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# Cabinet Agenda

**5.00 pm Tuesday, 12 February 2019**
**Committee Room No. 2, Town Hall,**
**Darlington. DL1 5QT**

**Members and Members of the Public are welcome to attend this Meeting.**

1. Introductions/Attendance at Meeting.

2. Declarations of Interest.

3. Key Decisions:-

   (a) Medium Term Financial Plan –
   Report of the Chief Officers Executive
   (Pages 1 - 64)

   (b) Housing Revenue Account - MTFP 2019/20 to 2022/23 –
   Report of the Director of Economic Growth and Neighbourhood Services
   (Pages 65 - 80)

4. Mid Year Prudential Indicators and Treasury Management Monitoring Report 2018/19 –
   Report of the Managing Director
   (Pages 81 - 98)

5. Prudential Indicators and Treasury Management Strategy Report 2019/20 –
   Report of the Managing Director
   (Pages 99 - 136)

6. Darlington Capital Strategy –
   Report of the Managing Director
   (Pages 137 - 148)

**Luke Swinhoe**
**Assistant Director Law and Governance**

**Monday, 4 February 2019**

**Town Hall**
**Darlington.**

**Membership**
Councillors Crumbie, Harker, C L B Hughes, McEwan, S Richmond, A J Scott and Wallis

If you need this information in a different language or format or you have any other queries on this agenda please contact Lynne Wood, Elections Manager, Resources Group, during normal office hours 8.30 a.m. to 4.45 p.m. Mondays to Thursdays and 8.30 a.m. to 4.15 p.m. Fridays (e-mail Lynne.Wood@darlington.gov.uk or telephone 01325 405803).

**SPECIAL CABINET**
**12 FEBRUARY 2019**

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**MEDIUM TERM FINANCIAL PLAN**

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**Responsible Cabinet Member - Councillor Harker, Leader and all Cabinet Members**

**Responsible Director - Chief Officers Executive**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To propose a Medium Term Financial Plan (MTFP) for 2019/20 to 2022/23 including setting a budget and council tax increase for 2019/20. To also propose a 2019/20 to 2022/23 Capital Programme, both to be forwarded to Council for approval on 21 February 2019.

**Summary**

2. Between the financial years 2010/11 to 2019/20 the Council has faced unprecedented financial challenges from reductions in public sector spending. In the case of Darlington Borough Council this has meant an overall real terms decrease in government funding of £45.7m anticipated to increase to £50m by 2022/23. This resulted in the Council agreeing reductions to planned expenditure of over £57m leading to a reduction to date of 747 in the Council's workforce. These income reductions have come at a time when demands for services in particular social care are increasing.

3. Since the draft MTFP there have been a number of changes which affect the financial position. The Local Government Finance Settlement (LGFS) was received on the 13 December and confirmed the reduction of £2.8m in the revenue support grant and the extra one of funding for social care of £0.856m announced in the 2018 budget. In addition there was funding of £0.346m allocated to Darlington which was the distribution of surplus levy funding and also some smaller increases in Top up Grant and New Homes Bonus at £0.020m and £0.038m respectively. The additional income is welcomed but as it is one year short term funding it does not assist with the future sustainability of services and which are facing major demand pressures particularly in Children and Adult social care.

4. Further positive changes have come from a Treasury Management initiative where two Lender Option Borrower Option loans have been repaid saving £1.5m over the MTFP life, and also the Revenue Budget Management quarter three results which have shown a positive improvement.

5. The Council undertook a significant consultation exercise in 2016 following an in-depth and detailed review of all services which resulted in the agreement of a Core Offer budget and allowed for a small futures fund allocated to discretionary services. Furthermore in February 2018 when agreeing the 2018/19 MTFP Members following consultation agreed to use unallocated balances of £4.1m to invest in five areas which hold great value to our community, they were;

   (a) Community Safety
   (b) Maintain an attractive street scene environment
   (c) Maintaining a vibrant town centre
   (d) Developing an attractive visitor economy
   (e) Neighbourhood renewal

6. The Core offer plus the futures fund is the starting point for the MTFP and it remains extremely challenging with some significant pressures arising in Children's social care. Nevertheless, through innovative financial investments, increased income from economic growth successes and release of redundant earmarked reserves, the Council can still deliver the agreed balanced plan, extend the MTFP, increase balances and allocate a further £0.600m to bolster the Futures Fund themes.

