APPENDIX A (i)

FENLAND DISTRICT COUNCIL

Summary of Revenue Estimates

Service Summary	**Approved Estimate 2014/15 £**	**Revised Estimate 2014/15 £**	**Estimate 2015/16 £**
Growth & Infrastructure	1,433,630	1,360,870	1,386,130
Housing, Environment, Leisure & Community	5,107,040	5,229,340	5,092,500
Planning, Resources & Customer Services	6,322,255	6,367,100	6,407,305
Policy & Governance	1,609,980	1,619,540	1,634,220
Capital Charges	2,475,000	2,475,000	2,475,000
NET COST OF GENERAL FUND SERVICES	**16,947,905**	**17,051,850**	**16,995,155**
Corporate Items			
Contributions to/ (from) Earmarked Reserves	-466,220	-582,560	505,530
Revenue Contribution to Capital	534,000	564,000	85,000
RTB/VAT Sharing Income	-169,800	-169,800	-119,900
Capital Charges Reversal	-1,840,789	-1,839,720	-1,831,270
Investment Income	-170,000	-170,000	-170,000
New Homes Bonus	-1,216,484	-1,216,488	-1,563,060
New Homes Bonus Adjustment	-11,012	-11,012	-10,530
Council Tax Freeze Grant *(2014/15 CT freeze)*	-76,250	-76,250	0
Council Tax Freeze Grant *(2015/16 CT freeze)*	0	0	-77,130
Council tax Support - *Payments to Parish Councils*	102,360	102,360	96,740
Business Rates - net additional income from growth *(after levy payable to Government)*	-15,850	-34,520	-296,550
Corporate Adjustments	**-3,330,045**	**-3,433,990**	**-3,381,170**
Net Expenditure before savings	**13,617,860**	**13,617,860**	**13,613,985**
Savings target 2015/16			*-1,005,000*
Savings identified to date *(included above)*			*1,005,000*
Savings identified *(not yet included above)*			***0***
Net Expenditure after Savings	**13,617,860**	**13,617,860**	**13,613,985**
Approved Contribution to/(from) Balances	**0**	**0**	**-500,000**
NET EXPENDITURE	**13,617,860**	**13,617,860**	**13,113,985**
Settlement Funding Assessment			
Revenue Support Grant	**-3,686,786**	**-3,686,786**	**-2,585,458**
Business Rates Baseline Funding	**-3,296,900**	**-3,296,900**	**-3,359,898**
Council Tax Collection Fund Surplus	**0**	**0**	**-96,775**
Business Rates Collection Fund Surplus	**0**	**0**	**-350,000**
COUNCIL TAX REQUIREMENT	**6,634,174**	**6,634,174**	**6,721,854**
Forecast General Fund Balance - 31st March	2,879,555	2,879,555	2,379,555

Balance 1st April 2014 2,879,555

APPENDIX A(ii)

GROWTH AND INFRASTRUCTURE			
Service	**2014/15 Current Approved Estimate £**	**2014/15 Projected Outturn £**	**2015/16 Original Estimate £**
Direct Services			
Marine Services	-112,760	-73,250	-26,700
Drainage (District)	1,550	1,550	1,550
Highways	151,560	138,260	150,630
Car Parks	170,340	154,510	175,990
Sewage Treatment Works	-6,590	-6,160	19,640
Parish Council Concurrent Functions	43,930	43,930	43,860
Miscellaneous (Clocks, Monuments)	12,450	12,450	3,450
Economic Estates	-67,670	-97,760	-118,630
Planning Policy	225,950	221,350	118,310
Transport Development	110,840	110,840	112,850
Economic Development	143,730	143,540	109,340
Total Direct Services	673,330	649,260	590,290
Support Services			
Asset & Project Services	472,800	459,850	514,430
Fenland Hall	318,960	315,220	308,650
The Base	126,540	126,540	130,760
Total Support Services	918,300	901,610	953,840
Net Cost of Services	**1,591,630**	**1,550,870**	**1,544,130**
Less Support Services Recharges to Capital Schemes	-158,000	-190,000	-158,000
TOTAL GROWTH AND INFRASTRUCTURE	**1,433,630**	**1,360,870**	**1,386,130**

Notes:

1. Within all the Service Estimates detailed in Appendix A(ii), Support Services costs have not been reallocated with the exception of recharges to Capital Schemes.

2. Similarly, Capital Charges have not been reallocated as these 'costs' are reversed out within the Corporate Items section of the estimates, thereby having no impact on the Budget Requirement and Council Tax.

3. Estimates for 2015/16 include the assumptions on pay, expenditure and income detailed at paragraph 8.13 of the main report.

HOUSING, ENVIRONMENT, LEISURE & COMMUNITY			
Service	**2014/15 Current Approved Estimate £**	**2014/15 Projected Outturn £**	**2015/16 Original Estimate £**
Direct Services			
Housing Strategy	129,880	129,590	108,660
BLF - New Horizons	-540	-540	0
Private Sector Renewals	82,910	82,910	82,070
Housing Standards	17,130	17,130	19,410
Care & Repair	67,310	67,310	63,790
CCTV	140,760	141,760	130,370
Safer Fenland	91,420	91,420	94,130
Licensing	-33,940	-33,940	-34,280
Housing Options	194,120	194,120	202,660
Community Development	282,040	280,390	193,860
Community House	28,010	28,010	2,420
Travellers Services	-100,500	-100,300	-113,550
Arts Development	55,770	55,770	52,130
Tourism Development	43,900	44,200	45,420
Pollution Reduction	131,985	138,430	135,760
Public Health	282,285	310,840	280,370
Food Safety	141,825	150,665	143,510
Health and Safety	78,670	87,230	72,610
Refuse Collection - Domestic	1,368,930	1,400,130	1,432,610
Refuse Collection - Trade Waste	-65,445	-83,895	-66,460
Street Cleansing	728,310	728,060	728,480
Streetscene	206,495	207,610	237,330
Public Conveniences	33,830	33,830	34,650
Leisure Centres	432,840	493,930	482,420
Sports Development	93,270	80,330	93,420
Parks and Open Spaces	549,475	549,220	538,980
Cemeteries	16,130	16,000	13,890
Markets and Fairs	3,955	3,935	-2,060
Community Events	68,105	65,665	76,280
Vehicle Workshop	38,110	49,530	43,620
TOTAL HOUSING, ENVIRONMENT, LEISURE& COMMUNITY	**5,107,040**	**5,229,340**	**5,092,500**

