

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

**This meeting  
will be filmed.\***



**Central  
Bedfordshire**

**please ask for** Helen Bell  
**direct line** 0300 300 4040  
**date** 3 September 2015

## **NOTICE OF MEETING**

### **COUNCIL**

Date & Time

**Thursday, 17 September 2015 6.30 p.m.**

Venue at

**Council Chamber, Priory House, Monks Walk, Shefford**

Richard Carr  
**Chief Executive**

To: The Chairman and Members of the COUNCIL

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

**\*This meeting may be filmed by the Council for live and/or subsequent broadcast online at**

**<http://www.centralbedfordshire.gov.uk/modgov/ieListMeetings.aspx?Committeeld=576>.**

**You can view previous meetings there starting from May 2015.**

**At the start of the meeting the Chairman will confirm if all or part of the meeting will be filmed by the Council. The footage will be on the Council's website for six months. A copy of it will also be retained in accordance with the Council's data retention policy. The images and sound recording may be used for training purposes within the Council.**

**By entering the Chamber you are deemed to have consented to being filmed by the Council, including during any representation you might make, and to the possible use of the images and sound recordings made by the Council for webcasting and/or training purposes.**

**Phones and other equipment may also be used to film, audio record, tweet or blog from this meeting by an individual Council member or a member of the public. No part of the meeting room is exempt from public filming unless the meeting resolves to go into exempt session. The use of images or recordings arising from this is not under the Council's control.**

# AGENDA

## Prayers

The Reverend Paul Niemiec, Community Minister, Leighton Buzzard will take prayers.

1. **Apologies**

Apologies for absence to be received.

2. **Minutes**

To approve the minutes of the Council meeting held on 23 July 2015.

(Attached pages 7 to 24)

3. **Members' Interests**

To receive from Members any declarations of interest.

4. **Questions, Statements and Deputations**

To receive any questions, statements and 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.

5. **Petitions**

To receive and discuss petitions if any, in accordance with the Public Participation Procedure as set out in Annex 2 of part A4 of the Constitution.

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

The Chairman to announce any matters of communication.

7. **Leader of the Council's Announcements and Communications**

The Leader of the Council to announce any matters of communication.

8. **Executive Member Presentations**

To receive reports from up to three Executive Members on recent matters of interest and ask questions on matters contained within the reports.

Reports are anticipated from Councillors Young and Turner.

9. **Recommendation from the Executive**

To consider a recommendation from a meeting of the Executive held on 4 August 2015.

(1) Reducing reliance on Bed & Breakfast accommodation use.

(attached page 25)

10. **Motions (if any)**

To consider motions by Members of the Council under Rule No. 17 in the order received.

11. **Written Questions**

To answer written questions from Members of the Council under Rule No. 13.2.

12. **Treasury Management Outturn 2014/15**

To consider a report of Councillor Wenham, Executive Member for Corporate Resources on Treasury Management Outturn.

(attached pages 27 to 46)

13. **Open Questions**

To answer Open Questions asked by Members of the Council under Rule No. 13.7.

**CENTRAL BEDFORDSHIRE COUNCIL**

At a meeting of the **COUNCIL** held in the Council Chamber, Priory House, Monks Walk, Shefford on Thursday, 23 July 2015.

**PRESENT**

Cllr D Bowater (Chairman)

Cllr Mrs C F Chapman MBE (Vice-Chairman)

Cllrs	R D Berry	Cllrs	C Hegley	Cllrs	B Saunders
	M C Blair		P Hollick		J A G Saunders
	J Chatterley		J G Jamieson		I Shingler
	Mrs S Clark		K Janes		B J Spurr
	N B Costin		R W Johnstone		R C Stay
	I Dalgarno		M R Jones		T Stock
	S Dixon		J Kane		T Swain
	P Downing		D J Lawrence		G Tubb
	P A Duckett		Mrs J G Lawrence		A M Turner
	K Ferguson		K C Matthews		M A G Versallion
	Mrs J Freeman		Ms C Maudlin		N Warren
	E Ghent		D McVicar		R D Wenham
	C C Gomm		R Morris		T Woodward
	Mrs S A Goodchild		T Nicols		J N Young
	Mrs D B Gurney		A Ryan		A Zerny

**Apologies for Absence**

Cllrs	Mrs A Barker	Cllrs	F Firth	Cllrs	B Walker
	L Birt		Ms A M W Graham		B Wells
	A D Brown		G Perham		Mrs S Harrison
	K M Collins		D Shelvey		Mrs J Ogley
	Mrs A L Dodwell		P Smith		

Officers:	Miss H Bell	–	Committee Services Officer
	Mr R Carr	–	Chief Executive
	Mrs D Broadbent-Clarke	–	Director of Improvement and Corporate Services
	Mrs M Clay	–	Chief Legal and Democratic Services Officer
	Mr M Coiffait	–	Director of Community Services
	Mr G Jones	–	Assistant Director Children's Services Operations
	Mr J Longhurst	–	Director of Regeneration and Business
	Mr S Mitchelmore	–	Assistant Director, Adult Social Care
	Ms M Peaston	–	Committee Services Manager
	Mrs M Scott	–	Director of Public Health
	Mr C Warboys	–	Chief Finance Officer

C/15/14. **Prayers**

Prayers were taken by the Reverend Paul Niemiec, Community Minister, Leighton Buzzard.

C/15/15. **Minutes**

**RESOLVED**

**That the minutes of the meeting held on 21 May 2015 be confirmed and signed by the Chairman as a correct record.**

C/15/16. **Members' Interests**

None were declared.

C/15/17. **Questions, Statements and Deputations**

No questions, statements or deputations were received.

C/15/18. **Petitions**

No petitions were received.

C/15/19. **Chairman's Announcements and Communications**

The Chairman reported upon his attendance at the following events:

- The University of Bedfordshire Graduation Ceremony;
- The 75<sup>th</sup> Anniversary day for the Army Intelligence Corps. The day had been attended by HRH Duke of Edinburgh;
- The Bedfordshire Games for people with Disabilities Learning Difficulties.

The Chairman advised that Melanie Clay, would be leaving the Council to take up a new role at Tower Hamlets Borough Council. He thanked her for her services in her position as Head of Legal Services and Monitoring Officer and expressed best wishes on behalf of the Council.

C/15/20. **Leader of the Council's Announcements and Communications**

The Leader made no announcements or communications.

