



## AGENDA

### COUNCIL MEETING

Date: Wednesday, 21 January 2015

Time: 7.00 pm

Venue: Swale House, East Street, Sittingbourne, Kent, ME10 3HT

#### RECORDING NOTICE

Please note: this meeting may be recorded.

At the start of the meeting the Chairman will confirm if all or part of the meeting is being audio recorded. The whole of the meeting will be recorded, except where there are confidential or exempt items.

You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during this recording will be retained in accordance with the Council's data retention policy.

Therefore by entering the Chamber and speaking at Committee you are consenting to being recorded and to the possible use of those sound records for training purposes.

If you have any queries regarding this please contact Democratic Services.

Quorum = 16

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	Pages
1. Prayers	
2. Apologies for Absence	
3. Minutes	
To approve the Minutes of the Meeting held on 26 November 2014 (Minute Nos. 359 - 369) as a correct record.	
4. Declarations of Interest	
Councillors should not act or take decisions in order to gain financial or other material benefits for themselves or their spouse, civil partner or person with whom they are living with as a spouse or civil partner. They must declare and resolve any interests and relationships.	
The Chairman will ask Members if they have any interests to declare in respect of items on this agenda, under the following headings:	
(a) Disclosable Pecuniary Interests (DPI) under the Localism Act	

2011. The nature as well as the existence of any such interest must be declared. After declaring a DPI, the Member must leave the meeting and not take part in the discussion or vote. This applies even if there is provision for public speaking.

(b) Disclosable Non Pecuniary (DNPI) under the Code of Conduct adopted by the Council in May 2012. The nature as well as the existence of any such interest must be declared. After declaring a DNPI interest, the Member may stay, speak and vote on the matter.

**Advice to Members:** If any Councillor has any doubt about the existence or nature of any DPI or DNPI which he/she may have in any item on this agenda, he/she should seek advice from the Director of Corporate Services as Monitoring Officer, the Head of Legal or from other Solicitors in Legal Services as early as possible, and in advance of the Meeting.

5. Mayor's Announcements

6. Questions submitted by the Public

To consider any questions submitted by the public. (The deadline for questions is 4.30 pm the Friday before the meeting – please contact Democratic Services by e-mailing [democraticservices@swale.gov.uk](mailto:democraticservices@swale.gov.uk) or call 01795 417330).

7. Questions submitted by Members

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To consider any questions submitted by Members. (The deadline for questions is 4.30 pm the Wednesday before the meeting – please contact Democratic Services by e-mailing [democraticservices@swale.gov.uk](mailto:democraticservices@swale.gov.uk) or call 01795 417330).

Questions published 4.30pm on Wednesday 14 January 2015.

8. Leader's Statement

Members may ask questions on the Leader's Statement.

Leader's Statement uploaded (20.01.15)

9. Resolutions for Calculating Council Tax Base

7 - 12

10. Treasury Management Half Year Report

13 - 24

11. Recommendations for Approval

25 - 26

Council is asked to note the recommendations from the following meetings:

(i) Cabinet – 3 December 2014

(ii) Audit Committee – 10 December 2014

**Issued on Monday, 12 January 2015**

The reports included in Part I of this agenda can be made available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, **please contact DEMOCRATIC SERVICES on 01795 417330**. To find out more about the work of Council, please visit [www.swale.gov.uk](http://www.swale.gov.uk)

**Corporate Services Director, Swale Borough Council,  
Swale House, East Street, Sittingbourne, Kent, ME10 3HT**

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Council 21 January 2015 - Questions submitted by Members

Question No.	Question from:	Question:	Question to:	Service area:
1	Cllr Roger Truelove	<p>At a Swale Joint Transportation Board meeting on September 8th I called for stronger support from Swale Borough Council and Kent County Council for completion of the Sittingbourne Northern Relief Road from East Hall to Bapchild.</p> <p>I reported that I was due to meet with KCC Cabinet members, for economic growth and highways, later in the month.</p> <p>You responded by saying that the Chief Executive of this Council, Mr Kara, is "in talks with KCC's cabinet member for transport, David Brazier."</p> <p>This was accurately reported in the local press and online by Lewis Dyson of the Kent Messenger.</p> <p>I can report that I have had meetings with KCC and they weren't very productive.</p> <p>Can you give the Council a report on Mr Kara's meetings with KCC? Can we have sight of notes made at such meetings and is there any good news?</p>	Leader	Regeneration/Pete Raine
2	Cllr Roger Truelove	<p>We all learn from experience. Would he now agree with me that experience has taught us that there might be considerably better ways of achieving representative public and political accountability for the work of Kent Police than through the</p>	Leader	