PLANNING, RESOURCES AND CUSTOMER SERVICES			
Service	**2014/15 Current Approved Estimate £**	**2014/15 Projected Outturn £**	**2015/16 Original Estimate £**
Direct Services			
Development Management	-1,020	710	-39,950
Building Control	39,710	48,710	74,700
Conservation	53,030	53,030	35,320
Planning Compliance	94,300	94,300	91,900
Technical Support	274,420	274,420	235,080
Miscellaneous Central Services	168,110	166,090	166,430
Drainage Board Levies	1,366,810	1,366,810	1,402,180
Unfunded Pension Costs	583,215	597,110	749,200
Corporate Management	631,030	640,790	700,120
Council Tax Cost of Collection	225,410	128,820	103,120
Business Rates Cost of Collection	-56,530	-58,370	-30,900
Housing Benefits	-99,920	-138,390	61,955
ICT Direct Service Costs	655,995	728,585	517,260
Emergency Planning	55,110	54,990	56,020
Total Direct Services	3,989,670	3,957,605	4,122,435
Support Services			
Accountancy	504,530	539,770	462,800
Information & Communication Technology	388,790	382,580	416,140
Debtors	47,710	47,300	41,630
Customer Access	1,062,955	1,115,945	1,039,580
Corporate Health & Safety	18,110	18,140	19,950
Human Resources	310,490	305,760	304,770
Total Support Services	2,332,585	2,409,495	2,284,870
TOTAL PLANNING RESOURCES AND CUSTOMER SER	**6,322,255**	**6,367,100**	**6,407,305**

POLICY AND GOVERNANCE			
Service	**2014/15 Current Approved Estimate £**	**2014/15 Projected Outturn £**	**2015/16 Original Estimate £**
Direct Services			
Policy	272,820	266,280	240,980
Land Charges	-66,720	-66,720	-97,900
Elections & Electoral Registration	170,920	173,190	288,920
Democratic Services	554,620	550,330	601,630
Total Direct Services	931,640	923,080	1,033,630
Support Services			
Post & Reprographics	324,690	342,760	251,710
Internal Audit	98,270	98,270	102,590
Legal Services	255,380	255,430	246,290
Total Support Services	678,340	696,460	600,590
TOTAL POLICY AND GOVERNANCE	**1,609,980**	**1,619,540**	**1,634,220**

APPENDIX B

GENERAL FUND MEDIUM TERM FINANCIAL FORECAST

RESOURCES STATEMENT		Approved Estimate 2014/15 £000	Projected Outturn 2014/15 £000	**Forecast Estimate 2015/16 £000**	Subject to CSR Forecast Estimate 2016/17 £000	Forecast Estimate 2017/18 £000	Forecast Estimate 2018/19 £000
A	**Resources**						
(i)	**Central Government**						
	Revenue Support Grant	3,687	3,687	2,585	1,909	1,290	722
	Business Rates Baseline Funding	3,297	3,297	3,360	3,444	3,530	3,618
		6,984	6,984	5,945	5,353	4,820	4,340
				-15%	*-10%*	***-10%***	***-10%***
(ii)	**Council Tax**						
	Council Tax Payers	6,634	6,634	6,722	6,901	7,085	7,273
	Collection Fund Surplus/Deficit(-)	0	0	97	0	0	0
(iii)	**Business Rates**						
	Collection Fund Surplus	0	0	350	0	0	0
Use of Balances							
(iv)	General Fund	50	0	500	0	0	0
Total Use of Resources		**13,668**	**13,618**	**13,614**	**12,254**	**11,905**	**11,613**
B	**Spending Levels**						
(i)	Budget	14,884	14,834	15,177	14,990	15,294	15,493
	New Homes Bonus	-1,216	-1,216	-1,563	-1,913	-1,973	-2,000
	Savings Target 2015/16			*1,005*			
	Savings Achieved to date (included above)			*-1,005*			
				0			
	Savings Identified 2016/17				-97	-97	-97
Budget after efficiency savings		**13,668**	**13,618**	**13,614**	**12,980**	**13,224**	**13,396**
Funding Gap - In Year				**0**	**726**	**593**	**464**
Total Cumulative Funding Gap				**0**	**726**	**1,319**	**1,783**
C	**Council Tax Increase**			***0.0%***	***1.9%***	***1.9%***	***1.9%***
D	**Forecast Balances**						
(i)	General Fund	2,830	2,880	2,380	2,380	2,380	2,380

Assumptions

1 Council Tax base increase 2015/16 1.32%, 2016/17 onwards 0.75%

2 Government Support - 2015/16 as per Finance Settlement
Further anticipated CSR Reductions 2016/17 onwards of 10% per annum

APPENDIX C

CAPITAL PROGRAMME AND FUNDING 2015/2018

		2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
CURRENT FORECAST EXPENDITURE		**3,203**	**2,684**	**823**	**717**
RESOURCES AVAILABLE					
General Fund Resources					
Capital Grants		1,169	510	393	393
Usable Capital Receipts		800	335	135	135
Reserves used to fund Capital		564	85	0	0
Section 106 Contributions		34	0	0	0
Total Resources		**2,567**	**930**	**528**	**528**
In Year Funding Requirement		636	1,754	295	189
Usable Capital Receipts Reserve					
Balance B/fwd 1.4.2014	(2,719)				
Uncommitted Resources/Funding Deficit before potential future Capital Receipts		**(2,083)**	**(329)**	**(34)**	**155**
Potential Future Capital Receipts		-	(224)	(980)	(1,250)
Funding available/shortfall assuming future potential Capital Receipts received		(2,083)	(553)	(1,238)	(2,299)
		Future potential capital projects			*1,679*

CAPITAL PROGRAMME SUMMARY 2015 - 2018

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders
Leisure Centres								
1 George Campbell Leisure Centre Improvements	603	250			**853**	636	217	Sport England
2 Essential Buildings Safety Improvements	35				**35**	35		
Regeneration Programmes								
3 Fenland Renaissance and Place Shaping	93	50			**143**	124	19	Section 106
4 Heritage Lottery Fund - Match Funding bid			150		**150**	150		
Car Parks								
5 Woolpack Lane, Whittlesey	129				**129**	129		
6 Darthill Road, March	20				**20**	20		
Cemeteries								
7 St. Peters Church gardens, Wisbech - Wall Restoration	10				**10**	10		
8 Cremation plot improvements (gravel surrounds) in New Road / Whittlesey / Eastwood / Mount Pleasant	15				**15**	15		
9 Chatteris - New Road Cemetery pathways	15				**15**	15		
10 Whittlesey Cemetery Roadway	15				**15**	15		
Parks and Open Spaces								
11 Parks and Open Spaces Pathway Improvements	40	25			**65**	65		
12 Whittlesey Play Area		20			**20**	20		
Highways								
13 Street Light Improvements - FDC		197			**197**	197		
14 Street Light Improvements - Parishes (Category1)	30	62			**92**	92		
15 Safety Lighting	55				**55**	45	10	Cambs County Council
16 Street Name Plates/District Facilities Signage		24			**24**	24		
17 Footbridge, High Street March		27			**27**	27		
18 Relocate Whittlesey Bus Terminal/Toilets	387	100			**487**		487	Cambs County Council
Port								
19 Mooring & Fuelling Facilities, Sutton Bridge	27	200			**227**	227		
Vehicles and Plant								
20 Vehicles	115	339	165	209	**828**	828		
Office Refurbishments								
21 Whittlesey Community Hub	26				**26**	26		
22 Premises safety improvements		100			**100**	100		
ICT System Replacement Programme & Upgrades								
23 Replacement & Upgrade Programme	211	75	75	75	**436**	436		
Sub -Total	**1,826**	**1,469**	**390**	**284**				