**C/15/21. Executive Member Presentations**

Councillor Jones, Executive Member for Health reported on work within his portfolio area including:

- The challenges facing Public Health, including the growth of an ageing population;
- Joint plans for the Better Care Fund;
- Increased responsibility for children's health;
- Expansion of the Health Visiting Services;
- The Drugs and Alcohol Services in Central Bedfordshire had been ranked in the top quartile in the country;
- Teenage pregnancy in Central Bedfordshire is now at its lowest since Central Bedfordshire Council was established.

Councillor Jones responded to questions.

Councillor Wenham, Executive Member for Corporate Resources reported on work within his portfolio area including:

- Preparation for the Medium Term Financial Plan;
- The budget setting cycle for the next financial year and challenges of delivering services alongside the increase demand in Adult Social Care and Children's Services;
- A new project to transform working practices and oversee a further major reduction in the number of buildings the Council occupied;
- Key improvements in IT, including, better Wi-Fi to be rolled out in Priory House and Watling House and in other Council buildings, particularly those with public access;
- The 'Paper light' Strategy and the associated trial involving elected Members using an electronic application to access agendas was now underway. The intention was to roll out this approach to all Members to significantly reduce the need for printing committee papers;
- Projects to enable electronic access to the Registrar Services and Housing Services;
- Plans for enabling missed bin reporting electronically.

Councillor Wenham in his role as Executive Member for Corporate Resources which included Legal Services recorded his best wishes to Melanie Clay, Head of Legal Services and Monitoring Officer who would be leaving the Council in August 2015.

Councillor Wenham responded to questions.

C/15/22.

### **Recommendations from the General Purposes Committee**

#### **(i) The Local Authorities (Standing Orders)(England) (Amendment) Regulations 2015**

The Council considered recommendations from the meeting of the General Purposes Committee held on 25 June 2015 concerning advice on recent legislative changes to Local Authority Standing Orders relating to the dismissal of statutory officers.

#### **RESOLVED**

- 1. that the Independent Panel designated to deal with the dismissal of Statutory Officers be the Appointments Sub-Committee;**
- 2. that the Officer Employment Procedure Rules contained at Part H4 of the Constitution and the General Purposes Committee terms of reference contained at Part E2 be amended, as set out in Appendices A and B respectively to these minutes, to reflect the requirements set out in the Local Authorities (Standing Orders)(England)(Amendment) Regulations 2015;**
- 3. that the current relevant Independent Persons appointed to the Council be invited to join the Appointments Sub-Committee when dealing with the dismissal of the Chief Executive (Head of Paid Service), Chief Finance Officer (Section 151 Officer) and Chief Legal and Democratic Services Officer (Monitoring Officer); and**
- 4. that the composition and remit of the Appointments Sub-Committee remain as currently constituted save that in the case of dismissal of the Chief Executive (Head of Paid Service), Chief Finance Officer (Section 151 Officer) and Chief Legal and Democratic Services Officer (Monitoring Officer) the Sub-Committee may only make a recommendation to Council.**



**(ii) Constitution Update**

The Council considered recommendations from a meeting of the General Purposes Committee held on 25 June 2015 proposing an amendment to Part K of the Constitution, Members' Allowances Scheme.

**RESOLVED**

**that the provision for Members' ICT allowances be included in Part K of the Constitution, Members' Allowances Scheme, as set out at Appendix C to these Minutes.**

**C/15/23. Motions**

Notice had been received from Councillor Stay of a motion under Procedure Rule No 17 as follows:

"This Council moves a referral of the Planning Enforcement Service to the Sustainable Communities Overview & Scrutiny Committee to consider the effectiveness of the service, it's capacity to meet the current & future needs of Central Bedfordshire and make any appropriate recommendations to the Director of Regeneration & Business Support."

The Executive Member for Regeneration advised the Council that the Chairman of the Sustainable Communities Overview and Scrutiny Committee agreed to add to the Committee's work programme the Planning Enforcement Service.

In view of this, Councillor Stay withdrew the motion.

**C/15/24. Written Questions**

No written questions were received.

**C/15/25. Annual report of the Leader of the Council**

The Leader presented his annual report celebrating successes over recent years and outlining plans for the future.

**C/15/26. Audit Committee Activity - 2014/15 Annual Report**

The Council received the annual report from the Audit Committee for 2014/15 which presented a summary of the Committee's activities during the last twelve months.

**RESOLVED**

**that the Audit Committee Annual Report 2014/15 be noted.**

C/15/27. **Annual Report of the Police and Crime Panel**

The Council considered the annual report of the Bedfordshire Police and Crime Panel.

**RESOLVED**

**That the report of the Bedfordshire Police and Crime Panel be noted.**

C/15/28. **Open Questions**

The Chairman invited the Minority Group Leaders to ask a question each prior to the consideration of questions that had been placed in the Open Questions receptacle.

1. Councillor Zerny asked if the Executive Member for Community Services would write on behalf of Central Bedfordshire Council to the Transport Minister setting out its support of The Guide Dogs for the Blind, Pavement Bill.

The Executive Member for Community Services outlined the problems associated with parking on pavements throughout Central Bedfordshire and that he would support the Guide Dogs for the Blind, Pavement Bill initiative by writing to the Transport Minister.

2. Councillor Versallion sought reassurance that stakeholders with the most experience of Gypsy and Traveller sites are given the opportunity to apply their knowledge and input into the new Gypsy and Traveller Plan.

The Executive Member for Regeneration advised that public knowledge and expertise would be welcome in the formation of the new Gypsy and Traveller Plan.

3. Councillor Zerny asked a question about devolution and what plans Central Bedfordshire Council had in place to build strong links with neighbouring authorities.

The Leader of the Council advised of discussions that were underway with neighbouring authorities and confirmed that the devolution issue was under active consideration.

(Note: The meeting commenced at 6.30 p.m. and concluded at 7.40 p.m.)

Chairman .....

Dated .....



This page is intentionally left blank

## **H4 OFFICER EMPLOYMENT PROCEDURE RULES**

### **1. Recruitment and Appointment**

#### **1.1 Declarations**

1.1.1 The Council will draw up a statement requiring any candidate for appointment as an officer to state in writing whether they are the parent, grandparent, partners, child, stepchild, adopted child, grandchild, brother, sister, uncle, aunt, nephew or niece of an existing councillor or officer of the Council; or of the partner of such persons.

1.1.2 No candidate so related to a councillor or an officer will be appointed without the authority of the relevant Director or Assistant Chief Executive or an officer nominated by him/her.