		election, on ridiculously low voter turnouts, of a singular Police and Crime Commissioner?		
3	Cllr Anita Walker	As the Cabinet Member for Localism, Sport, Heritage and Culture and others will know, I am a Trustee of the Arden Theatre in Faversham. Does the Cabinet Member agree with me that culture is an important part of our communities and what is he doing to promote culture and the arts in Swale?	Cabinet Member for Localism Sport, Heritage and Culture	Economy and Communities/Emma Wiggins
4	Cllr Adam Tolhurst	When was the Risk Register on plans to regenerate parts of Sittingbourne Town Centre last updated?	Cabinet Member for Regeneration	Regeneration/Pete Raine
5	Cllr Martin McCusker	Can the Cabinet Member for Localism provide a breakdown of the cost of the Local Engagement Forums held throughout 2014 including the (a) cost of venues; (b) estimated cost of staff salaries for those attending from local public services such as the Council, the police, the Fire & Rescue Service? (c) the number of members of the public attending?	Cabinet Member for Localism	Economy and Communities/Emma Wiggins
6	Cllr Adam Tolhurst	On a scale of 1-10 how would he rate the likelihood of the Council's draft Local Plan being rejected by the Local Plan Inspector and why?	Cabinet Member for Planning	Planning Services/James Freeman

7	Cllr Martin McCusker	<p>18 months ago two Members of this Council chose to stay on rather than stand down from this Council despite moving more than 150 miles away to Lincolnshire. From that time until the local elections in May they would have collectively claimed in basic allowances alone around £15,000.</p> <p>In the interests of true localism, does he agree it's time legislation was brought forward to ensure local councillors remain 'local' after they are elected?</p>	Cabinet Member for Localism	
8	Cllr Tony Winckless	<p>10 years ago the Council deported homeless families to Margate where they were expected to fend for themselves against insurmountable odds in real hardship. Homelessness and a shortage of rented properties have risen dramatically in the last year. More families with children are being forced into substandard properties and social landlords are now pulling out of private lettings due to the changes in welfare reform. Does he think the Council's response is commensurate with this?</p>	Cabinet Member for Housing	Housing Services/Amber Christou
9	Cllr Angela Harrison	<p>How does the Cabinet Member for the Environment square the recent underspend of £300k on the Council's waste contract with our streets being strewn with litter and ground in dirt and public perception of the cleanliness of the Borough - as reported by surveys of residents – being down rather than up?</p>	Cabinet Member for Environmental and Rural Affairs	Commissioning and Customer Contact/Dave Thomas
10	Cllr Steve Worrall	<p>We have had our differences on the impact of the Bedroom Tax here in Swale in the past. Will he now agree with me that whatever we call the Bedroom Tax or Spare Room Subsidy all that it has succeeded in doing is making poor people poorer in</p>	Cabinet Member for Housing	Service Delivery/Brian Planner and Housing

		Swale?		Services/Amber Christou
11	Cllr Ghlin Whelan	At Full Council in September, Cllr Bowles advised Members that an audited account of the crisis which enveloped planning services would be completed in October. What were the main findings of the report?	Leader	Planning Services/James Freeman
12	Cllr Ghlin Whelan	What actions and measures has the Cabinet Member for Performance agreed to ensure that services which are provided jointly by other local authorities are robust and delivering value for money?	Cabinet Member for Performance	Policy and Performance/David Clifford
13	Cllr Mark Ellen	Nearly a year ago Hull announced that Siemens was to invest more than £300m in Britain's first purpose-built offshore wind turbine blades. Two years ago the Council's economic development plan for Sheppey was to do just this. What is it today?	Cabinet Member for Regeneration	Economy & Communities/Emma Wiggins
14	Cllr Mike Haywood	Until January, this winter has been one of the mildest on record. Does he agree that the crisis in our local A&Es is being driven by rationing of resources within the NHS rather than by patient demand? If so, how should this shape our response as local authority acting on behalf of our residents?	Cabinet Member for Community Safety and Health	Housing Services/Amber Christou