7. In summary despite a further £2.8m reduction in RSG in 2019/20, with significant good progress on savings, strong cost management and innovative treasury management, the Council' financial position is robust with a four year balanced MTFP and funds available for investment to bolster the futures fund which will be delegated to Cabinet and increase reserves by £1.160m.

**Recommendation**

8. It is recommended that Cabinet approve;

   (a) the Revenue MTFP as set out in **Appendix 7** and the proposed Capital Programme summarised in **Appendix 9** to be recommended to Council on the 21 February 2019 including the following;

      (i) Council tax increase of 2.99% for 2019/20.
      (ii) Schedule of charges as set out in **Appendix 3**

**Reasons**

9. The recommendations are supported by the following reasons :-

   (a) The Council must set a budget for the next financial year.
   (b) To enable the Council to continue to plan services and finances over the medium term.
   (c) To ensure decisions can be made in a timely manner.

**Chief Officers Executive**

**Background Papers**

No background papers were used in the preparation of this report.

Elizabeth Davison: Extension 5830

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|---|---|
| S17 Crime and Disorder | The report contains proposals to continue to allocate resources in support of the Council's Crime and Disorder responsibilities |
| Health and Well Being | The report contains proposals to continue to allocate resources in support of the Council's Health and Well Being responsibilities |
| Carbon Impact | The proposals in the report seek to continue to support the Council's responsibilities and ambitions to reduce carbon impact in the Council and the Borough. |
| Diversity | There are no specific proposals that impact on diversity issues. |
| Wards Affected | All wards are affected |
| Groups Affected | All groups are affected by the Council Tax increase. Individual groups will be affected by specific proposals as they develop. In each case impacts will be considered before a decision is made to implement the proposal. |
| Budget and Policy Framework | The MTFP, Budget and Council Tax must all be decided by full Council |
| Key Decision | The MTFP, Budget and Council Tax must all be decided by full Council |
| Urgent Decision | The MTFP, Budget and Council Tax must all be decided by full Council |
| One Darlington: Perfectly Placed | Within the constraints of available resources it is necessary for the Council to make decisions involving prioritisation. The proposals contained in this report are designed to support delivery of the Sustainable Community Strategy, within those constraints. |
| Efficiency | Efficiency savings which do not affect service levels have been included in the MTFP. |
| Impact on Looked after Children and Care leavers. | Children's social care continues to be resourced to provide good outcomes for Looked after Children or Care Leavers. |

## MAIN REPORT

**Background and Context**

10. The Council for the period 2010/11 to 2018/19 has faced unprecedented financial challenges as the Government responded to the worldwide economic downtown by introducing significant public sector spending reductions. In the case of Darlington Borough Council this meant an overall real terms decrease in government funding of £45.7m anticipated to increase to £50m by 2021/22. This resulted in the Council agreeing reductions to planned expenditure of £57m leading to reduction to date of 747 in the Council's workforce. Higher expenditure reductions were required due to the significant pressures being faced which have been documented over the years but the most significant being the increased demand in both children and adult services.

11. Savings minimising service disruption to residents and service users were initially targeted and included efficiencies and reductions in back office services and management, however in 2016 it was clear this did not go far enough and expenditure needed to be reduced by a further £12m.

12. The Council undertook a significant consultation exercise with the public during 2016 following an in-depth and detailed review of all services. This resulted in the agreement of a Core Offer budget which reduced expenditure and services to a risk based minimum level with a small investment fund (The Futures Fund) of £2.5m per annum for services which the Council does not have to provide but which add great value to Darlington and its residents.

13. Subsequently in the 2018/19 MTFP following good progress made on achieving savings, strong cost management and innovative treasury initiatives the council was in a position to add to the futures fund and Members after listening to feedback agreed to use unallocated balances of £4.1m to invest in five areas which hold great value to our community.

14. The core offer budget plus the futures fund as noted above is the starting position for this year's MTFP.

15. In setting the criteria for the futures fund investments Cabinet first and foremost took the two key priorities held in the Community Strategy One Darlington Perfectly Placed.

16. One Darlington aims to make sure that all residents have opportunities for a good quality of life; that inequalities are tackled, the most vulnerable supported and the potential of every resident realised.

17. Perfectly Placed aims to make sure that Darlington's natural advantages, its transport links, good housing and attractive environment, are maximised to create wealth within the economy and to ensure that everyone is able to share in that wealth.