#### **1.2 Seeking support for appointment**

1.2.1 Subject to paragraph 1.2.3, the Council will disqualify any applicant who directly or indirectly canvasses the support of any councillor or officer for any appointment with the Council. The content of this paragraph will be included in any recruitment information.

1.2.2 Subject to paragraph 1.2.3, no councillor or officer will canvass support for any person for any appointment with the Council.

1.2.3 Nothing in paragraphs 1.2.1 and 1.2.2 above will preclude a councillor or officer from giving a written reference for a candidate for submission with an application for appointment except where the councillor or officer is a member of the appointment panel in that case.

### **2. Recruitment of Head of Paid Service, Directors and Assistant Chief Executives**

2.1 Where the Council proposes to appoint the Head of Paid Service or a Director or Assistant Chief Executive and it is not proposed that the appointment be made exclusively from among their existing officers, the Appointments Sub-Committee will:

2.1.1 Draw up a statement specifying:-

2.1.1.1 the duties of the officer concerned; and

2.1.1.2 any qualifications or qualities to be sought in the person to be appointed

Appendix A

- 2.1.2 Make arrangements for the post to be advertised in such a way as is likely to bring it to the attention of persons who are qualified to apply for it;
- 2.1.3 Make arrangements for a copy of the statement mentioned in paragraph 2.1.1 to be sent to any person on request;
- 2.1.4 Either interview all qualified applicants for the post, or select a short list of such qualified applicants and interview those on the short list; and
- 2.1.5 Where no qualified person has applied, make further arrangements for advertisement in accordance with paragraph 2.1.2 above.

**3. Appointment or Dismissal of Head of Paid Service, Directors, Assistant Chief Executives, Chief Finance Officer and Monitoring Officer**

3.1 *Appointments*

- 3.1.1 Only the full Council shall approve (or otherwise) the appointment of the Head of Paid Service following the recommendation of such an appointment by the Appointments Sub-Committee. The Appointments Sub-Committee must include at least one member of the Executive.
- 3.1.2 The Appointments Sub-Committee will appoint Directors, Assistant Chief Executives, the Chief Finance Officer and the Monitoring Officer as designated in Part H1 of the Constitution.
- 3.1.3 Before the Sub-Committee makes an offer of an appointment, the Monitoring Officer shall notify every member of the Executive of:-
  - 3.1.3.1 the name of the proposed appointee;
  - 3.1.3.2 the particulars relevant to the appointment; and
  - 3.1.3.3 the period within which objections to the appointment can be made.
- 3.1.4 The Sub-Committee may make an offer provided that:-
  - 3.1.4.1 the Leader, on behalf of the Executive and within the period, raises no objection, or indicates that the Executive has no objection; or
  - 3.1.4.2 the Sub-Committee decides that any objection received from the Leader within the period is not material or is not well founded.

3.2 *Dismissals*

- 3.2.1 The full Council shall approve (or otherwise) the dismissal of the Head of Paid Service, Chief Finance Officer and Monitoring Officer following the recommendation of such dismissal by the Appointments Sub-Committee and subject to compliance with the provisions of paragraph 5.
- 3.2.2 The responsibility for dismissal of Directors, Assistant Chief Executives and Assistant Directors rests with the Head of the Paid Service or his/her nominee.
- 3.2.3 Before full Council (in the case of the Head of Paid Service, Chief Finance Officer and Monitoring Officer) or the Head of the Paid Service or his/her nominee (in the case of Directors) determines to issue a notice of dismissal, the Monitoring Officer or his/her deputy shall notify every member of the Executive of:-
- 3.2.3.1 the name of the person proposed to be dismissed;
  - 3.2.3.2 any other particulars relevant to the proposed dismissal; and
  - 3.2.3.3 the period within which objections to the dismissal can be made.
- 3.2.4 The Sub-Committee or the Head of Paid Service or his/her nominee may determine to issue a notice of dismissal, provided that:-
- 3.2.4.1 the Leader, on behalf of the Executive and within the period, indicates that the Executive has no objections, or raises no objection; or
  - 3.2.4.2 the Sub-Committee or the Head of Paid Service or his/her nominee as appropriate decides that any objection received from the Leader within the period is not material or is not well founded.

4. **Other Appointments/Dismissals**

- 4.1 **Officers below Director.** Appointment of officers below Director level (other than Assistant Chief Executive, the Chief Finance Officer and Monitoring Officer and assistants to political groups) is the responsibility of the Head of Paid Service or his/her nominee (and may not be made by Councillors) subject to compliance with the provisions of paragraph 3.1.3 and 3.1.4 in the case of Assistant Directors.

Appendix A

- 4.2 Dismissal of officers below Director level other than Assistant Chief Executives is the responsibility of the Head of Paid Service, subject to compliance ~~with paragraph 5 in respect of the Chief Finance Officer and Monitoring Officer and~~ with the provisions of paragraphs 3.2.3 and 3.2.4 above in respect of Assistant Directors.
- 4.3 **Assistants to political groups.** Where the Council has approved the establishment of posts of assistant to political groups, their appointment shall be made in accordance with the wishes of the respective political group.

**5. Disciplinary Action**

- 5.1 **Suspension.** The Head of Paid Service, Monitoring Officer and Chief Finance Officer may be suspended whilst an investigation takes place into alleged misconduct. That suspension will be on full pay and last no longer than two months.
- 5.2 ~~**Independent person.** No other disciplinary action may be taken in respect of any of those officers except in accordance with a recommendation in a report made by a designated independent person.~~
- 5.3 Councillors will not be involved in any disciplinary action ~~(including dismissal)~~ against any officer ~~below Head of Paid Service~~ except where such involvement is necessary for any investigation or inquiry into alleged misconduct, though the Council's disciplinary, capability and related procedures, as adopted from time to time, may allow a right of appeal to members in respect of disciplinary action

**6. Dismissal of Head of Paid Service , Chief Finance Officer and Monitoring Officer**

~~**6.1.** In the following paragraphs—~~

~~(a)6.1.1 “the 2011 Act” means the Localism Act 2011(1);~~

~~(b)6.1.2 “chief finance officer”, “disciplinary action”, “head of the authority’s paid service” and “monitoring officer” have the same meaning as in regulation 2 of the Local Authorities (Standing Orders) (England) Regulations 2001(2);~~

~~(c)6.1.3 “independent person” means a person appointed under section 28(7) of the 2011 Act;~~

~~**6.2.** A relevant officer may not be dismissed by an authority unless the procedure set out in the following paragraphs is complied with.~~

~~**6.3.** The authority must invite relevant independent persons to be considered for appointment to the Panel, with a view to appointing at least two such persons to the Panel.~~

~~**6.4.** In paragraph 3 “relevant independent person” means any independent person who has been appointed by the authority or, where there are fewer than two such persons, such independent persons as have been appointed by another authority or authorities as the authority considers appropriate.~~

~~**6.5.** Subject to paragraph 6.6, the authority must appoint to the Panel such relevant independent persons who have accepted an invitation issued in accordance with paragraph 6.3 in accordance with the following priority order—~~



Appendix A

(a)6.5.1 a relevant independent person who has been appointed by the authority and who is a local government elector;

(b)6.5.2 any other relevant independent person who has been appointed by the authority;

(c)6.5.3 a relevant independent person who has been appointed by another authority or authorities.

