65**	**1.80**	**1.95**	**2.10**	**2.20**	**2.30**	**2.40**	**2.50**
Downside risk	-0.15	-0.20	-0.30	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80	-0.80	-0.80
5-yr gilt yield													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55
Arlingclose Central Case	**1.45**	**1.60**	**1.75**	**1.90**	**2.00**	**2.15**	**2.25**	**2.35**	**2.45**	**2.50**	**2.55**	**2.60**	**2.60**
Downside risk	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.70	-0.70	-0.70
10-yr gilt yield													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55
Arlingclose Central Case	**2.00**	**2.10**	**2.20**	**2.30**	**2.40**	**2.50**	**2.60**	**2.70**	**2.75**	**2.80**	**2.85**	**2.90**	**2.95**
Downside risk	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60	-0.60
20-yr gilt yield													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55
Arlingclose Central Case	**2.55**	**2.65**	**2.75**	**2.85**	**2.95**	**3.00**	**3.05**	**3.10**	**3.15**	**3.20**	**3.25**	**3.30**	**3.30**
Downside risk	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.50	-0.55	-0.55	-0.60	-0.60	-0.60	-0.60
50-yr gilt yield													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55
Arlingclose Central Case	**2.65**	**2.70**	**2.80**	**2.90**	**3.00**	**3.05**	**3.10**	**3.15**	**3.20**	**3.25**	**3.30**	**3.55**	**3.60**
Downside risk	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60	-0.60

Schedule 2 – Existing Investment & Debt Portfolio Position

	31/10/14 **Actual Portfolio** **£m**
External Borrowing:	
PWLB – Fixed Rate	217.0
PWLB – Variable Rate	74.9
LOBO Loans	13.5
Total External Borrowing	**305.4**
Other Long Term Liabilities:	
PFI	16.8
Total Gross External Debt	**322.2**
Investments:	
Managed in-house	
Short-term investments	13.7
Pooled Funds *(Lime Fund)*	4.9
Total Investments	**18.6**
Net Debt	**303.6**

Appendix C – Prudential Indicators and MRP Statement 2015/16

The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities (2011 Edition)* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure

The Council's planned capital expenditure and financing can be summarised as follows.

Capital Expenditure and Financing	**2014/15 Revised £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**
General Fund	93.4	113.8	117.2	85.0
HRA	18.8	16.9	24.9	20.5
Total Expenditure	**112.2**	**130.7**	**142.1**	**105.5**
Capital Receipts	(8.2)	(16.7)	(15.2)	(14.1)
Government Grants	(37.2)	(58.6)	(57.0)	(38.3)
Reserves	(12.2)	(8.0)	(15.0)	(9.7)
Revenue	(5.8)	(5.3)	(4.9)	(6.3)
Borrowing	(48.8)	(42.1)	(50.0)	(37.1)
Total Financing	**(112.2)**	**(130.7)**	**(142.1)**	**(105.5)**

Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31/03/15 Revised £m	31/03/16 Estimate £m	31/03/17 Estimate £m	31/03/18 Estimate £m
General Fund	296.2	330.9	372.4	400.1
HRA	165.0	165.0	165.0	164.0
Total CFR	**461.2**	**495.9**	**537.4**	**564.1**

The CFR is forecast to rise by £102.9m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

Gross Debt and the Capital Financing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

Debt	31/03/15 Revised £m	31/03/16 Estimate £m	31/03/17 Estimate £m	31/03/18 Estimate £m
Borrowing	321.6	363.7	413.7	449.8
PFI liabilities	16.3	15.7	15.3	14.6
Total Debt	**337.9**	**379.4**	**429.0**	**464.4**

Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt

The Operational Boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the CFR and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance leases, Private Finance Initiative (PFI) and other liabilities that are not borrowing but form part of the Council's debt.

Operational Boundary	**2014/15 Revised £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**
Borrowing	466.5	502.2	544.7	572.5
Other long-term liabilities	19.3	18.7	18.3	17.6
Total Debt	**485.8**	**520.9**	**563.0**	**590.1**

Authorised Limit for External Debt

The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe at any given point during each financial year. The Authorised Limit provides headroom over and above the Operational Boundary for unusual cash movements. More specifically, the Authorised Limit for External Debt is a total of £12.5m higher in each financial year when compared to the Operational Boundary figure, being £10.0m higher on the 'Borrowing' line and £2.5m higher on the 'Other long-term liabilities' line.

Authorised Limit	**2014/15 Revised £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**
Borrowing	476.5	512.2	554.7	582.5
Other long-term liabilities	21.8	21.2	20.8	20.1
Total Debt	**498.3**	**533.4**	**575.5**	**602.6**

Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2014/15 Revised %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
General Fund	6.4	7.1	8.2	9.1
HRA	12.5	12.2	11.8	11.4

It measures the proportion of the revenue budget that is required to meet the ongoing financing costs of past capital expenditure which was funded from borrowing. Future year estimates incorporate the additional financing costs of planned capital expenditure to be funded from borrowing. It is important that the total capital investment of the Council remains within sustainable limits. However, the level of capital investment that can be supported will be a matter for local decision.