15	Cllr Steve Worrall	How many Council owned plots of land has the Council sold, firstly in Sheerness Ward, and secondly in Boughton and Courtney Ward to private companies since the existence of Swale Borough Council?	Leader	Property Services/Anne Adams
16	Cllr Mike Henderson	Question to cabinet member for planning – Gerry Lewin Introduction of joint Swale/Maidstone/Tunbridge Wells planning admin has clearly caused major difficulties and delays seriously affecting planning officers, members and the public. Will the cabinet member please explain what he did at the beginning of the process to seek to ensure that the project would be progressed effectively, on time and on budget especially with regard to manpower and IT systems. Will he also tell us what he has done to get the project back on track and inform the council when the whole process will be working fully effectively, when the backlog will be fully removed and what extra cost has been incurred above the planned cost of implementation.	Cabinet Member for Planning	Planning Services/James Freeman
17	Cllr Mike Henderson	Will the cabinet member please inform the council how many 1 and 2 bedroom homes have been completed to allow residents of the Borough to move to smaller accommodation to avoid the iniquitous bedroom tax impacting on them.	Cabinet Member for Housing	Housing Services/Amber Christou

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<b>Council Meeting</b>	
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<b>Meeting Date</b>	<b>21 January 2015</b>
<b>Report Title</b>	<b>Resolutions For Calculating Council Tax Base</b>
<b>Cabinet Member</b>	<b>Cllr Duncan Dewar-Whalley, Cabinet Member for Finance</b>
<b>SMT Lead</b>	<b>Nick Vickers, Head of Finance, Brian Planner, Head of Service Delivery</b>
<b>Head of Service</b>	<b>Nick Vickers, Head of Finance</b>
<b>Lead Officer</b>	<b>Phil Wilson, Chief Accountant Zoe Kent, Assistant Revenues and Benefits Manager</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Classification</b>	<b>Open</b>
<b>Forward Plan</b>	

<b>Recommendations</b>	<p>1. That the report of the Head of Finance for the calculation of the Council Tax Base for the year 2015/16 be approved.</p> <p>2. That pursuant to the Head of Finance report and in accordance with the Regulations made under the Local Government Finance Act 1992 (The Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended)) and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 (SI 2012:2914), and the Local Government Act 2003, the amount calculated by Swale Borough Council as its Council Tax Base for the whole area for the year 2015/16 shall be 42,869.49. The Council Tax Base for the individual Town and Parish Councils within the borough area shall be as itemised in Appendix II to this report.</p>
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## 1. Purpose of Report and Executive Summary

- 1.1 This report is submitted in order to formally approve the Tax Base for 2015/16.
- 1.2 The presentation of the proposed tax base in a report to Council is one of the procedures implemented to ensure that the Council approves the correct tax bases as part of the Council Tax resolution at the meeting due to be held on 18 February 2015.

## **2. Background**

- 2.1 Regulations made under the Local Government Finance Act 1992 (The Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended)) require each billing authority to calculate its 'Council Tax Base'. The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 (SI 2012:2914) provides amended statutory guidance to incorporate the changes as a result of the introduction of the council tax support scheme from 1 April 2013.
- 2.2 The Council Tax Base is a measure of the Council's taxable capacity, for the purpose of setting its Council Tax. Legislation requires the Council to set out the formula for that calculation and that the tax base is formally approved.