6.6. An authority is not required to appoint more than two relevant independent persons in accordance with paragraph 6.5 but may do so.

6.7. The authority must appoint any Panel at least 20 working days before the relevant meeting.

6.8. Before the taking of a vote at the relevant meeting on whether or not to approve such a dismissal, the authority must take into account, in particular—

(a)6.8.1 any advice, views or recommendations of the Panel;

(b)6.8.2 the conclusions of any investigation into the proposed dismissal; and

(c)6.8.3 any representations from the relevant officer.

6.9. Any remuneration, allowances or fees paid by the authority to an independent person appointed to the Panel must not exceed the level of remuneration, allowances or fees payable to that independent person in respect of that person's role as independent person under the 2011 Act."

This page is intentionally left blank

**5. The General Purposes Committee**

<b>Appointed by:</b>	The Council under Section 101 of the Local Government Act 1972
<b>No of Members:</b>	12 including at least 3 members of the Executive
<b>Chairman and Vice-Chairman appointed by:</b>	The Council
<b>Quorum</b>	At least 50% of the membership of the Committee
<b>Frequency</b>	Provision to be made for a meeting in each committee cycle, if needed
<b>Venue</b>	As set out in the approved Calendar of Meetings <sup>1</sup>  1 unless otherwise agreed by the Chairman, Monitoring Officer or Committee by resolution.
<b>Co-opted members</b>	None

**5.1 Terms of Reference**

- 5.1.1 To make arrangements for the appointment of the Head of Paid Service, Directors, Chief Finance Officer and Monitoring Officer and the dismissal of the Head of Paid Service, Chief Finance Officer and Monitoring Officer via the Appointments Sub-Committee;
- 5.1.2 To determine strategic employee policies;
- 5.1.3 To determine terms and conditions of employment for employees;

This page is intentionally left blank

## Appendix C

### Proposed Changes to Part K of the Constitution

The proposed changes are set out in red type, below.

Schedule 5 would be inserted to follow Schedule 4 after the main body of the Scheme.

### Constitution – Part K – Scheme of Members' Allowances

#### 9. Payment of Allowances

9.1 Payments shall be made:-

9.1.1 in respect of basic and special responsibility allowances, subject to sub-paragraph 9.2, in instalments of one-twelfth of the amount specified in this Scheme on the same day of each month as that on which salary is paid to staff;

9.1.2 in respect of travelling, subsistence and dependants' carers' allowances, on the same day of each month as that on which salary is paid to staff, in respect of claims received on or before the third working day of that month.

9.1.3 In respect of ICT allowances, subject to sub-paragraph 9.2, in instalments over a 4-year Council term as set out in Schedule 5, subject to the provision of appropriate receipts.

9.2 Where a payment of one-twelfth of the amount specified in this Scheme in respect of a basic allowance or a special responsibility allowance would result in the Councillor receiving more than the amount to which, by virtue of paragraph 6, he or she is entitled, the payment shall be restricted to such amount as will ensure that no more is paid than the amount to which he or she is entitled.

#### 10. Travelling and Subsistence

Details of, and entitlement to, travelling and subsistence payments in respect of approved duties are set out in Schedules 2 and 3.

#### 11. Dependants' Carers' Allowances

Details of, and entitlement to, dependants' carers' allowances are set out in Schedule 4.

**12. Co-opted Members' Allowance**

Each person appointed to a committee or sub-committee or panel of Central Bedfordshire Council, as a co-opted Member, shall be paid in respect of each meeting or training event attended each year an allowance, as shown below:

- (a) where the meeting or training event is of up to 4 hours  
£75
- (b) where the meeting or training event is for more than 4 hours  
£150

**13. ICT Allowances**

**Details of, and entitlements to, ICT allowances are set out in Schedule 5.**

**Schedule 5**

**ICT ALLOWANCES**

The following allowances may be paid following the purchase of ICT equipment/support for Council-related use on production of appropriate receipts, to be concluded within a 4-year Council term.

Where a Council member does not remain a member for the full term the purchased equipment or the value of the allowance paid for that equipment must be returned to the Council.

<b>Nature of allowance</b>	<b>Monthly amount</b>	<b>Total 4 year cost (48 payments)</b>
Equipment allowance	£12.50	£600
PC support & consumables allowance	Initial payment £19.80 and 47 payments of £16.60	£800
Fixed Line + Broadband allowance	Initial payment of £34.90 and 47 payments of £33.30	£1,600
Mobile phone allowance	£25	£1,200

<b>Total</b>	Up to a maximum of an initial payment of £92.20 and 47 payments of £87.40 over a 4-year Council term	<b>£4,200</b>
--------------	--	---------------

This page is intentionally left blank



**COUNCIL MEETING – 17 SEPTEMBER 2015**

**Recommendation to Council from the Executive meeting  
held on 4 August 2015**

E/15/26.

**Reducing Reliance on Bed and Breakfast Accommodation Use**

The Executive considered a report from the Executive Member for Social Care and Housing that outlined the financial pressures resulting from a sustained increase in the use of Bed and Breakfast accommodation on a temporary basis by homeless families approaching the Council.

It was proposed that the Council invest £2million of Housing Revenue Account funding to acquire 7 to 9 family homes (and/or land to build), which would be used as temporary accommodation as an alternative to Bed and Breakfast. The properties would be located in the north of Central Bedfordshire.

In response to a question, the Executive Member for Social Care and Housing confirmed that families in such circumstances would receive appropriate support and guidance.

Reason for decision: To respond appropriately to help homeless families in the north of Central Bedfordshire.