CAPITAL PROGRAMME SUMMARY 2015 - 2018

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders
B/FWD	**1,826**	**1,469**	**390**	**284**				
Improvement of Assets								
24 Sewage Treatment Works Refurbishment	164	220			**384**	384		
25 Energy Plan - Invest to Save Projects	25	67			**92**	92		
26 Land Drainage Improvements - Birch Fen		20			**20**	20		
Markets								
27 Service Tower Replacements		13			**13**	13		
Economic Estates								
28 Mini-Factories Refurbishment		45			**45**	45		
29 Station Road, Whittlesey - Resurfacing		23			**23**	23		
Public Conveniences								
30 Modernisation of 4 facilities		39			**39**	39		
Travellers Sites								
31 Modernisation Programme	265				**265**	265		
Community Fund								
32 March Athletics Club		8			**8**	8		
Rural Community Fund								
33 Christchurch Parish Council - Sports Pavilion		100			**100**	100		
34 Thorney Toll Village Hall Cttee - Village Hall Renovations	3				**3**	3		
35 Parson Drove Emmanuel Church - Refurbishments	9				**9**	9		
36 Coates Athletic Football Club - Changing Facilities	50				**50**	50		
37 Tydd St Giles Parish Council - Play Area	15				**15**	15		
Community Safety								
38 CCTV - Chatteris Underpass	15				**15**		15	Section 106
Private Sector Housing Support								
39 Private Sector Renewal Grants	51	40	40	40	**171**	171		
40 Disabled Facilities Grants	640	640	393	393	**2,066**	459	1,607	Govt Grant
41 External Solid Wall Insulation	140				**140**	0	140	Govt Grant
Total - Current Approved Programme	**3,203**	**2,684**	**823**	**717**	**7,427**	4,932	2,495	

CAPITAL PROGRAMME SUMMARY 2015 - 2018 **Future Strategic Allocations**

	£000
Leisure Centres	
1 Chatteris Leisure Facilities - contingency	900
2 George Campbell Leisure Centre - Improvements	221
Regeneration Programmes	
3 Tourism Initiatives	75
Port	
4 Moorings & Fuelling Facilities, Sutton Bridge - Contingency	200
Rural Community Fund	
5 Contingency	203
Market Towns Fund	
6 Contingency	80
TOTAL - Future Strategic Allocations	**1,679**

APPENDIX D

TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2015/16

1 Introduction

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

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

1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

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

1.4 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by Cabinet before being recommended to the Council.

1.5 **Prudential and Treasury Indicators and Treasury Strategy** (this report), the first and most important report covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision (MRP) Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how investments and borrowings are to be organised) including treasury indicators; and
- an Investment Strategy (the parameters on how investments are to be managed).

A Mid-Year Treasury Management Report - This will update Members with the progress of the capital position, amending prudential indicators as necessary and whether any policies require revision.

An Annual Treasury Report - This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.6 The Strategy covers two main areas:

Capital issues;

- the capital plans and the prudential indicators;
- the Minimum Revenue Provision (MRP) Policy.

Treasury management issues;

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

2 Capital Prudential Indicators 2015/16 to 2017/18

2.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

2.2 The capital expenditure prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously and those forming part of this budget cycle. The table below summarises the capital expenditure plans and how these are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital Programme	2013/14 Actual £000	2014/15 Revised Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Forecast Capital Expenditure	**1,653**	**3,683**	**2,684**	**823**	**717**
Financed by:					
Capital Receipts	232	800	335	135	135
Capital Grants	457	1,169	510	393	393
Capital Receipts Reserve	964	636	1,754	295	189
Earmarked Reserves	0	564	85	0	0
Section 106 Contributions	0	34	0	0	0
Total Financing	**1,653**	**3,203**	**2,684**	**823**	**717**
Net Financing Need For The Year	**0**	**480**	**0**	**0**	**0**

2.3 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure shown above, which has not immediately been paid for will increase the CFR.

2.4 The CFR does not increase indefinitely, as each year the Council is required to pay off an element of the capital spend (including finance leases) through a statutory revenue charge (MRP). This has the effect of reducing the Council's (CFR) broadly over the assets life.

2.5 The CFR includes any other long term liabilities (finance leases). A finance lease is a commercial arrangement between the Council and a lessor (finance company), where in consideration for a series of payments the Council has the right to use an asset (e.g. refuse vehicle, leisure equipment) for the lease duration (typically 3 to 7 years). The annual lease payment is made up of a capital and interest repayment.

2.6 Although legally the Council doesn't own the asset during the lease duration, International Accounting Standards require that the Council capitalise the asset and liability on its balance sheet, much like a loan. Whilst this increases the CFR, the nature of the finance lease agreement doesn't require the Council to separately borrow to fund the asset.

Capital Financing Requirement	2013/14 Actual £000	2014/15 Revised Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
CFR at 1 April	**529**	**326**	**666**	**520**	**385**
Movement in CFR	**(203)**	**340**	**(146)**	**(135)**	**(93)**
Net financing need for the year	0	480	0	0	0
Less MRP	(203)	(140)	(146)	(135)	(93)
Movement in CFR	**(203)**	**340**	**(146)**	**(135)**	**(93)**

3 Minimum Revenue Provision (MRP) Policy Statement

3.1 The Council is required to pay off an element of the accumulated capital spend each year (the CFR) through a revenue charge (the minimum revenue provision), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision).

3.2 CLG regulations have been issued which require the full Council to approve an MRP statement in advance each year. A variety of options are provided to Councils, so long as there is a prudent provision. For all unsupported borrowing (including finance leases) the MRP policy will be the asset life method - MRP will be based on the estimated useful life of the assets, in accordance with regulations. This option provides for a reduction in the borrowing need over approximately the asset's life. Repayments included in finance leases are applied as MRP

4 The Use of Council's Resources and the Investment Position

4.1 The application of resources (capital receipts, reserves etc) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc). Detailed below are estimates of the year end balances for each resource.

Year End Resources	2013/14 Actual £000	2014/15 Revised Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Fund balances / reserves	**(6,078)**	**(5,495)**	**(5,500)**	**(5,500)**	**(5,500)**
Capital receipts	**(2,719)**	**(2,083)**	**(329)**	**(34)**	**0**
Other	**(247)**	**(167)**	**(50)**	**0**	**0**
Total core funds	**(9,044)**	**(7,745)**	**(5,879)**	**(5,534)**	**(5,500)**
Expected investments	**(16,450)**	**(15,150)**	**(14,000)**	**(13,700)**	**(13,500)**

5 Affordability Prudential Indicators

5.1 The previous sections cover the overall capital and control of borrowing prudential indicators; also within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators.