18. As a consequence of looking to these long term goals the following five themes which are wholly consistent with the Council's corporate plan priorities were agreed:-

    (a) Community Safety
    (b) Maintain an attractive street scene environment
    (c) Maintaining a vibrant town centre

(d) Developing an attractive visitor economy
(e) Neighbourhood renewal

19. The funds are being utilised as expected to make positive change, the progress of which is detailed later in the report.

20. In terms of the financial context faced by the Council since approving the MTFP the situation remains similar with reductions in Local Government funding along the lines predicted. Following the submission and approval of the Council's Efficiency Statement, RSG is guaranteed at the published reducing level with a further £2.8m cut in 2019/20, however this is now only a small fraction of the Councils overall revenue stream. The Councils two main sources of funding are Council Tax and Business Rates, the former being relatively stable, the latter being more volatile.

**Updated Information and changes to the draft MTFP**

21. As a result of updated information since the draft MTFP was approved for consultation in December 2018 a number of changes have been made to this proposed MTFP. These changes along with the references to where they appear in the report are shown below:

| No. | Change | Effect | Para. | App. |
|---|---|---|---|---|
| **1** | Settlement – levy distribution | Improves reserves by £0.346m (already included in Qtr 3 RBM figure) | 3 | 5 |
| **2** | Rescheduling of LOBO loan | Improves reserves by £1.504m | 33, 59, 60 | 7 |
| **3** | Quarter 3 Revenue Budget Management | Improves reserves by £1.573m | | 5, 7 |
| **4** | Settlement - additional NHB | Improves resources by £0.038 | 39, 58 | 7 |
| **5** | Settlement – additional Top UP Grant | Improves resources by £0.020m | 39, 58 | 7 |
| **6** | Reserve provision established for VAT partial exemption payment | Earmarks £1.7m of resources in the reserves. | 60 | 7 |

## Financial Analysis

**Progress on Delivery of the Current MTFP**

22. Good progress has been made on delivering the savings identified in the current MTFP although there has been a change in regard to the proposal to move Crown Street Library to the Dolphin Centre and the Cockerton Library proposal to be run by volunteers. At the 11 September 2018 Cabinet meeting Members revised their decision to relocate the Crown Street library, the context being the rapidly changing Town Centre environment and the better financial position of the council in comparison to when the original decision was made.

23. Members agreed to an alternative proposal which is currently subject to consultation and includes the refurbishment of the Crown Street building and to refresh the internal design and service standards. The cost of this alternative proposal is £0.220m per annum which includes the financing costs for the refurbishment and has been built into these initial estimates.

24. The original £0.038m saving proposal for the Cockerton library was for it to be volunteers led with assistance from the council. Unfortunately the group who agreed to operate the library have now withdrawn their support so the library will continue to be operated by the council.

**Projected Expenditure**

25. Estimates attached at **Appendix 1** have been prepared based on current service levels and include known pressures and efficiencies which are summarised below and detailed in **Appendix 2.** The most significant pressures and efficiencies are however discussed in the following paragraphs. Assumptions used when preparing the estimates are set out at **Appendix 4**.

| **Summary of Pressures** | **Estimate 2019/20 £m** | **Estimate 2020/21 £m** | **Estimate 2021/22 £m** | **Estimate 2022/23 £m** |
|---|---|---|---|---|
| Efficiencies/Savings offsetting pressures | (2.092) | (1.947) | (1.147) | (0.124) |
| Service Demand | 1.345 | 0.757 | 0.216 | 0.249 |
| Price Inflation | 0.212 | 0.223 | 0.427 | 0.637 |
| Loss of grant and reduced Income | 0.062 | 0.320 | 0.680 | 0.709 |
| Other | 0.455 | 0.473 | 0.485 | 0.531 |
| Crown Street/Cockerton Library | 0.275 | 0.285 | 0.295 | 0.305 |
| Risk Contingencies | 0.784 | 1.319 | 1.691 | 1.691 |
| **Total** | **1.041** | **1.430** | **2.647** | **3.998** |

26. **Efficiencies/Savings** - the transformation work in Adult Services to ensure people receive the right level of care and are able to stay in their homes longer has reduced the cost of residential care placements and exceeded the estimated target. The saving does however reduce in future years due to increasing inflationary costs. Further significant savings have been achieved in financing costs where increased activity in the Council's Joint Ventures in house building have been successful with returns to the Council higher than initially anticipated.