**RESOLVED**

**that the impact, in particular the financial pressures facing the Council from increased use of Bed and Breakfast accommodation for emergency temporary use be noted.**

***RECOMMENDED to Council***

***that the expenditure of £2m of Housing Revenue Account resources for the acquisition of a portfolio of circa 7-9 properties and potentially land (for development) be approved.***

This page is intentionally left blank

Central Bedfordshire Council

COUNCIL

17 September 2015

---

**Treasury Management Outturn Report 2014/15**

Report of Richard Wenham, Executive Member for Corporate Resources  
([richard.wenham@centralbedfordshire.gov.uk](mailto:richard.wenham@centralbedfordshire.gov.uk))

Advising Officer: Charles Warboys, Chief Finance Officer and Section 151  
Officer

([charles.warboys@centralbedfordshire.gov.uk](mailto:charles.warboys@centralbedfordshire.gov.uk))

Contact Officer: Ralph Gould, Head of Financial Control

([ralph.gould@centralbedfordshire.gov.uk](mailto:ralph.gould@centralbedfordshire.gov.uk))

**This report relates to a non-Key Decision**

---

**The purpose of this report is to provide a review of Treasury Management activities for the year ended 31 March 2015 in compliance with relevant codes of practice adopted by Central Bedfordshire Council.**

1. The Council's Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) *Treasury Management in the Public Services: Code of Practice (2011 Edition)*, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.
2. The Code also requires that all Members are informed of Treasury Management activities at least twice a year. This annual report on Treasury Management activities after the close of the financial year, together with the mid-year report to Council in November, therefore ensures that Central Bedfordshire Council has adopted best practice in accordance with CIPFA's recommendations.

**RECOMMENDATIONS**

The Council is asked to:

1. Note the report on Treasury Management and the Prudential Indicators performance for the year ended 31 March 2015.

## **Overview and Scrutiny Comments/Recommendations**

1. Local arrangements require the Corporate Resources Overview and Scrutiny Committee to receive, on a quarterly basis, treasury management performance reports and every year to scrutinise the revised strategy. This activity is scheduled for the Committee's meeting on 2 February 2016.

## **Background**

Treasury management is defined by the CIPFA Code of Practice for Treasury Management in the Public Services 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."

## **Summary of Borrowing and Investment Strategies**

The Council's strategy over the period can be summarised as:

- i) The Council used internal resources in lieu of borrowing to the full extent as this has continued to be the most cost effective means of funding capital expenditure.
- ii) The opportunities for debt rescheduling are regularly monitored but, as anticipated, no opportunities materialised.
- iii) Given continuing economic uncertainty, the security and liquidity of investments were safeguarded by restricting counterparties to those of high creditworthiness and also restricting time periods for investments.

Following the 2008 financial crisis, governments injected hundreds of billions of pounds to bail-out the banks. Bail-outs of failing banks in Greece, Portugal and Ireland were primarily financed by taxpayers. As time has passed and the cost of government bail-outs has risen, the appeal of asking private-sector investors to suffer a greater proportion of losses has increased. A bail-in forces the bank's bondholders and depositors to bear some of the burden by having part of the debt they are owed written off.

The UK has implemented the final bail-in provisions of the EU Bank Recovery and Resolution Directive over recent months, a year ahead of most other countries. This has led to credit rating downgrades for a number of UK banks and Building Societies to reflect the reduced likelihood of Central Government support. Aside from maintaining minimal cash levels for operational purposes, the Council also mitigates the higher risk arising from the introduction of the new bank bail-in provisions by spreading its cash balance across a diversified range of investment counterparties.

An economic summary of 2014/15 is at Appendix A.

### **Credit Risk**

As noted above, a bail-in forces the bank's bondholders and depositors to bear some of the burden by having part of the debt they are owed written off. In other words, local authority funds are unsecured creditors and their funds held with a financial institution deemed to be failing, or likely to fail, by the Bank of England's Prudential Regulatory Authority (PRA) would be at risk.

Following advice from Arlingclose Ltd, the Council, at its meeting of 27 November 2014, approved 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). This change allowed 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's implementation of the final bail-in provisions of the EU Bank Recovery and Resolution Directive which was approved on 15 April 2014.

Faced with an environment of greater credit risk, the Council continued to follow external treasury advice from Arlingclose Ltd when placing investments and sought to minimise risk in line with its Treasury Strategy. This involved continuing to diversify investments in 2014/15, utilising banks that were within the approved Treasury Strategy but which had not been used either previously or in recent years for deposits or fixed term investments, including Santander UK. It also involved using a wider range of Money Market Funds for Council investments. Furthermore, the investment counterparty limit for any single organisation (or group of organisations under the same ownership) was reduced from £15m to £7m in order to manage credit risk. The Council's approval was given to this approach at its meeting of 27 November 2014.

A counterparty update is at Appendix A.

### **Treasury Activities**

Security of capital remains the Council's most important investment objective. The Council's investment income for the year was £0.4m (£0.7m in 2013/14) and the average cash balance was £30.1m (£58.2m in 2013/14). Details of investment activity in 2014/15 are set out in Appendix B.

The average cash balance was lower in 2014/15 than 2013/14 due to internal borrowing of existing cash in lieu of any new external borrowing to fund the Capital Programme or replacement of maturing debt.

In line with the approved treasury strategy, the Council used internal resources in lieu of borrowing to the full extent as this has continued to be the most cost effective means of funding capital expenditure. Maturing debt of £16.4m was replaced with new loans on a short-term fixed rate basis from other local authorities, together with net additional short term borrowing of £4.6m. This short term borrowing was secured at rates preferential to the traditional route of borrowing from the Public Works Loan Board.

As anticipated, no opportunities for debt rescheduling materialised during 2014/15.

Details of investment and borrowing activities are set out in Appendix B.

### **Prudential Indicators**

The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce Prudential Indicators to support decision making. The Prudential Code was revised in November 2011 and has been adopted by this Council.

Prudential Indicators for 2014/15 were approved at the Council meeting of 20 February 2014. The Council's borrowing has not exceeded the various limits determined within the Treasury Management Strategy and any Prudential Indicators relevant to debt. The full details of the performance in respect of all of the 2014/15 approved Prudential Indicators are set out in Appendix C.

### **Council Priorities**

3. The effective management of the combined activities of debt and investments and the associated risks contribute to the Council's financial resources and is a cornerstone to the delivery of the Council's priorities.

## **Corporate Implications**

### **Legal Implications**

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, the Department for 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. The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services (the Code of Practice).
5. 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.