5.2 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Financing Costs to Net Revenue Stream	2013/14 Actual %	2014/15 Revised Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
General Fund	**1.90**	**2.40**	**2.40**	**2.40**	**2.40**

The estimates of financing costs include current commitments and the proposals in the budget.

5.3 **Estimates of the incremental impact of capital investment decisions on council tax**

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

Incremental impact of capital investment decisions on the band D council tax	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
Council tax band D	**0.00**	**0.00**	**0.00**

6 Treasury Management Strategy

6.1 The capital expenditure plans set out in section 2 provide a summary of future level of spend. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this activity. This will involve both the organisation of cash flow and where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

6.2 The Council's treasury portfolio position at 31 March 2014, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR).

	2013/14 Actual £000	2014/15 Revised Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Debt at 1 April	**7,800**	**7,800**	**7,800**	**7,800**	**7,800**
Expected change in debt	**0**	**0**	**0**	**0**	**0**
Other long term liabilities (OLTL)	**523**	**320**	**660**	**514**	**379**
Expected change in OLTL	**(203)**	**340**	**(146)**	**(135)**	**(93)**
Actual debt at 31 March	**8,120**	**8,460**	**8,314**	**8,179**	**8,086**
Capital financing requirement (CFR) at 31 March	**326**	**666**	**520**	**385**	**292**
Borrowing less CFR – 31 March	**7,794**	**7,794**	**7,794**	**7,794**	**7,794**

6.3 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and the following two financial years. This allows some flexibility for limited early borrowing for future years and ensures that long term borrowing is not undertaken for revenue purposes.

6.4 As a result of the Council's long term Public Works Loan Board (PWLB) debt portfolio of £4.5m (31/03/15) currently attracting excessive premiums (£3.29m at the time of writing this report) if it were prematurely repaid, it is not financially advantageous for the Council to fully comply with this prudential indicator.

6.5 Interest repayments associated with the external debt above are shown below.

YEARS	**INTEREST DUE £**
2014/15	497,149
2015/16	499,695
2016/17	496,625
2017/18	496,625

6.6 The operational boundary is the limit beyond which external debt is not normally expected to exceed. In most cases this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt.

Operational Boundary	**2014/15 Revised Estimate £000**	**2015/16 Estimate £000**	**2016/17 Estimate £000**	**2017/18 Estimate £000**
Debt	**10,000**	**10,000**	**10,000**	**10,000**
Other long term liabilities	**2,000**	**2,000**	**2,000**	**2,000**
Total	**12,000**	**12,000**	**12,000**	**12,000**

6.7 The authorised limit is a key prudential indicator, which represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term but is not sustainable in the longer term.

6.8 This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all council's plans, or those of a specific council, although this power has not yet been exercised. The Council is asked to approve the following authorised limit.

Authorised limit	2014/15 Revised Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Debt	15,000	15,000	15,000	15,000
Other long term liabilities	2,000	2,000	2,000	2,000
Total	17,000	17,000	17,000	17,000

7 Prospects for Interest Rates

7.1 The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Capita Asset Services central view.

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2015	0.50	2.10	3.30	3.30
Jun 2015	0.50	2.20	3.40	3.40
Sep 2015	0.50	2.30	3.60	3.60
Dec 2015	0.50	2.50	3.80	3.80
Mar 2016	0.75	2.60	3.90	3.90
Jun 2016	0.75	2.70	4.00	4.00
Sep 2016	1.00	2.80	4.20	4.20
Dec 2016	1.25	3.00	4.30	4.30
Mar 2017	1.25	3.10	4.40	4.40
Jun 2017	1.50	3.20	4.50	4.50
Sep 2017	1.50	3.30	4.60	4.60
Dec 2017	1.75	3.40	4.60	4.60
Mar 2018	2.00	3.50	4.70	4.70

7.2 UK GDP growth surged during 2013 and 2014 but cooled somewhat towards the end of 2014. However, growth is expected to regain stronger momentum during 2015 and 2016 under the stimulative effect of the sharp fall in oil prices and inflation potentially falling into negative territory but anyway being nearer to zero until towards the end of 2015. Combined with a significant rise in average wage rates, this is expected to lead to consumer disposable income rising by around 3.5% in 2015. This would therefore strengthen consumer expenditure without much downside to the savings ratio. There still needs to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this recovery to become more firmly established.

7.3 The Bank of England February Inflation Report drew attention to the falling level of unemployment and the reduction of spare capacity or slack in the economy. This is expected to feed through into an increase in pressure for wage increases and together with the sharp fall in the price of oil starting to fall out of the twelve month calculation of CPI inflation in quarter 4 of 2015, is expected to result in a sharp rise in inflation from near zero in that quarter and also onward into 2016.

7.4 The US, the biggest world economy, has generated stunning growth rates of 4.6% (annualised) in Q2 2014 and 5.0% in Q3, followed by a cooler 2.6% in Q4 (overall 2.4% for 2014 as a whole). This is hugely promising for the outlook for strong growth going forwards and it very much looks as if the US is now firmly on the path of full recovery from the financial crisis of 2008. Consequently, it is now confidently expected that the US will be the first major western economy to start on central rate increases by the end of 2015.

7.5 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Greece: the general election on 25 January 2015 brought to power a coalition which is strongly anti EU imposed austerity. However, if this should eventually result in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to gauge;
- as for the Eurozone in general, concerns in respect of major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014 and worries over the Ukraine situation, Middle East have led to a resurgence of those concerns as risks increase that it could be heading into a prolonged period of deflation and very weak growth. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland have done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- investment returns are likely to remain relatively low during 2015/16 and beyond;
- borrowing interest rates have been highly volatile during 2014 and early 2015 as alternating bouts of good and bad news have promoted optimism and then pessimism, in financial markets. The opening weeks of 2015 saw gilt yields dip to historically phenomenally low levels after inflation plunged, a flight to quality as a result of the Greek situation and the start of a huge programme of quantitative easing (purchase of EZ government debt), by the European Central Bank (ECB) in January 2015. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;
- there will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

8 Borrowing Strategy

8.1 The Council will not borrow more than or in advance of its needs purely in order to profit from investment of the extra sums borrowed. Any decision to borrow in advance will be within approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

8.2 The Chief Finance Officer will monitor capital plans and interest rates in financial markets and adopt a pragmatic approach to funding the capital programme. Any borrowing decisions and budget consequences would be reported to Cabinet at the earliest opportunity.