27. **Service demand** –The largest service demand pressures are the external residential placements and Independent Fostering placements in Children's Services with an anticipated pressure of £1.85m. The cost of children's care is being highlighted at a national level as local and national trends are showing an upward trajectory with cases becoming more complex with and the cost of external placements increasing. Work is on-going in the Children's transformation project to try and reduce the expenditure, however the likelihood of reducing this further in the short term is limited, with the more likely scenario being the establishment initiatives which will to stem demand and growth in this area. This pressure has been reduced over the MTFP life however there is a significant risk that this cannot be achieved. This is being taken into account in the risk

contingency provision discussed below. Another linked demand pressure is the legal costs associated with children entering care of £0.146m per annum.

28. These demand pressures are high and increasing and whilst the service is looking for innovative ways to reduce the cost and future demand these children are among the most vulnerable in society and need help and protection. The Council is fully committed to investing the resources needed in these children to ensure they are safeguarded and have a bright future.

29. **Reduced income** – the main area of income reduction is the loss of the troubled families grant from 2020/21. The Council receives £0.530m per annum which supports our core staffing in children's social care. To reduce the staffing to the level required to cover this pressure would render the service unsustainable. Further reductions relate to changes to DSG funding and the Council's rechargeable element.

30. **Other** – there are a number of other pressures including increases in coroners pay following a national review, software upgrade pressures in particular Microsoft 365, this should however assist with future productivity, ICT anti-virus contract renewal where prices are increasing due to the increased complexity and of cyber-attacks and partnership contributions. Furthermore government funding will cease this year for a trail blazing project which tackles vulnerable adult homelessness. As the project is successful and good outcomes are being achieved, gap funding is required for a further year whilst an alternative funding source is secured. This gap is being jointly funded in partnership with Police Crime and Victims Commissioner

31. **Crown Street and Cockerton Library** – as noted previously at the 11 September 2018 Cabinet meeting Members revised their decision to relocate the Crown Street library, the cost of this proposal is £0.220m and includes the financing of the refurbishment costs. There is also a financial implication following the withdrawal of support in regard to Cockerton Library which was proposed to be volunteer led.

32. **Risk Contingency** – as noted earlier there are a number of risks pressures which have been identified but at this point it is not certain when or if they will come to fruition. They do however differ from monies set aside in the risk reserve as they are known risks with a significant likelihood some will happen. The numbers in these noted risks are high and it is therefore prudent to recognise them in the budget but without allocating them to individual service budgets. Following a review of these risks it is recommended that a prudent level would be at 60% of the total risk and this has been included in the risk contingency line. The four risks identified are;

    (a) Learning Disability – rising cost of ordinary residency placements in Adult services and five high costs cases the services are alerted to.

    (b) Adult care – Demand and complexity pressures – whilst the service has reduced demand for residential placements over the last few years the elderly population is growing along with increased complexities. The service are mindful that we are at base level and pressures are likely to materialise in the coming year/s.

    (c) Children Services - Independent fostering placements and independent residential placements – As noted above the Children's services transformation programme is looking at ways to reduce expenditure in this area, an example being the newly established Edge of Care team which looks to support children and families to stop the children having to come into care. There are targets set for a reduction over the next four years but given the increasing demand and the spiralling costs of external placements there is a significant risk they won't all be achieved.

(d) School Transport. The service is overspending in the current year and this is anticipated to rise over the coming years. The Council has recently consulted on the Special Educational Needs & Disability (SEND) Transport arrangements and the proposed changes to the way transport is delivered will reduce the current projected overspend occurring for this service. Notwithstanding this a significant area of overspend is related to out of borough placements and savings rely on these children being brought back to Darlington where there is currently not enough provision.