### **Financial Implications**

6. The Council's Treasury Management Strategy and Prudential Indicators underpin the Medium Term Financial Plan (MTFP). Performance against the Strategy and the Prudential Indicators is explained within the body of this report.
7. The outturn for Interest Payable in 2014/15 was £5.4m, lower than the 2014/15 budget of £5.9m by £0.5m. This was due to a combination of interest rates continuing to remain at historically low levels, a lower level of borrowing than assumed in the 2014/15 budget due to Capital Programme slippage, and new borrowing being taken on a short-term fixed rate basis from other local authorities at minimal cost.
8. The 2014/15 budget for Interest Receivable was £0.5m, compared with the outturn of £0.4m, giving a net underachievement of £0.1m. This was due to interest rates continuing to remain at historically low levels.

### **Equalities Implications**

9. There are no equalities implications to this report.

### **Conclusion and next Steps**

10. Overall responsibility for treasury management remains with the Council.
11. This report provides Members with a summary of the treasury management activity during 2014/15.
12. The Council can confirm a prudent approach has been taken in relation to its borrowing activities, which were based on market interest rate forecasts, and its investment activities with priority being given to security and liquidity over yield.
13. The Council has duly applied its Treasury Management Strategy for 2014/15 and there were no breaches in its Prudential Indicators.

### **Appendices**

Appendix A – Economic Summary and Counterparty Update  
Appendix B – Borrowing and Investment Activities  
Appendix C – Prudential Indicators

### **Background Papers**

The following background papers, not previously available to the public, were taken into account and are available on the Council's website:

<http://intranet.centralbedfordshire.gov.uk/finance/guidance/treasury-guidance.aspx>

The Chartered Institute of Public Finance & Accountancy – The Prudential Code for Capital Finance in Local Authorities (2011 Edition).

The Chartered Institute of Public Finance & Accountancy – Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance notes (2011 Edition).

The Chartered Institute of Public Finance & Accountancy – Treasury Management in the Public Services, Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (2011 Edition).



**Appendix A – Economic Summary and Counterparty Update – Provided by Arlingclose**

**Economic Summary**

**Growth and Inflation:** The robust pace of Gross Domestic Product (GDP) growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.

The annual Consumer Prices Index (CPI) measure of inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price (which fell to \$44 a barrel, a level not seen since March 2009) and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound towards the end of 2015 as the lower prices drop out of the annual rate calculation.

**Labour Market:** The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. March 2015 showed a headline employment rate of 73.5%, while the rate of unemployment fell to 5.5% from 6.8% a year earlier. Comparing the three months to February 2015 with a year earlier, employee pay increased by 1.9% including bonuses and by 2.2% excluding bonuses.

**UK Monetary Policy:** The Bank of England's Monetary Policy Committee (MPC) maintained interest rates at 0.5% and asset purchases under its programme of Quantitative Easing (QE) at £375bn. Its members held a wide range of views on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to get panicked into responding to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Base Rate would be gradual and limited, and below average historical levels.

Political uncertainty had a large bearing on market confidence this year. The possibility of Scottish independence was of concern to the financial markets, however this dissipated following the outcome of September's referendum. The risk of upheaval (the pledge to devolve extensive new powers to the Scottish parliament; English MPs in turn demanding separate laws for England) lingers on. The March Budget heralded the start of the general election campaign and markets braced themselves for what was, at the time, predicted to be another hung parliament.

On the continent, the European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05% in September 2014 and the rate paid on commercial bank balances held with it ranged from -0.10% to -0.20%. The much anticipated Quantitative Easing, which will expand the ECB's balance sheet by €1.1 trillion was finally announced by the Central Bank at its January meeting in an effort to steer the euro area away from deflation and invigorate its waning economies. The size was at the high end of market expectations and it will involve buying €60bn of sovereign bonds, asset-backed securities and covered bonds a month, commencing March 2015 through to September 2016. The possibility of a Greek exit from the Eurozone refused to subside given the clear frustrations that remained between its new government and its creditors.

The US economy rebounded strongly in 2014, employment growth was robust and there were early signs of wage pressures building, albeit from a low level. The Federal Reserve made no change to US policy rates. The Central Bank however continued with 'tapering', i.e., a reduction in asset purchases by \$10 billion per month, and ended them altogether in October 2014. With the US economy resilient enough to weather the weakness of key trading partners and a strong US dollar, in March 2015 the Federal Reserve removed the word "patient" from its statement accompanying its rates decisions, effectively leaving the door open for a rise in rates later in the year.

**Market reaction:** From July 2014, gilt yields were driven lower by a combination of factors: geo-political risks emanating from the Middle East and Ukraine, the slide towards deflation within the Eurozone and the big slide in the price of oil and its transmission though into lower prices globally. 5-, 10- and 20-year gilt yields fell to their lows in January 2015 (0.88%, 1.33% and 1.86% respectively) before ending the year higher at 1.19%, 1.57% and 2.14% respectively.

The movement in rates at which local authorities can borrow from the Public Works Loan Board (PWLB) is set out in the table below.

Period	31 March 2014	31 March 2015
1 year	1.3%	1.1%
3 year	2.0%	1.5%
5 year	2.7%	1.9%
10 year	3.6%	2.5%

\* These borrowing rates are at the 'Certainty Rate' (0.20% below the PWLB standard rate).

### **Counterparty Update**

The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on 15 April 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish, over 2014/15 Moody's revised the Outlook of several UK and EU banks from Stable to Negative. Standard & Poor's (S&P) placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries' early adoption of the bail-in regime in the BRRD.

S&P also revised the Outlook for major Canadian banks to negative following the Canadian Government's announcement of a potential bail-in policy framework.

The Bank of England published its approach to the Bank Resolution which gave an indication of how the reduction of a failing bank's liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.

The combined effect of the BRRD and the UK's Deposit Guarantee Scheme Directive (DGSD) is to promote deposits of individuals and SMEs above those of public authorities, large corporates and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.

In December 2014 the Bank's Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK's financial stability. Institutions which 'passed' the tests but would be at risk in the event of a 'severe economic downturn' were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, whose constituent banks are on the Council's lending list, is taking measures to augment capital and the PRA does not require the group to submit a revised capital plan. RBS, which was not on the Council's lending list for investments during 2014/15, has updated plans to issue additional Tier 1 capital. The Co-operative Bank, which is not on the Council's lending list for investments, failed the test.