8.3 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing the risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

Interest rate exposures	**2015/16 Upper £000**	**2016/17 Upper £000**	**2017/18 Upper £000**
Limits on fixed interest rates based on net debt	**(7,686)**	**(6,821)**	**(6,914)**
Limits on variable interest rates based on net debt	**(8,700)**	**(8,700)**	**(7,700)**
Limits on fixed interest rates:			
• **Debt only**	**8,314**	**8,179**	**8,086**
• **Investments only**	**(16,000)**	**(15,000)**	**(15,000)**
Limits on variable interest rates:			
• **Debt only**	**3,300**	**3,300**	**3,300**
• **Investments only**	**(12,000)**	**(12,000)**	**(11,000)**

Maturity structure of fixed interest rate borrowing 2015/16	**Lower %**	**Upper %**
Under 12 months	**0**	**20**
12 months to 2 years	**0**	**50**
2 years to 5 years	**0**	**75**
5 years to 10 years	**0**	**75**
10 years and above	**0**	**100**

Maturity structure of variable interest rate borrowing 2015/16	**Lower %**	**Upper %**
Under 12 months	**0**	**100**
12 months to 2 years	**0**	**100**
2 years to 5 years	**0**	**100**
5 years to 10 years	**0**	**100**
10 years and above	**0**	**100**

9 Debt Rescheduling / Repayment

9.1 The Council has sufficient cash balances set aside to pay off its external debt.

9.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings;
- helping to fulfil the treasury strategy;
- enhancing the balance of the portfolio by flattening the maturity profile.

9.3 Limited opportunities exist to repay debt early because of the penalty position which would arise from early redemption of the external debt.

9.4 The Council's debt rescheduling position will be monitored throughout 2015/16.

10 Annual Investment Strategy

10.1 There are changes to the credit rating methodology following the removal of implied Government support given to financial institutions. The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. More recently in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts". This process may commence during 2014/15 and/or 2015/16, the actual timing of the changes is still subject to discussion.

10.2 It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

10.3 Both Fitch and Moody's provide "standalone" credit ratings for financial institutions. For Fitch it is the viability rating, while Moody's has the financial strength rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective long term ratings. As such there is no point monitoring both long term and these "standalone" ratings.

10.4 Furthermore, Fitch has already begun assessing its support ratings with a clear expectation that these will be lowered to 5, which is defined as "A bank for which there is a possibility of external support, but it cannot be relied upon." With all institutions likely to drop to these levels, there is little to no differentiation to be had by assessing support ratings.

10.5 As a result of these agency changes, the credit element of our future methodology will focus solely on the short and long term ratings of an institution. Ratings watch and outlook information will continue to be assessed where it relates to these categories. This is the same process for Standard & Poor's that we have always taken but a change to the use of Fitch and Moody's ratings. Furthermore we will continue to utilise Credit Default Swaps (CDS) prices as an overlay to ratings in our new methodology.

10.6 The Council's investment policy has regard to the Communities and Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes ("the CIPFA TN Code"). The Council's investment priorities are:

- the security of capital;
- the liquidity of its investments;
- return on its investments.

10.7 The intention of the strategy is to provide security of investment and minimise risk.

10.8 Legislation and guidance requires the Council to differentiate its investments between specified and non-specified types (there are categorised below). Counterparty limits will be set through the Treasury Management Schedules.

10.9 **Specified Investments –** These investments are sterling investments (meeting the minimum 'high' quality criteria where applicable) of not more than one year maturity, or those which could be for a longer period but where the Council has the right to repay within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. Investment instruments identified for use in the financial year are as follows:

- term deposits with part nationalised banks and local authorities;
- term deposits with high credit criteria deposit takers (banks and building societies);
- callable deposits with high credit criteria deposit takers (banks and building societies);
- money market funds
- Debt Management Agency Deposit Facility (DMADF);
- UK Government gilts, custodial arrangement required prior to purchase.

10.10 **Non-Specified Investments –** These are any other type of investment (i.e. not defined as specified above). Investment instruments identified in both "specified" and "non-specified" categories are differentiated by maturity date and classed as non-specified when the investment period and right to be repaid exceeds one year. Investment instruments identified for use in the financial year are as follows:

- term deposits with high credit criteria deposit takers (banks and building societies);
- term deposits with local authorities;
- callable deposits with high credit criteria deposit takers (banks and building societies);
- UK Government gilts, custodial arrangement required prior to purchase.

10.11 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Bank rate is forecast to remain unchanged at 0.50% before starting to rise from quarter 1 of 2016. Bank rate forecasts for financial year ends (March) are:

- 2015/16 0.75%
- 2016/17 1.25%
- 2017/18 2.00%

10.12 There are downside risks to these forecasts (i.e. start of increases in bank rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be upside risk. Forecast average investment interest rates for the next three years are as follows:

- 2015/16 0.80%
- 2016/17 1.45%
- 2017/18 1.95%

10.13 Estimated investment income is shown below.

YEARS	INTEREST RECEIVED £
2014/15	170,000
2015/16	170,000
2016/17	200,000
2017/18	210,000

10.14 **Investment treasury indicator and limit –** total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year end.

	2015/16 £000	2016/17 £000	2017/18 £000
Maximum principal sums invested > 364 days	**5,000**	**5,000**	**5,000**

10.15 For its cash flow generated balance, the Council will seek to utilise its call accounts and short dated deposits (overnight to 100 days) in order to benefit from the compounding interest.

10.16 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

11 Creditworthiness Policy

11.1 The Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

11.2 The modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system, which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- yellow 5 years;
- purple 2 years;
- blue 1 year (only applies to nationalised or semi nationalised UK banks);
- orange 1 year;
- red 6 months;
- green 100 days
- no colour not to be used.

11.3 The Capita Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one agency's ratings.

11.4 Typically the minimum credit ratings criteria the Council use will be short term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

11.5 The Council's own bank currently meets the creditworthiness policy. However, should they fall below Capita Asset Services creditworthiness policy the Council will retain the bank on its counterparty list for transactional purposes, though would restrict cash balances to a minimum.

11.6 All credit ratings are monitored weekly and prior to any new investment decision. The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swaps against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

11.7 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that Government support.

11.8 To further mitigate risk the Council has decided that where counterparties form part of a larger group, group limits should be used in addition to single institutional limits. Group limits will be as set through the Council's Treasury Management Practices – schedules.

11.9 The Council currently only invests in UK banks as it lacks detailed knowledge about investments in other sovereign rated countries. It should be noted that in some cases these banks are subsidiaries of foreign banks but these are of the highest credit quality.

12 External Service Providers

12.1 The Council uses Capita Asset Services, Treasury Solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the authority at all times and will ensure that undue reliance is not placed upon our external service providers.