The prudential indicators are designed to support and record local decision making in a manner that is publicly accountable. They are not designed to be comparable performance indicators. Nonetheless, it is interesting to note that Central Bedfordshire's Ratio of Financing Costs to Net Revenue Stream (General Fund) is currently broadly consistent with its nearest local authority neighbours:

	2014/15
Milton Keynes	11.1%
Northamptonshire	10.2%
Luton	10.0%
Cambridgeshire	9.7%
Central Bedfordshire	**6.4%**
Buckinghamshire	6.0%
Bedford Borough	5.5%
Hertfordshire	1.4%

Central Bedfordshire's ratio is expected to increase relative to its peers given the Council's significant commitment to capital investment over the next few years.

Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the incremental impact of new capital investment decisions on Council Tax and housing rent levels.

Incremental Impact of Capital Investment Decisions	**2015/16 Estimate £**	**2016/17 Estimate £**	**2017/18 Estimate £**
General Fund - increase in annual band D Council Tax	15.78	18.76	14.85
HRA - increase in average weekly rents	0.25	0.32	0.49

Adoption of the CIPFA Treasury Management Code

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice (2011 Edition)* at its Council meeting on 29th November 2012.

Housing Revenue Account (HRA) Debt

The purpose of this limit is to report the level of debt imposed on the Council at the time of the implementation of self-financing by the Department for Communities and Local Government (CLG).

	2014/15 Revised £m	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**
HRA	**165.0**	**165.0**	**165.0**	**164.0**

Annual Minimum Revenue Provision Statement 2015/16

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG Guidance) most recently issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Council to approve an Annual MRP Statement each year, and recommends four options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance.

The method used by the Council for the Medium Term Financial Plan (MTFP) period is to spread MRP over 10 years, 30 years or 50 years depending on the approximate useful economic life of the asset upon which expenditure is being incurred. MRP is spread over the useful economic life on an annuity basis. The annuity method enables MRP financing of the draft capital programme to be minimised over the medium term, with higher MRP costs in future years beyond the current MTFP period.

At a more detailed level, for capital expenditure incurred before 1st April 2008 MRP will be determined in accordance with the former regulations that applied on 31st March 2008 incorporating an 'Adjustment A' as defined in the former regulations. For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure on an annuity basis with an annual interest rate of 4% for certain assets and spreading the provision across the useful economic life of others, starting in the year after the asset becomes operational. For example, capital expenditure incurred during 2015/16 will not be subject to an MRP charge until 2016/17.

For assets acquired by finance leases or the Private Finance Initiative, the MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability. No MRP will be charged in respect of assets held within the Housing Revenue Account.

The calculation is reviewed annually by the Council's external auditors as part of the audit of the Statement of Accounts.

Meeting: **Corporate Resources Overview & Scrutiny Committee**

Date: **27 January 2015**

Subject: Work Programme 2014 – 2015 & Executive Forward Plan

Report of: **Chief Executive**

Summary: The report provides Members with details of the currently drafted Committee work programme and the latest Executive Forward Plan.

Contact Officer: Rebecca Preen, Scrutiny Officer

Public/Exempt: Public

Wards Affected: All

Function of: Council

CORPORATE IMPLICATIONS

Council Priorities:
The work programme of the Corporate Resources Overview & Scrutiny Committee will contribute indirectly to all 5 Council priorities. Whilst there are no direct implications arising from this report the implications of proposals will be details in full in each report submitted to the Committee.

RECOMMENDATION(S):

1. that the Corporate Resources Overview & Scrutiny Committee

(a) considers and approves the work programme attached, subject to any further amendments it may wish to make;

(b) considers the Executive Forward Plan; and

(c) considers whether it wishes to add any further items to the work programme and/or establish any Task Forces to assist it in reviewing specific items.

Overview and Scrutiny Work Programme

1. Attached is the currently drafted work programme for the Committee.

2. The Committee is now requested to consider the work programme attached and amend or add to it as necessary.

Overview and Scrutiny Task Forces

3. In addition to consideration of the work programme, Members may also wish to consider how each item will be reviewed i.e. by the Committee itself (over one or a number of Committee meetings) or by establishing a Member Task Force to review an item in greater depth and report back its findings.

Executive Forward Plan

4. Listed below are those items relating specifically to this Committee's terms of reference contained in the latest version of the Executive's Forward Plan to ensure Members are fully aware of the key issues Executive Members will be taking decisions upon in the coming months. The full Executive Forward Plan can be viewed on the Council's website at the link at the end of this report.

Ref	Issue	Indicative Exec Meeting date
1.	Roker Park, Stotfold	10 February 2015
Non Key Decisions		
7.	Budget 2015/16	10 February 2015
8.	Treasury Management Strategy	10 February 2015
9.	Quarter 3 Budget Monitoring	10 February 2015
10.	To consider the quarter 3 performance report.	31 March 2015

Conclusion

5 Members are requested to consider and agree the attached work programme, subject to any further amendments/additions they may wish to make and highlight those items within it where they may wish to establish a Task Force to assist the Committee in its work. This will allow officers to plan accordingly but will not preclude further items being added during the course of the year if Members so wish and capacity exists.

Appendix – Corporate Resources Overview and Scrutiny Work Programme.

Background reports:

Executive Forward Plan (can be viewed at any time on the Council's website) at the following **link:-** http://www.centralbedfordshire.gov.uk/modgov/mgListPlans.aspx?RPId=577&RD=0

Appendix A – Item 14 CR OSC Work Programme

OSC Date	Report Title	Description
17 March 2015	Quarter 3 Budget Monitoring	To receive the quarter 3 budget monitoring reports for the revenue, capital and housing revenue account
17 March 2015	Provision of recruitment services for temporary agency staff	To receive details on the new contract in the first three months of implementation

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