## **3. Proposal**

- 3.1 The Council Tax Base has been arrived at by making a calculation of the Relevant Amount for each band i.e.
  - 3.1.1 the number of dwellings in each band;
  - 3.1.2 the estimated number of discounts;
  - 3.1.3 the assessment of these discounts at the appropriate percentage;
  - 3.1.4 the number of dwellings, which will be exempt.
- 3.2 In calculating the number of chargeable dwellings, due allowance has been made for the following:
  - 3.2.1 the number of dwellings within the area of the Authority as notified by the Valuation Officer;
  - 3.2.2 reductions anticipated during the year with due allowance for only part of the year.
- 3.3 Allowance has also been made where it is anticipated that, due to disability, the person liable to pay the Council Tax is to pay a sum relating to a band lower than that under which the property is listed.
- 3.4 In determining the Tax Base, I have also reviewed the allowance made for the collection rate. For 2014/15 the Council had a collection rate of 98.95%, but it is my opinion that it would be prudent to reduce slightly the collection rate to 98.77%.
- 3.5 The details of the calculations for the whole of the Swale Borough Council and for the Parish and Town Councils within the Borough are shown in Appendices I and II.
- 3.6 As a billing authority, Swale Borough Council must issue to precepting authorities by 31 December a schedule of proposed payments in respect of their precepts and its own. This schedule of proposed payments must be confirmed and notified to precepting authorities by 31 January.

- 3.7 The payment of Parish Precepts is to be the same as for the payment of Parish Precepts in 2014/15, i.e. 50% by end of April 2015 and 50% by end of September 2015.

#### 4. Alternative Options

- 4.1 The alternative option would be to use an alternative collection rate to apply to the tax base.

#### 5. Consultation Undertaken or Proposed

- 5.1 There has been no consultation undertaken.

#### 6. Implications

Issue	Implications
Corporate Plan	None
Financial, Resource and Property	The Council Tax Base will be used to calculate the income from Council Tax for the Council following the setting of the Council Tax at the Council meeting on 18 February 2015.
Legal and Statutory	The Council must calculate the tax base each year in accordance with the Local Government Finance Act 1992 (The Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended)), the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 (SI 2012:2914), and the Local Government Act 2003
Crime and Disorder	None
Sustainability	None
Health and Wellbeing	None
Risk Management and Health and Safety	Risk Implications - Assuming this report is approved, there is no risk that the Council will not meet its statutory duty to approve the Council Tax Base for 2015/16 and notify precepting authorities by 31 January 2015.
Equality and Diversity	None

#### 7. Appendices

- 7.1 The following documents are to be published with this report and form part of the report

- Appendix I: 2015/16 Tax Base Calculation for the Whole Council Area
- Appendix II: 2015/16 Tax Base for Parishes in the Swale Area

## **8. Background Papers**

- 8.1 The Finance Department and the Revenues and Benefits Section hold detailed information on the make up of the tax base for each Parish and every unparished area.

**SWALE BOROUGH COUNCIL  
TAX BASE CALCULATION FOR THE WHOLE AREA 2015/16**

Description	Band A-	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Dwellings	0.00	9,828.00	15,577.00	16,365.00	10,316.00	5,204.00	2,352.00	1,169.00	111.00	60,922.00
Exemptions	0.00	-745.00	-128.00	-103.00	-65.00	-27.00	-14.00	-7.00	0.00	-1,089.00
Deletions	0.00	-14.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-14.00
Disabled Relief	4.00	32.00	29.00	-6.00	-32.00	-16.00	0.00	3.00	-14.00	0.00
CHARGEABLE DWELLINGS	4.00	9,101.00	15,478.00	16,256.00	10,219.00	5,161.00	2,338.00	1,165.00	97.00	59,819.00
Discounts -										
Single/ Disregard (25%)	0.00	-4,373.00	-5,849.00	-4,712.00	-2,283.00	-888.00	-326.00	-134.00	-10.00	-18,575.00
Discount at 50%	0.00	-1.00	-10.00	-5.00	-9.00	-6.00	-12.00	-20.00	-3.00	-66.00
Discount at 100%	0.00	-133.00	-153.00	-100.00	-50.00	-26.00	-13.00	-6.00	-1.00	-482.00
Total Discounts	0.00	-4,507.00	-6,012.00	-4,817.00	-2,342.00	-920.00	-351.00	-160.00	-14.00	-19,123.00
DISCOUNT REDUCTION	0.00	-1,226.75	-1,620.25	-1,280.50	-625.25	-251.00	-100.50	-49.50	-5.00	-5,158.75
NET DWELLINGS	4.00	7,874.25	13,857.75	14,975.50	9,593.75	4,910.00	2,237.50	1,115.50	92.00	54,660.25
Number of Dwellings to be removed from Council Tax Base as a result of Council Tax Support scheme	-1.49	-2,428.11	-3,005.07	-2,152.46	-647.99	-167.42	-48.77	-8.96	0.00	-8,460.27
DWELLINGS AFTER Z FACTOR	2.51	5,446.14	10,852.68	12,823.04	8,945.76	4,742.58	2,188.73	1,106.54	92.00	46,199.98
BAND D EQUIVALENT	1.39	3,630.73	8,440.98	11,398.28	8,945.76	5,796.51	3,161.50	1,844.24	184.00	43,403.39
Collection Rate										98.77%
<b>TAX BASE</b>										<b>42,869.49</b>