12.2 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

APPENDIX E

PARISH PRECEPTS 2015/16

TAX BASE (Equated Band D Properties)	PRECEPT 2014/15 £	COUNCIL TAX PER BAND D PROPERTY £	PARISH	TAX BASE (Equated Band D Properties)	PRECEPT 2015/16 £	COUNCIL TAX PER BAND D PROPERTY £	INCREASE FROM 2014/15 %
326	10,609	32.54	**BENWICK**	327	10,609	32.44	-0.3
3,152	117,000	37.12	**CHATTERIS**	3,194	121,000	37.88	2.1
243	8,000	32.92	**CHRISTCHURCH**	244	8,488	34.79	5.7
745	27,500	36.91	**DODDINGTON**	752	26,965	35.86	-2.9
1,069	26,287	24.59	**ELM**	1,087	34,648	31.87	29.6
362	8,785	24.27	**GOREFIELD**	359	13,760	38.33	57.9
1,051	31,000	29.50	**LEVERINGTON**	1,057	44,000	41.63	41.1
648	27,549	42.51	**MANEA**	668	36,866	55.19	29.8
6,088	181,000	29.73	**MARCH**	6,185	199,500	32.26	8.5
209	5,921	28.33	**NEWTON**	209	6,865	32.85	15.9
396	15,000	37.88	**PARSON DROVE**	416	15,300	36.78	-2.9
355	9,000	25.35	**TYDD ST GILES**	363	13,000	35.81	41.3
4,802	133,357	27.77	**WHITTLESEY**	4,862	143,840	29.58	6.5
729	31,347	43.00	**WIMBLINGTON**	732	47,000	64.21	49.3
5,824	203,133	34.88	**WISBECH**	5,895	203,133	34.46	-1.2
1,012	36,984	36.55	**WISBECH ST MARY**	1,018	53,732	52.78	44.4
27,011	**872,472**	**32.30**	**GRAND TOTAL**	**27,368**	**978,706**	**35.76**	**10.7**

EARMARKED RESERVES - Projected 2014/2015 and Estimated 2015/16

Reserve Name	**Balance 01.04.14 £**	Applied Capital £	Contributions to/(from) 2014/15 £	**Projected Balance 31.03.15 £**	Applied Capital £	Contributions to/(from) 2015/16 £	**Estimated Balance 31.03.16 £**	*Comments / Conditions of Use*
Travellers Sites	**254,578**	265,000	(184,520)	**70,058**		60,000	**130,058**	Can only be used for specific future maintenance liabilities.
Station Road, Whittlesey	**22,514**		2,772	**25,286**	23,000	(20,200)	**5,086**	Required for future road maintenance.
CCTV - Plant & Equipment	**68,780**		10,000	**78,780**		10,000	**88,780**	Available for future CCTV maintenance & replacement liabilities.
Invest to Save	**120,521**			**120,521**			**120,521**	To provide resources for schemes which will deliver future efficiencies. £50k committed to energy efficiency schemes match funded by Salix Finance, as part of the Council's 'Keen to be Green' strategy.
Conservation	**54,124**			**54,124**			**54,124**	Available for the purchase, renovation and subsequent re-selling of difficult properties of local importance where intervention by this Council is seen as the only solution.
Management of Change	**1,118,792**	63,000	(333,024)	**785,768**		250,000	**1,035,768**	Available for the effective management of any organisational changes required to meet the Council's future priorities.
Community Projects Reserve	**12,431**			**12,431**			**12,431**	Available for small-scale community projects. Previously used to assist Parish/Town Councils to fund Diamond Jubilee Celebrations.
Neighbourhood Planning Reserve	**246,067**		(56,000)	**190,067**			**190,067**	Available to assist the Council with delivering the 'Neighbourhood Planning' objective and delivery of the Core Strategy.
Local Government Resources Review Reserve	**500,000**			**500,000**			**500,000**	Available to assist the Council in delivering the local council tax support scheme and business rates retention system from 2013/14.
Capital Contribution Reserve	**300,000**	236,000	(236,000)	**64,000**	62,000	188,000	**252,000**	Available to fund specific spending commitments in future years.
Specific Government Grants (received in previous years)	**500,444**		64,210	**564,654**		17,730	**582,384**	Available to fund specific spending commitments in future years.
Port - Bouy Maintenance	**0**		150,004	**150,004**			**150,004**	Available for future buoy maintenance to service windfarms.
TOTAL	**3,198,250**	564,000	(582,558)	**2,615,692**	85,000	505,530	**3,121,222**	

NB: In accordance with the Council's Financial Rules and Scheme of Financial Delegation (Part 4, Rule 6 of the Constitution), paragraphs B57 - B60 delegates authority to the Chief Finance Officer to approve expenditure from these reserves in accordance with their approved use as detailed above.

APPENDIX F

APPENDIX G

ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF THE RESERVES

1. Introduction

Section 25 of the Local Government Act 2003 requires that the Chief Finance Officer is required to report to Members on the following matters:

a) the robustness of the estimates made for the purposes of the budget calculations, and
b) the adequacy of the proposed financial reserves.

The majority of the material required to meet the requirements of the Act has been built into the key reports prepared throughout the corporate budget cycle, in particular:

a) The Medium Term Financial Strategy (MTFS),

b) The Revised Budgets,

c) The final Corporate Plan and budget report to Cabinet.

This reflects the fact that the new requirements incorporate issues which the Council has, for many years, adopted as key principles in its financial strategy and planning, and which have therefore been incorporated in the key elements of the corporate decision-making cycle.

This also reflects the work in terms of risk assessment and management which is built into all the key aspects of the Council's work.

2. Robustness of Estimates

Through regular reporting mechanisms to members and at Corporate Management Team, the on-going impact of the current economic climate and the implementation of the identified savings have been incorporated into the projected outturn for 2014/15. A savings target of £1.135m had originally been set as part of the budget setting process for 2014/15. Through tight and effective financial management, the required savings have been achieved without any use of balances. This is a considerable achievement.

The revised budget process has been informed by:

1. The revised Service and Financial Planning process, the development of a new Corporate Plan incorporating extensive public consultation.

2. The budget monitoring process which has highlighted areas of risk, and, on a monthly basis, has subjected them to a greater degree of scrutiny. Budget monitoring has been used to highlight under-spending, budgets where demand has exceeded the current resources available and areas where revenue streams have been under pressure.

3. The outcome of the Local Government Finance Settlement for 2015/16.

These present the Council with considerable challenges. The assumptions and risks taken into account in developing the budget are shown in the Table below.

Budget assumption	**Financial standing and management**
1 The treatment of the current economic climate	The ongoing difficult economic climate has resulted in the Council budgeting for a lower level of income, particularly those services which have been under most pressure during 2014/15. The Council's much admired 'one team' culture is playing an important part in keeping tight control of expenditure commitments and achieving the necessary efficiency savings. This will ensure the continuation of excellent services and delivery of the key priorities within the Corporate Plan. In addition, the prudent use of balances/reserves to smooth out the more significant effects of the recession (eg. lower income levels) will help ensure (together with the actions above) that council tax increases are kept to a reasonable level (1.7% in 2013/14; 0% in 2014/15; 0% proposed for 2015/16; indicative 1.9% thereafter in the MTF, below the Government's anticipated referendum levels). The actions above will also ensure that the Council is well placed to bounce back quickly when the economy improves.
2 The treatment of inflation and interest rates	No allowance for general inflation has been provided for in the 2015/16 budget and over the Medium Term forecasts, although allowances for contractual pay increases, external contracts, business rates, energy costs, fuel etc have been included. Specific increases are included for certain elements if known. Corporate Management Team has re-assessed the vacancy factor [VF] to be built into the medium term forecasts, in the light of current experience. Consequently, the VF built into the 2015/16 budget and over the Medium Term is 0%. This reflects the small amount of staff turnover currently happening. Average interest rates for 2015/16 have been assumed at 0.8% for investments and 4.50% for new borrowing. The effect of each 1% change in interest rates (on investment income) is approximately ± £150,000.