33. Taking all of the above savings and pressures into account the projected expenditure is shown in the table below:-

| | **2019/20 £m** | **2020/21 £m** | **2021/22 £m** | **2022/23 £m** |
|---|---|---|---|---|
| Children and Adult Services | 55.607 | 56.298 | 57.747 | 59.602 |
| Economic Growth & Neighbourhood Services | 20.173 | 20.689 | 21.772 | 22.355 |
| Resources | 10.062 | 10.194 | 10.402 | 10.636 |
| Financing costs | 0.510 | 0.832 | 1.033 | 1.356 |
| Investment Returns | (1.212) | (1.028) | (0.812) | (0.517) |
| Council Wide Pressures/(savings) | 0.492 | (0.110) | (0.046) | 0.181 |
| Risk Contingencies | 0.784 | 1.319 | 1.691 | 1.691 |
| #Council Wide Contingencies | (2.256) | 0.199 | 0.201 | 0.201 |
| **Total Expenditure** | 84.160 | 88.393 | 91.988 | 95.504 |

# this includes the pension backfunding provision which relates to the upfront pension deficit payment made by the Council in 2017/18 saving £0.465m. The mechanism is to capitalise appropriate revenue expenditure which creates a credit in the revenue account. It also includes the apprenticeship levy.

**Projected Income**

**Core Grant Funding to Local Government**

34. As mentioned earlier, the Council submitted an Efficiency Statement which was approved and guaranteed our level of Revenue Support Grant (RSG) until 2019/20. Therefore the resource levels are as per the current MTFP. It must be noted however that this represents a further £2.8m reduction in RSG for 2019/20. This is a significant sum in particular in context of reduction that have already been made and also in the context of our current pressure which would be funded in their entirety for the next three years if this grant wasn't being cut.

35. In terms of New Homes Bonus (NHB) this is included in core Government funding as it is top sliced from RSG. However in the 2017/18 Local Government Finance Settlement changes to the formula were announced and there is now a national baseline of 0.4% with no NHB paid until the increase in numbers is above this limit, which for Darlington is 164. The NHB payment of 6 years was reduced to 4 years in 2018/19.

36. The national saving in NHB of £240m in 2017/18 was converted into an Adult Social Care Support Grant of which Darlington's element was £0.503m. This grant however was for one year only whereas the NHB reduction is on an annual basis putting further pressure on our finances.

37. As part of the Economic Growth Strategy, the Council is working towards increasing housing numbers to meet the needs of our population particularly as the economy is growing well and new jobs being created with a subsequent inward migration and increased demand for housing. There are a high number of planning applications being granted and whilst some of the developments are slow to come to fruition there has been a positive increase in properties being built. The current financial incentives in terms of NHB are £1,591 per band D equivalent property with an additional £350 for affordable housing. In addition the Council also receives additional Council Tax for each property. Clearly housing growth is key to sustaining the Councils MTFP.

38. Members will recall that previous year changes to the NHB scheme along with the reduction in RSG funded the Additional Better Care Fund (BCF) which was separate to the funding stream allocated direct to the NHS. This was in recognition that Councils were under significant pressure in regards to social care funding, it was however only allocated until 2019/20. For estimate purposes it has been assumed this funding will continue given it is part of the core funding settlement.

39. Set out in the table below are the latest projections which show a further £2.929m reduction in cash terms, in real terms (which assumes inflation) this equates to £4.3m.

| | **2018/19 £m** | **2019/20 £m** | **2020/21 £m** | **2021/22 £m** | **2022/23 £m** |
|---|---|---|---|---|---|
| Revenue Support Grant | 6.334 | 3.556 | 3.102 | 3.102 | 3.102 |
| Top up Grant | 7.019 | 7.180 | 7.323 | 7.470 | 7.619 |
| New Homes Bonus | 1.830 | 1.713 | 1.501 | 1.840 | 1.856 |
| Better Care Fund(inc. iBCF) | 3.157 | 3.855 | 3.147 | 3.147 | 3.147 |
| Adult Social Care Support Grant | 0.313 | 0.000 | 0.000 | 0.000 | 0.000 |
| **TOTAL** | **18.653** | **16.304** | **15.073** | **15.559** | **15.724** |

40. What happens to Local Government funding beyond 2020 is unknown, the Government had announced that it would be reviewing the system and was proposing to allow Councils to keep 100% of NNDR subject to some equalisation of resources and safety nets. In return Local Government will receive no RSG and take on additional responsibilities and costs. Following the national election and the priority given to Brexit the full review of Local Government Finance has been delayed so any changes that happen will only take place where there is no need for legislative changes; this means a 100% business rate retention scheme cannot happen. The government is now aiming for 75% business rate retention by 2020/21, alongside system reset and implementation of the Fair Funding Review.