The European Central Bank also published the results of the Asset Quality Review (AQR) and stress tests, based on December 2013 data. 25 European banks failed the test, falling short of the required threshold capital by approximately €25bn (£20bn) in total. None of the failed banks featured on the Council's lending list.

In October 2014 following sharp movements in market signals driven by deteriorating global growth prospects, especially in the Eurozone, Arlingclose Ltd advised a reduction in investment duration limits for unsecured bank and Building Society investments to counter the risk of another full-blown Eurozone crisis. Duration for new unsecured investments with some UK institutions was further reduced to 100 days in February 2015.

**Appendix B - Borrowing and Investment Activities**

**The Borrowing Requirement and Debt Management**

The Council's capital expenditure is financed by external funding, revenue contributions or capital receipts. The Council is allowed to borrow to fund any shortfall in financing, provided the level of borrowing is prudent and sustainable. The Council increases its Capital Financing Requirement (CFR) when incurring any capital expenditure which is not financed by grants, contributions, capital receipts or revenue contributions. In addition to paying interest on debt, local authorities are required to set cash aside annually to repay the principal General Fund debt balance by means of a Minimum Revenue Provision (MRP). The borrowing requirement is reduced by the amount of any in-year MRP.

**Borrowing Activity in 2014/15**

	Balance on 01/04/2014 £m	Debt Maturing £m	New Borrowing £m	Reclassification	Balance on 31/03/2015 £m
<b>CFR</b>	<b>418.2</b>				<b>451.3</b>
Short Term Borrowing <sup>1</sup>	16.4	(16.4)	21.0	9.4	<b>30.4</b>
Long Term Borrowing	291.6			(9.4)	<b>282.2</b>
<b>TOTAL BORROWING</b>	<b>308.0</b>	<b>(16.4)</b>	<b>21.0</b>	<b>0</b>	<b>312.6</b>
Other Long Term Liabilities	16.8	(0.5)			<b>16.3</b>
<b>TOTAL EXTERNAL DEBT</b>	<b>324.8</b>	<b>(16.9)</b>	<b>21.0</b>	<b>0</b>	<b>328.9</b>

The Council's underlying need to borrow, as measured by the Capital Financing Requirement (CFR) as at 31/3/2015, was estimated at £451.3m.

The Council did not repay any debt prematurely in the 2014/15 financial year, as discount rates made the costs involved unattractive.

The Council funded £4.6m of its capital expenditure through new borrowing in 2014/15, with £28.5m of the £33.1m increase in CFR met from internal resources. The Council's preferred source of borrowing is from other local authorities on a short term rolling basis in order to achieve significant revenue cost savings over the more traditional route of borrowing long term from the PWLB.

---

<sup>1</sup> Loans with maturities less than 1 year and excludes short term borrowing for cash flow purposes borrowed and repaid in year.

This borrowing strategy assumes that interest rates will continue to remain low for longer than previously envisaged, in line with advice from the Council's treasury advisers, Arlingclose Ltd. However, the Council will continue to monitor long term rates with a view to fixing a portion of its borrowing if rates are favourable.

### **Internal Borrowing**

Given the significant cuts to local government funding putting pressure on Council finances, the strategy followed was to minimise debt interest payments without compromising the longer term stability of the portfolio. The differential between the cost of new longer term debt and the return generated on the Council's temporary investment returns was significant, between 2% - 3%. The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding capital expenditure. This has lowered overall treasury risk by reducing temporary investments to minimal operational levels and has limited the extent of increase in external debt. Internal borrowing has been utilised to the full extent and there will be a need to borrow externally for capital purposes during 2015/16 and beyond.

### **Lender's Option Borrower's Option Loans (LOBOs)**

The CIPFA Treasury Management Code requires the Prudential Indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e., the next call date. LOBO loans with a principal of £13.5m are therefore disclosed as reaching maturity in less than 12 months.

### **Debt Rescheduling / Restructuring**

No debt rescheduling or restructuring was undertaken in 2014/15.

### **Investment Activity**

CLG's Investment Guidance requires local authorities to focus on security and liquidity, rather than yield.

### **Investment Activity in 2014/15**

<b>Investments</b>	Balance on 01/04/2014 £m	Investments Made / Capital Appreciation £m	Investments Repaid £m	Balance on 31/03/2015 £m
Short Term Investments (call accounts, deposits)	15.3	249.4	256.4	8.3
Money Market Funds	4.8	244.3	243.6	5.5
Other Pooled Funds	4.9	0.1		5.0
<b>TOTAL INVESTMENTS</b>	25.0	493.8	500.0	18.8

Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15.

Investments during the year included:

- Investments in AAA-rated Money Market Funds;
- A-rated UK banks and Building Societies.

### **Credit Risk**

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Council's minimum long-term counterparty rating of BBB+ or equivalent across rating agencies Fitch, Standard & Poor's and Moody's), share prices, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

### **Liquidity**

In keeping with the CLG's Guidance on Investments, the Council has maintained a sufficient level of liquidity through the use of Money Market Funds/overnight deposits/call accounts.

### **Yield**

The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Base Rate was maintained at 0.5% through the year.

The Council considered an appropriate risk management response to uncertain and deteriorating credit conditions in Europe was to shorten maturities for new investments. Short term money market rates also remained at very low levels which had a significant impact on investment income, as investments were placed overnight or for short periods.

The Council's investment income for the year was £0.4m with the Council's long term investment in the Lime Fund providing some cushioning against the low interest rate environment.

The average cash balance representing the Council's reserves, contributions/grants in advance, and working balances, was £30.1m during the period.

### **Compliance**

To support financial strategic planning and decision making, the Council approves annually a series of Prudential Indicators which are regularly monitored. The Council did not exceed any of the various limits determined by the Treasury Management Strategy and specific Prudential Indicators. Full details of performance in respect of all of the Prudential Indicators for 2014/15 are set out in Appendix C.

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2014/15. The Council can confirm it has taken a prudent approach in relation to investment activity with priority being given to security and liquidity over yield.

The Council can confirm that during 2014/15 it complied with its **Treasury Management Policy Statement** and **Treasury Management Practices**.

### **Other Items**

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

During 2014/15 staff attended training courses, seminars and conferences provided by Arlingclose Ltd.

### **Appendix C - Prudential Indicators**

The Local Government Act 2003 requires the Council to have regard to CIPFA's *Prudential Code for Capital Finance in Local Authorities* (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.