**2015/16 TAX BASE FOR PARISHES WITHIN THE SWALE AREA**

PARISHES	2014/15 Tax Base	2015/16 Tax Base
BAPCHILD	448.70	451.05
BOBBING	688.52	700.12
BORDEN	1,003.21	1,021.03
BOUGHTON	660.21	664.98
BREDGAR	280.75	285.17
DODDINGTON	209.98	210.01
DUNKIRK	462.29	473.92
EASTCHURCH	652.25	665.47
EASTLING	140.21	140.70
FAVERSHAM	5,904.40	5,987.03
GRAVENEY & GOODNESTONE	177.02	177.22
HARTLIP	354.57	360.56
HERNHILL	279.52	279.36
IWADE	1,089.44	1,187.20
LEYSDOWN	1,056.23	1,141.19
LOWER HALSTOW	446.17	446.11
LUDDENHAM	42.76	44.77
LYNSTED	437.01	445.97
MILSTEAD	84.67	88.17
MINSTER	4,747.85	4,906.21
NEWINGTON	840.97	856.90
NEWNHAM	153.00	149.58
NORTON	149.15	151.95
BUCKLAND	28.84	29.04
SUB TOTAL Norton & Buckland	177.99	180.99
OARE	165.49	162.90
OSPRINGE	270.85	273.71
QUEENBOROUGH	702.59	746.90
RODMERSHAM	235.02	235.86
SELLING	325.52	326.56
SHELDWICH	244.61	245.10
LEAVELAND	44.27	44.58
BADLESMERE	55.79	54.63
SUB TOTAL Sheldwich, Leaveland & Badlesmere	344.67	344.31
STALISFIELD	91.98	90.83
TEYNHAM	794.22	838.07
THROWLEY	138.08	139.63
TONGE	110.84	110.94
TUNSTALL	389.05	391.94
UPCHURCH	892.64	889.71
WARDEN	434.39	464.54
<b>Total</b>	<b>25,233.06</b>	<b>25,879.61</b>



<b>Council</b>	<b>Agenda Item:</b>
<b>Meeting Date</b>	<b>21 January 2015</b>
<b>Report Title</b>	<b>Treasury Management Half Year Report</b>
<b>Cabinet Member</b>	<b>Cllr Duncan Dewar-Whalley, Cabinet Member for Finance and Performance</b>
<b>SMT Lead</b>	<b>Nick Vickers, Head of Finance</b>
<b>Head of Service</b>	<b>Nick Vickers, Head of Finance</b>
<b>Lead Officer</b>	<b>Olga Cole, Management Accountant</b>
<b>Key Decision</b>	<b>No</b>
<b>Classification</b>	<b>Reference number:</b>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. To note the performance information in this report.</li> <li>2. To note the possible reduction in our minimum acceptable credit returns for bank deposits.</li> </ol>

## 1 Purpose of Report and Executive Summary

- 1.1 The purpose of this report is to review the mid-year outturn position on treasury management transactions for 2014/15, including compliance with treasury limits and Prudential Performance Indicators. The report was agreed by the Audit Committee on 10 December 2014.
- 1.2 The Treasury Management Strategy is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. In accordance with the Code of Practice members are informed of Treasury Management activities twice a year.
- 1.3 The approach to the use of the cash surplus continues to be highly risk averse both in terms of the counterparties the Council will use and the duration of deposits.

## 2. Background

### Borrowing

- 2.1 The Council continues to be debt free. Council in September did agree to allow for borrowing to be part of the solution to funding the multi-story car park.