41. Progress on the Fair Funding Review remains slow, the initial timetable promised an outline of the system in Autumn/Winter 2018 for consultation with indicative numbers in early summer 2019, followed by final numbers that autumn and implementation in April 2020. Two consultations have been published in regard to a review of relative needs and resources and business rates retention which close at the end of February 2019,

however soundings now are that it will be very difficult to actually have it up and running for 2020/21. This change puts a level of uncertainty into the system and planning at this stage beyond 2020 is challenging.

**Budget announcements**

42. On the 29th October 2018 the Chancellor delivered his budget statement with some potentially beneficial one off funding streams. The allocations for both the Social care and Local Highways Maintenance monies have been received as below.

43. Social Care Funding – for adults £240m winter pressures money in 2018/19 and 2019/20 with a further £410m in 2019/20 for children and adult services. For Darlington the £240m winter pressures money equates to £0.501m and is welcomed, however this funding needs to be agreed in a plan with the NHS and it is anticipated this will come with additional expenditure requirements so cannot be used as core funding in either year. The funding allocation for the remaining £410m is £0.856m for Darlington and can be used for Children and/or Adult Services. Again this is welcomed although it will only address some short term pressures and not the full extent of all immediate pressures. As members will have noted above the children's services pressures are significant and anticipated at £4.8m over the MTFP. This funding will therefore be utilised to assist in this investment into our children.

44. Local Highways Maintenance Funding - £420m. To tackle potholes, repair damaged roads, and invest in keeping bridges open and safe. We have been notified of Darlington's allocation which is £0.720m all of which is capital grant and must be spent by March 2019 so does not show in this MTFP.

45. Future High Streets Fund - £675m – will support local areas to develop and fund plans to make their high streets and town centres fit for the future. The funding is operating as a two-stage application process with phase 1 calls to submit expressions of interest by 22 March 2019 and those successful moving forward to phase 2 in summer 2019. Darlington will be preparing and submitting a bid for funding.

46. Given the above the only income taken into account in this MTFP is the one off estimated £0.856m for Children and Adult Social Care.

| | **2018/19 £m** | **2019/20 £m** | **2020/21 £m** | **2021/22 £m** | **2022/23 £m** |
|---|---|---|---|---|---|
| Adult and children's one off funding | 0.000 | 0.856 | 0.000 | 0.000 | 0.000 |

**Council Tax Income**

47. As a direct consequence of reductions in Government funding Council Tax is now by far the largest single funding stream and will increase further as a percentage over the coming years as it represents 58% of all income in 2018/19 increasing to 62% by 2022/23. The on-going increases reflect the Cabinet's continued view that income from Council Tax must increase to protect key services. Members will recall that a 1% increase in Council Tax increases annual revenue by £0.480m and that Darlington has the second lowest Council Tax in the North East Region.

48. The 2018/19 LGFS gave Local Authorities more flexibility by increasing the Council Tax referendum limit to not more than 3%, this has continued into 2019/20.

49. Planning estimates anticipate growth levels to be an average of 470 band D equivalent properties over the period of this plan which is a growth on the tax base of 1.50% and higher than anticipated in the current MTFP. These figures have been used to prepare the estimates; clearly should this be any different income levels will differ. The collection rate is anticipated to remain at 99% in 2019/20.

50. Taking the above into account Council Tax income over the period of this plan is estimated as follows :-

| | 2018/19 £m | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|---|---|---|---|---|---|
| Total Council Tax anticipated | 47.331 | 49.496 | 51.802 | 54.030 | 56.331 |

**National Non Domestic Rates**

51. The Council retains 49% of NNDR collected and can gain or lose depending on whether the net tax collected increases or decreases. The Government via the valuation office sets rateable values and the rate paid in the pound is increased each year in line with the Consumer Price Index (CPI). The business tax-base is far more volatile than the council tax base and requires very close monitoring. In addition to the potential to "lose" income due to business closures the Council also carries the risk of losing appeals by businesses against valuations.

52. Member will recall one of the three conditions identified to help the Council tackle the austerity measures and government grant cuts was to grow the economy. The Council's Economic Strategy gives priority to increasing business within the borough and significant effort has been put into achieving growth. This has been rewarded with a positive net increase in projected NNDR collected over the coming MTFP, including the large development at Symmetry Park. Notwithstanding this major developments and attracting businesses into the Town by their very nature take time and upfront investment so this is an area which needs continued prioritisation pump prime funding so growth can continue. It needs to be remembered that net growth in NNDR collected relies on growth outstripping revaluations and reductions which can be challenging in the current economy.