Budget assumption	Financial standing and management
3 The impact of Government Grants and achievement of savings target	The Local Government Finance Settlement has had a significant impact on the Council's resources over the Medium Term. This has resulted in General Government Support reducing by £1.035m in 2014/15 (-12.8%) and a further £1.115m in 2015/16 (-15.8%). This is a cumulative reduction of £2.150m (-26.6%) over the next two years. The impact on the Council's Net Revenue Expenditure (excluding use of balances) is a reduction from £14.605m in 2013/14 to £12.667m in 2015/16, a cumulative reduction of £1.938m (13.3%) over two years, at the same time as the Council faces considerable cost and income pressures. The Corporate Management Team with guidance and direction from Cabinet, have achieved the required savings in 2015/16 (£1.005m) and are continuing this process for the following years. These proposals involve changes to current structures, service transformation, systems and processes which needs managing effectively in order to minimise the possibility of slippage and disruption in the transition from old to new arrangements. However, the achievement of ongoing significant savings during 2014/15 without significant impact on front-line services has been a considerable achievement by the Corporate Management Team and Senior Managers with direction from Cabinet and Members. Robust and timely monitoring of savings delivery plans with ongoing contingency planning will be critically important throughout the year, as it has successfully been in the last 12 months. Corporate Management Team and Senior Managers are aware of the budgetary implications around deliverability of the savings plan.
Business Rates Retention System	Business Rates income is now one of the major financial risks to the Council following the introduction of the Business Rates Retention System from April 2014. The Council now shares the risk associated with appeals and growth with the government. As well as producing potential benefits to the Council over the medium term the risks associated with appeals will potentially limit this benefit and could cause volatility in Business Rates income over the medium term. During 2014/15 there has been real growth in business rates income and the Council will benefit in 2015/16 and thereafter, from its' share of the growth over and above the baseline funding level. This is forecast to be around £297,000 in 2015/16 and future years. The volatility of business rates is such that a 1% variance in income would result in the Council either gaining or losing £100,000 in resources. Within the business rates retention system, is a safety net mechanism whereby the government will reimburse Council's for loss of business

Budget assumption	Financial standing and management
	rates income if this is falls below 92.5% of the baseline funding level. Based on the forecast business rates income for 2015/16, total income would have to fall by around £800,000 (the Council's share being £320,000) before the Council would receive any safety net payment. CMT will continue, over the coming months, to carefully monitor the Business Rates Retention system, to ensure that any volatility in this area is identified in a timely manner and plans put in place to ensure the Council's Medium Term Forecasts are robust and sustainable. In addition, the Council has established the Local Government Resource Review Reserve (current balance £500k) to mitigate the impact of any in-year variations in income.
4 Estimates of the level and timing of capital receipts.	The capital programme for 204/15 and 2015/16 is reliant on £1.135m of receipts. The future capital programme is reliant on substantial amounts of capital receipts. As land values have decreased during the current climate, disposals of surplus land will be delayed if necessary to ensure the Council maximises its return on these assets. The capital investment plan will therefore need to be reviewed and re-phased should the level or timing of capital receipts vary from that anticipated, to ensure funding is sufficient to meet proposed expenditure.
5 The treatment of demand led pressures	All members of Corporate Management Team have reviewed their base budgets to reflect the Council's revised priorities set out in the Corporate Plan 2015/15 including demand led pressures. Service Teams are expected to put forward management and policy actions to manage the additional demand within the relevant legislation either within the relevant budget or reprioritising within their budgets. If this is not possible, and underspendings, management action or policy actions in other Service Teams are not sufficient to cover the additional demand, then further savings and service reductions would have to be made.
6 The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments	Approval of new capital spending is dependent on the identification of the appropriate levels of revenue and capital funding, demonstrating their affordability. The existing test of affordability for capital spending has been reinforced by the introduction of the Prudential Code, with effect from 1 April 2004. The indicators identified as part of the Code have been included with the final budget reports, and have been taken into account in arriving at the final recommendations on the Capital Programme.
7 The availability of other funds to deal with major contingencies	The minimum level of reserves assumes that management and policy actions will be taken to address major contingencies. Should these be insufficient, the minimum level of reserves may have to be used temporarily and restored to at least their minimum prudent level or the optimal level through future budgets.

<table>
<tr><th>Budget assumption</th><th>Financial standing and management</th></tr>
<tr><td>8

The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates etc)</td><td>The Council budgets prudently for its level of borrowing, avoiding external borrowing where cash resources allow. No new borrowing is anticipated in the MTF as detailed in the Treasury Management Strategy 2015/16.

The assumed Council Tax collection rate for 2015/16 onwards is high, at 98.5%. This reflects the anticipated collection rates as a consequence of the new Local Council Tax Support Scheme.

Both the Council Tax and Business Rates collection funds are forecast to be in surplus at the end of 2014/15. Consequently, a surplus of £96,775 is included in the final budget proposals for 2015/16 for Council Tax and £350,000 for Business Rates.</td></tr>
<tr><td>9

The authority's track record in budget and financial management.</td><td>The Council's recent track record in budget and financial management shows under-spends of -0.1% to -1.2% of the net budget :

<table>
<tr><th></th><th>Amount £000</th><th>% of budget</th></tr>
<tr><td>• 2003/04 - under spent by</td><td>-£10</td><td>-0.1</td></tr>
<tr><td>• 2004/05 - under spent by</td><td>-£148</td><td>-1.2</td></tr>
<tr><td>• 2005/06 - under spent by</td><td>-£174</td><td>-1.4</td></tr>
<tr><td>• 2006/07 - under spent by</td><td>-£62</td><td>-0.4</td></tr>
<tr><td>• 2007/08 - under spent by</td><td>-£149</td><td>-0.9</td></tr>
<tr><td>• 2008/09 - under spent by</td><td>-£47</td><td>-0.3</td></tr>
<tr><td>• 2009/10 - under spent by</td><td>-£60</td><td>-0.3</td></tr>
<tr><td>• 2010/11 - under spent by</td><td>-£101</td><td>-0.6</td></tr>
<tr><td>• 2011/12 – under spent by</td><td>-£102</td><td>-0.6</td></tr>
<tr><td>• 2012/13 – under spent by</td><td>-£25</td><td>-0.2</td></tr>
<tr><td>• 2013/14 – under spent by</td><td>-£93</td><td>-0.6</td></tr>
</table>

However this has been achieved by considerable management and policy actions to ensure spending is in line with the budget each year.