### Investments

- 2.2 The counterparties agreed by Cabinet and Council earlier this year when the 2014/15 Treasury Strategy was approved are:

- Debt Management Office – Debt Management Account Deposit Facility;
  - Gilts (bonds issued by the UK Government);
  - Money Market Funds; and
  - Major UK Financial institutions with a lowest minimum long term credit rating of A- or equivalent:
    - Royal Bank of Scotland Plc (RBS);
    - National Westminster Bank;
    - Lloyds Bank Plc;
    - Bank of Scotland Plc;
    - Barclays Bank Plc;
    - HSBC Bank Plc;
    - Santander UK Plc;
    - Standard Chartered Bank;
    - Svenska Handelsbanken;
    - Leeds Building Society;
    - Close Brothers; and
    - Nationwide Building Society.
- 2.3 The investment activity during the first six months conformed to the approved strategies at all times, with no breaches.
- 2.4 Investments held at 30 September 2014 can be found in Appendix I.
- 2.5 The most important development this year has been the moves by UK and European Governments towards “bail in” of banking institutions. This means that rather than providing direct financial support themselves, Government’s will look to holders of equity, debt and depositors (including local authorities) to take a direct financial hit or “haircut” should banks have financial difficulties.
- 2.6 This move away from direct Government support is likely to lead to downgrades of banks by the credit rating agencies.
- 2.7 Interest rates on deposits have continued to reduce. We have taken the view that security of funds is the key priority and we are not seeking very small marginal increases in rates earned through widening the asset classes we can invest in, as security and liquidity are our concerns.
- 2.8 In October the Council’s Treasury management advisors Arlingclose shortened their recommended maximum duration of investments from 13 months to 6 months. The Council keeps almost all of the funds on a very short duration.
- 2.9 The Council did not need to borrow to cover cash flow purposes in the period.

- 2.10 Interest income received for the first half of 2014 was £23,000 above the profiled original budget of £39,000.
- 2.11 For the six months to 30 September 2014, the Council maintained an average sum invested of £28m compared with an original budget of £26m, and an average rate of return of 0.44% compared to a budget of 0.30%.
- 2.12 The results for the six months to 30 September 2014 show that the Council achieved 0.09% average return above the average 7 day London Interbank Bid Rate (LIBID) and 0.06% average return rate below the Bank of England Base Rate.

Compliance with Prudential Indicators

- 2.13 The Council can confirm that it has complied with its Prudential Indicators for 2014/15 which were set in February as part of the Council's Treasury Management Strategy Statement.
- 2.14 Prudential Indicators are set out in Appendix II.

**3. Proposals**

- 3.1 Arlingclose have proposed that given the possibility of credit rating agency downgrades before the new Treasury Strategy is agreed in February by Council, we should consider reducing our minimum acceptable credit rating.
- 3.2 Therefore if any bank on our list was reduced to BBB+ (or equivalent) it could still be used. But duration would be kept very short.

**4. Alternative Options**

- 4.1 The Head of Finance will consider changes to the counterparty criteria with reference to the Council's agreed policy with regard to risk.

**5. Consultation Undertaken**

- 5.1 Consultation has been undertaken with Arlingclose.

**6. Implications**

Issue	Implications
Corporate Plan	No direct application.
Financial, Resource and Property	As detailed in the report.

<b>Issue</b>	<b>Implications</b>
Legal and Statutory	The Council has powers to both borrow funds to support its work and to invest and earn interest on funds available.
Crime and Disorder	Following CIPFA's Treasury Management Code of Practice is important to avoid involvement in potential fraud or money laundering.
Sustainability	None
Health and Wellbeing	None
Risk Management and Health and Safety	Risk is controlled through adherence to specific guidance included in CIPFA's Treasury Management Code of Practice. The principle of security of funds over-rides investment performance.
Equality and Diversity	None

## **7. Appendices**

7.1 The following documents are to be published with this report and form part of the report.

- Appendix I: Investments as at 30 September 2014
- Appendix II: Treasury Management Prudential Indicators

## **8. Background Papers**

8.1 The background papers are held by Finance and include:

- Prudential Code for Capital Finance in Local Authorities (2013 Edition) – CIPFA
- Treasury Management in the Public Services Code of Practice and Cross Sectional Guidance Notes (2011 Edition) – CIPFA
- Treasury Management in the Public Services Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (2011 Edition)– CIPFA
- Treasury Management Strategy Statement and Investment Strategy 2014 -15