#### **Capital Financing Requirement (CFR)**

Estimates of the Council's cumulative maximum external borrowing requirement for 2014/15 to 2017/18 are shown in the table below:

	<b>31/03/15 Actual £m</b>	<b>31/03/16 Estimate £m</b>	<b>31/03/17 Estimate £m</b>	<b>31/03/18 Estimate £m</b>
General Fund CFR	287.0	330.9	372.4	400.1
HRA CFR	164.3	165.0	165.0	164.0
<b>Gross CFR</b>	<b>451.3</b>	<b>495.9</b>	<b>537.4</b>	<b>564.1</b>
Less: PFI liabilities	(16.3)	(15.7)	(15.3)	(14.6)
<b>Borrowing CFR</b>	<b>435.0</b>	<b>480.2</b>	<b>522.1</b>	<b>549.5</b>
External borrowing	(312.6)	(357.8)	(399.7)	(427.1)
Internal borrowing:				
- Usable Reserves	(97.2)	(97.2)	(97.2)	(97.2)
- Working capital	(25.2)	(25.2)	(25.2)	(25.2)
<b>Total</b>	<b>(435.0)</b>	<b>(480.2)</b>	<b>(522.1)</b>	<b>(549.5)</b>

The Gross CFR is forecast to rise by £112.8m 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

The Prudential Code states that the Chief Finance Officer should make arrangements for monitoring with respect to gross debt and the Capital Financing Requirement (CFR) such that any deviation is reported, since any such deviation may be significant and should lead to further investigation and action as appropriate.

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. This is a key indicator of prudence.

The Council has had no difficulty meeting this requirement nor are any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

	<b>31/03/15 Actual £m</b>	<b>31/03/16 Estimate £m</b>	<b>31/03/17 Estimate £m</b>	<b>31/03/18 Estimate £m</b>
Capital Financing Requirement	451.3	495.9	537.4	564.1
Gross Debt	328.9	373.5	415.0	441.7
<b>Difference</b>	<b>122.4</b>	<b>122.4</b>	<b>122.4</b>	<b>122.4</b>
<b>Borrowed in excess of CFR? (Yes/No)</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>

### Authorised Limit and Operational Boundary for External Debt

The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. This is a statutory limit which should not be breached. It is the maximum amount of debt that the Council can legally owe. The Authorised Limit provides headroom over and above the Operational Boundary for unusual cash movements.

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 Capital Financing Requirement (CFR) and cash flow requirements, and is a key management tool for in-year monitoring. Other long term liabilities comprise finance leases, Private Finance Initiatives and other liabilities that are not borrowing but form part of the Council's debt.

The Chief Finance Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year.

	<b>Authorised Limit (Approved) 2014/15 £m</b>	<b>Operational Boundary (Approved) 2014/15 £m</b>	<b>Actual External Debt as at 31/03/2015 £m</b>
Borrowing	476.5	466.5	312.6
Other Long-term Liabilities	21.8	19.3	16.3
<b>Total</b>	<b>498.3</b>	<b>485.8</b>	<b>328.9</b>

**Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	<b>Approved Limits for 2014/15</b>	<b>Maximum during 2014/15</b>
Upper Limit for Fixed Rate Exposure	100%	80%
<b>Compliance with Limits</b>	<b>Yes</b>	<b>Yes</b>
Upper Limit for Variable Rate Exposure	40%	25%
<b>Compliance with Limits</b>	<b>Yes</b>	<b>Yes</b>

**Maturity Structure of Fixed Rate Borrowing**

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

<b>Maturity Structure of Fixed Rate Borrowing</b>	<b>Upper Limit %</b>	<b>Lower Limit %</b>	<b>Actual Fixed Rate Borrowing as at 31/03/2015 %</b>	<b>Compliance with Set Limits?</b>
Under 12 months	20	0	13	<b>Yes</b>
12 months and within 24 months	20	0	0	<b>Yes</b>
24 months and within 5 years	60	0	0	<b>Yes</b>
5 years and within 10 years	100	0	12	<b>Yes</b>
10 years and within 15 years	100	0	25	<b>Yes</b>
15 years and within 20 years	100	0	25	<b>Yes</b>
20 years and above	100	0	25	<b>Yes</b>

(The 2011 revision to the CIPFA Treasury Management Code requires the Prudential Indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e., the next call date).

### Capital Expenditure

The Council needs to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

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

<b>Capital Expenditure and Financing</b>	<b>2014/15 Actual £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>
General Fund	91.1	138.5	117.2	85.0
HRA	13.4	21.8	24.9	20.5
<b>Total Expenditure</b>	<b>104.5</b>	<b>160.3</b>	<b>142.1</b>	<b>105.5</b>
Capital receipts	(1.6)	(16.7)	(15.2)	(14.1)
Government Grants	(49.3)	(58.6)	(57.0)	(38.3)
Reserves	(3.6)	(8.0)	(15.0)	(9.7)
Revenue contributions	(9.6)	(5.3)	(4.9)	(6.3)
Minimum Revenue Provision (MRP) / PFI	(7.3)	(8.7)	(9.2)	(10.3)
Borrowing	(33.1)	(63.0)	(40.8)	(26.8)
<b>Total Financing</b>	<b>(104.5)</b>	<b>(160.3)</b>	<b>(142.1)</b>	<b>(105.5)</b>

### 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.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2014/15 Actual %</b>	<b>2015/16 Estimate %</b>	<b>2016/17 Estimate %</b>	<b>2017/18 Estimate %</b>
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:

	<b>2014/15</b>
Milton Keynes	11.1%
Northamptonshire	10.2%
Luton	10.0%
Cambridgeshire	9.7%
<b>Central Bedfordshire</b>	<b>6.4%</b>
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.

### **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* in November 2012.

### **Upper Limit for Total Principal Sums Invested Over 364 Days**

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

<b>Upper limit for total principal sums invested over 364 days</b>	<b>2014/15 Approved Limit £m</b>	<b>2014/15 Actual £m</b>	<b>2015/16 Approved Limit £m</b>	<b>2016/17 Approved Limit £m</b>	<b>2017/18 Approved Limit £m</b>
	<b>20.0</b>	<b>0.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>

### 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).

	<b>2014/15 Actual £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>
HRA Debt Cap (as prescribed by CLG)	165.0	165.0	165.0	165.0
HRA CFR	165.0	165.0	165.0	164.0
<b>Difference</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(1.0)</b>

It should be noted that the HRA's Business Plan includes provision for the repayment of debt with effect from 2017/18.