Base budget under provision, the full year effect of previous decisions, demographic growth, legislative change and the impact of the current recession have been identified and will continue to be identified during the budget and the revised Medium Term Planning process.</td></tr>
</table>

Budget assumption	Financial standing and management
10 The authority's capacity to manage in-year budget pressures	The ongoing improvements to the performance management framework during 2014/15, consisting of monthly financial management reports to CMT, monthly briefing of portfolio holder's and budget monitoring reports to Cabinet and Overview and Scrutiny, ensures that current performance is challenged, and the need for any remedial measures identified at the earliest opportunity. The impact of the current economic climate and government grant announcements following CSR 2013 was anticipated early in 2013/14 with regular reports to members. Under the guidance of Cabinet, Corporate Management Team have continued a thorough and detailed efficiency review of all service area budgets, which led to the identification and implementation of £1.135m of financial savings in 2014/15 together with the identification of the required £1.005m of savings for 2015/16.
11 The authority's virement and end of year procedures in relation to budget under/overspends at authority and Service level.	The Council's virement and carry forward rules are clearly set out in the Financial Regulations. The Council is operating management disciplines to ensure management and policy actions are considered in relation to overspending budgets. Generally virement is considered at a corporate level against corporate priorities, including the contribution towards the optimal level of general fund reserves.
12 The adequacy of the authority's insurance arrangements to cover major unforeseen risks.	The Council's insurance arrangements are a balance between external insurance premiums and internal risk in some areas. Premiums and internal risks are reactive to external perceptions of the risks faced by the Council which includes both risks that are generic to all organisations eg Sept 11th and those specific to the Council / Local Government eg "no win - no fee" companies. Both those issues produced large increases in risk and thus premiums / costs in recent years have risen. Trend analysis indicates that these have now settled and provide confidence that no substantial increases in risks and costs should be seen in the near future. But of course, by its very nature, insurance is a service to manage unforeseen risks and reserve levels must be kept under constant review in this area.

3. Adequacy of the reserves

The minimum prudent level of reserves that the Council should maintain is a matter of judgement. It is the Council's safety net for the unforeseen or other circumstances and must last the lifetime of the Council unless contributions are made from future years revenue budgets. The minimum level of balances cannot be judged merely against the current risks facing the Council as these can and will change over time.

The consequences of not keeping a minimum prudent level of reserves can be serious. In the event of a major problem or a series of events, the Council would run a serious risk of a deficit or of being forced to cut spending during the year in a damaging and arbitrary way.

> Audit Commission's measure of reserves
>
> Either, the aggregate of the following items is expected to be in surplus at 31 March,
>
> - General fund balance;
> - Other earmarked GF revenue reserves and,
> - Liabilities not recognised in financial statements (excluding IAS19 unfunded pension liabilities)
>
> and the GF balance is expected to be at least equal to 5%*, [but not exceeding 100%] of forecast net operating expenditure. There are plans agreed by members on how to use these reserves, which link to the Council's strategic aims.
>
> OR
>
> There is a formal financial risk management process operating which the authority uses to:
>
> - Justify a lower level of reserves;
> - Determine its minimum level of reserves; and
> - To adhere to this level.
>
> * Equivalent to £1m in 2014/15

Reserves are established and maintained in line with the Code of Practice on Local Authority Accounting, and are reviewed annually by the Council's external auditors taking into account their knowledge of the Council's performance over a period of time.

There are two main categories of reserves to be considered:

a) Earmarked reserves

b) Unallocated general reserves (the general fund balance)

3.1 Earmarked Reserves

Earmarked reserves are those which the Council builds up over a period of time to fund known or predicted liabilities. These are included in Appendix F of this report. The Council reviews the levels, contributions and appropriateness of these reserves annually as part of the budget process.

3.2 Unallocated general reserves

As part of its financial strategy during the current uncertain economic climate the Council has determined a minimum level of £2m for the general fund balance over the medium term (approximately 15% of future net expenditure levels) to deal with timing issues and uneven cash-flows and avoid unnecessary borrowing. This minimum level will be kept under review during the course of the medium term strategy.

The recommendation on the minimum prudent level and optimal level of reserves has been based on the robustness of estimate information. In addition, the other strategic, operational and financial risks taken into account when recommending the minimum level of unallocated General Fund reserves include:

- The Council will need to budget for provision for the cost of any redundancies necessary to achieve any budget savings and restructuring to the extent they are not contained in budget proposals.

- There is always some degree of uncertainty over whether the full effects of any economy measures and/or service reductions will be achieved. CMT have been prudent in their assumptions and that those assumptions, particularly about demand led budgets, will need to hold true in changing circumstances.

- The uncertainty over the extent of the impact of the current recession and when the economy is likely to improve. Although the assumptions built into the budgets are prudent, further action will need to be taken if circumstances change for the worse,

- The Bellwin Scheme Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. The local authority is able to claim assistance with the cost of dealing with an emergency over and above a threshold set by the Government. The assistance is usually 85% of any eligible costs over the threshold.

- The risk of major litigation, both currently and in the future.

- Changes in the methodology for central government grant allocations from 2016/17.

- Risks of grants being introduced mid year requiring authority contributions.

- Risks of government funding changes during year – e.g. Emergency Budget following the General Election in May 2015.

- Unplanned volume increases in major demand led budgets, e.g. homelessness and benefits.

- The need to retain a general contingency to provide for any unforeseen circumstances, which may arise.

- The need to retain reserves for general day to day cash flow needs

The level of the General Fund Balance is forecast to be £2.880m at 31 March 2015 and £2.380m at 31 March 2016 following proposals to transfer £500,000 to the Capital Contribution Reserve (£250,000) and Management of Change Reserve (£250,000) as detailed in the main report. No additional use of this balance is currently forecast over the Medium Term. This level may be increased by the utilisation of any earmarked underspending.

The main emphasis in future years is on achieving 'cash' efficiency savings to balance the MTFS rather than continued use of balances.

The Council has a commitment to risk management, as a key element of effective internal control. This will form a significant part of the assurance framework to meet the requirements of the Annual Governance Statement in the Council's Statement of Accounts.

The Council's financial strategy also supports the provision of funding for known commitments, which commence beyond the specific budget year, as part of the prudence and sustainability concept. An example of this is the provision for increased employer's contributions to the Pension Fund, based on the latest actuarial advice, which has an ongoing impact in future years.

Part of the Council's established financial strategy is to ensure that funding for future spending is not dependent on the use of reserves (below the £2m minimum level), so as to demonstrate long-term sustainability.

4. Chief Finance Officer's Statement

Taking into account the above, together with all the proposals within the budget report, it is the Chief Finance Officer's view that the estimates for 2015/16 are robust and the proposed level of reserves is adequate.