**Investments as at 30 September 2014**

Counterparty/ Country	Long-Term Rating (Moody's)	Balance Invested as at 30 September 2014 £'000
Lloyds TSB Bank Plc	A1	3,000
Standard Chartered Bank	A1	3,000
Santander UK Plc (Call Account)	A2	3,000
Svenska Handelsbanken	Aa3	3,000
<b>Total Banks</b>		<b>12,000</b>
Goldman Sachs Money Market Fund	Aaa-mf	1,500
Scottish Widows Money Market Fund	Aaa-mf	1,500
Black Rock Money Market Fund	Aaa-mf	1,500
BNP Paribas Money Market Fund	Aaa-mf	1,500
Deutsche Money Market Fund	Aaa-mf	1,500
SSgA Money Market Fund	Aaa-mf	1,500
Morgan Stanley Money Market Fund	Aaa-mf	1,500
BNY Mellon Money Market Fund	Aaa-mf	1,270
<b>Total Money Market Funds</b>		<b>11,770</b>
<b>Gross Total</b>		<b>23,770</b>

The Ratings above are from Moody's Ratings. The Long Term Rating is the benchmark measure of probability of default. These ratings are shown for illustrative purposes only, as the Council uses the lowest rating across three agencies on which to base its decisions.

**Investment Activity in 2014/15**

Investments	Balance on 01/04/2014 £'000	Investments Made £'000	Investments Repaid £'000	Balance on 30/09/2014 £'000	Average Rate %	Average Life (days )
Short Term Investments	18,490	93,223	(87,943)	23,770	0.44	61
Long Term Investments	3	0	0	3	3.15	Undated
<b>Total Investments</b>	18,493	93,223	(87,943)	23,773		
Increase/(Decrease) in Investments				5,280		

## Treasury Management Prudential Indicators

### 1. Background

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in local authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

### 2. Gross Debt and the Capital Financing Requirement (CFR)

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

The Authority has no external debt.

### 3. Estimates of Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

<b>Capital Expenditure</b>	<b>2013/14 Actual £'000</b>	<b>2014/15 Estimate £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>
<b>Total</b>	<b>1,945</b>	<b>1,107</b>	<b>1,090</b>	<b>1,090</b>

Capital expenditure will be financed follows:

<b>Capital Financing</b>	<b>2013/14 Actual £'000</b>	<b>2014/15 Estimate £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>
Capital receipts	145	0	0	0
Government Grants	1,535	927	1,040	1,040
Revenue contributions	265	180	50	50
<b>Total Financing</b>	<b>1,945</b>	<b>1,107</b>	<b>1,090</b>	<b>1,090</b>

#### 4. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability, highlighting the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code. The ratio is based on costs net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2013/14 Actual</b>	<b>2014/15 Original Estimate</b>	<b>2015/16 Original Estimate</b>	<b>2016/17 Original Estimate</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Total</b>	<b>4.35</b>	<b>1.81</b>	<b>1.91</b>	<b>1.91</b>

#### 5. Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing.

<b>Capital Financing Requirement</b>	<b>31/03/14 Actual</b>	<b>31/03/15 Original Estimate</b>	<b>31/03/16 Original Estimate</b>	<b>31/03/17 Original Estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Total CFR</b>	<b>5,475</b>	<b>5,805</b>	<b>5,474</b>	<b>5,162</b>

#### 6. Actual External Debt

This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

<b>Actual External Debt as at 31/03/2014</b>	<b>£'000</b>
Borrowing	0
Other Long-term Liabilities	824
<b>Total</b>	<b>824</b>

#### 7. Incremental Impact of Capital Investment Decisions on Council Tax

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2013/14 Actual</b>	<b>2014/15 Original Estimate</b>	<b>2015/16 Original Estimate</b>	<b>2016/17 Original Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Increase / (Decrease) in Band D Council Tax	(0.02)	0.00	(0.01)	0.00

## 8. Authorised Limit and Operational Boundary for External Debt

The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing, and its approved treasury management policy statement and practices.

The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

<b>Authorised Limit for External Debt</b>	<b>2014/15 Original Estimate</b>	<b>2015/16 Original Estimate</b>	<b>2016/17 Original Estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowing	5,000	5,000	5,000
Other Long-term Liabilities	2,000	2,000	2,000
<b>Total</b>	<b>7,000</b>	<b>7,000</b>	<b>7,000</b>

The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.



## Appendix II

<b>Operational Boundary for External Debt</b>	<b>2014/15 Original Estimate £'000</b>	<b>2015/16 Original Estimate £'000</b>	<b>2016/17 Original Estimate £'000</b>
Borrowing	2,000	2,000	2,000
Other Long-term Liabilities	992	774	623
<b>Total</b>	<b>2,992</b>	<b>2,774</b>	<b>2,623</b>

The Head of Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the period to 30 September 2014.

### 9. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council has adopted the principles of best practice.

#### Adoption of the CIPFA Code of Practice in Treasury Management

The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 22 February 2012.

The Council has incorporated the changes from the revised CIPFA Treasury Management in the Public Services: Code of Practice 2011 into its treasury policies, procedures and practices.

### 10. 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. This Council calculates these limits on net principal outstanding sums (i.e. fixed rate debt net of fixed rate investments).

<b>Upper Limit for Interest Rate Exposure</b>	<b>Existing level at 30/09/14 %</b>	<b>2014/15 Approved Limit %</b>	<b>2015/16 Approved Limit %</b>	<b>2016/17 Approved Limit %</b>
Interest on fixed rate borrowing	0	100	100	100
Interest on fixed rate investments	-25	-100	-100	-100
<b>Upper Limited for Fixed Interest Rate Exposure</b>	<b>-25</b>	<b>0</b>	<b>0</b>	<b>0</b>
Interest on variable rate borrowing	0	100	100	100

<b>Upper Limit for Interest Rate Exposure</b>	<b>Existing level at 30/09/14</b>	<b>2014/15 Approved Limit</b>	<b>2015/16 Approved Limit</b>	<b>2016/17 Approved Limit</b>
	%	%	%	%
Interest on variable rate investments	-75	-100	-100	-100
<b>Upper Limited for Variable Interest Rate Exposure</b>	<b>-75</b>	<b>0</b>	<b>0</b>	<b>0</b>

As the Council has no borrowing, these calculations have resulted in negative figure.

## 11. Maturity Structure of Fixed Rate Borrowing

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. It is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

<b>Maturity structure of fixed rate borrowing</b>	<b>Existing level at 30/09/14</b>	<b>Lower Limit for 2014/15</b>	<b>Upper Limit for 2014/15</b>
	%	%	%
Under 12 months	0	0	100
12 months and within 24 months	0	0	0
24 months and within 5 years	0	0	0
5 years and within 10 years	0	0	0
10 years and above	0	0	0

The Council does not have any external borrowing for capital purposes, and did not need to borrow for cash flow purposes during the six months to 30 September 2014.

## 12. Credit Risk

The Council considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- sovereign support mechanisms;
- credit default swaps (where quoted);
- share prices (where available);
- economic fundamentals, such as a country's net debt as a percentage of its GDP;
- corporate developments, news, articles, markets sentiment and momentum; and
- subjective overlay.

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

The Head of Finance confirms that there were no breaches to counterparty limits or credit ratings at the time of placing investments.

### 13. 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 Authority having to seek early repayment of the sums invested.

<b>Upper Limit for total principal sums invested over 364 days</b>	<b>2014/15 Estimate £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>
Total	7,000	7,000	7,000

### 14. Investment Benchmarking for the six months to 30 September 2014

<b>Average Actual Return on Investments</b>	<b>Original Estimate Return on Investments</b>	<b>Average Bank Rate</b>	<b>Average 7 day LIBID Rate</b>
0.44%	0.30%	0.50%	0.35%

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## **RECOMMENDATIONS FOR APPROVAL**

Council is asked to note the following recommendations:

### **(i) Cabinet – 3 December 2014**

#### **Minute No. 384 – Medium Term Financial Plan and 2015/16 Budget**

- (1) That the draft proposals be noted.
- (2) That the Medium Term Financial Plan be noted.

### **(ii) Audit Committee – 10 December 2014**

#### **Minute No. 398 – Treasury Management Half Year Review**

- (1) That the performance information in the report be noted.
- (2) That the possible reduction in our minimum acceptable credit returns for bank deposits be noted.

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