53. The in-year collection rate target for NNDR is 98.0% and as at the end of December 2018 the actual collection figure is 81.1% with three months to go and so is on track to achieve the target.

54. Taking the above into account the projections of NNDR are shown below

| | 2018/19 £m | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|---|---|---|---|---|---|
| NNDR | 14.963 | 16.147 | 17.720 | 18.049 | 18.385 |

## Collection Fund

55. The Collection Fund account reflects the statutory requirements for the Council to maintain a separate Fund in relation to the operation of Council Tax and Business Rates Retention Scheme (BRRS). The Fund records all of the transactions for billing in respect of Non Domestic Rates (NNDR) and Council Tax, exemptions and discounts granted, provision for bad debts and appeals and payments made to the Council's General Fund, the Police and Fire and Rescue precept authorities and Central Government.

56. Due to the positive economic growth over the last few years a number of large schemes have now come to fruition such as the Feethams leisure development, with the corresponding increase in NNDR. This in turn has had a positive impact on the collection fund reserve of £3.600m which can now be released into reserves to help fund the MTFP.

## Other Grants

57. Set out below are the estimated specific grants which as the title suggests are for specific areas of expenditure as dictated by the government and cannot be used for other areas. These grants are included in service estimates at Appendix 1.

| | 2019/20<br>£m |
|---|---|
| Public Health Grant | 8.224 |
| PFI | 3.200 |
| Troubled Families Grant | 0.525 |
| Discretionary Housing Payments | 0.239 |
| Youth Justice Board | 0.222 |
| Local Reform & Community Voices | 0.057 |
| Adult & Community Learning | 0.968 |
| Individual Electoral Registration | 0.007 |
| Staying Put | 0.050 |
| Bikeability | 0.029 |
| ACCESS | 0.552 |
| HLF | 0.065 |
| | 14.138 |

## Total Income

58. The table below summaries the Council's estimated income for the period of this plan which thanks to increased economic growth and house building activity and the subsequent increases in council tax and NNDR, confirms a much needed increase in income despite the reductions in government grant, albeit not in relative terms when taking inflation into account.

| Resources - Projected and assumed | 2018/19 £m | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|---|---|---|---|---|---|
| Council Tax | 47.331 | 49.496 | 51.802 | 54.030 | 56.331 |
| Business rates retained locally | 14.963 | 16.147 | 17.720 | 18.049 | 18.385 |
| Top Up Grant | 7.019 | 7.180 | 7.323 | 7.470 | 7.619 |
| RSG | 6.334 | 3.556 | 3.102 | 3.102 | 3.102 |
| New Homes Bonus | 1.830 | 1.713 | 1.501 | 1.840 | 1.856 |
| Better Care Fund (inc. ibcf) | 3.157 | 3.855 | 3.147 | 3.147 | 3.147 |
| Adult Social Care Support Grant | 0.313 | 0.000 | 0.000 | 0.000 | 0.000 |
| Additional Social Care Grant | 0.000 | 0.856 | 0.000 | 0.000 | 0.000 |
| **Total Resources** | **80.947** | **82.803** | **84.595** | **87.638** | **90.440** |

**Projected MTFP**

59. Set out in the table below is the projections based on the income and expenditure analysis discussed in the previous sections of this report along with the required use of balances.

| | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|---|---|---|---|---|
| Estimated Expenditure | 83.119 | 86.963 | 89.341 | 91.506 |
| Add Pressures | 1.041 | 1.430 | 2.647 | 3.998 |
| | 84.160 | 88.393 | 91.988 | 95.504 |
| Projected Total Resources | (82.803) | (84.595) | (87.638) | (90.440) |
| Projected budget deficit | 1.357 | 3.798 | 4.350 | 5.064 |
| Utilisation of balances | (1.357) | (3.798) | (4.350) | (5.064) |
| **Total** | 0.000 | 0.000 | 0.000 | 0.000 |

**Revenue Balances**

60. The table below shows the anticipated revenue balances taking into account the projected revenue outturn for 2018/19 which is detailed at **Appendix 5** along with the assessment of required risk balances as set out in **Appendix 6** and the utilisation of revenue balances as set out above to fund the projected budget deficit**.** The reserves position has improved against the current MTFP and as can be seen there remains a closing balance of £1.160m by 2022/23 assuming £0.600m is allocated to the Futures fund as noted in the section below:-

| Revenue Balances | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|---|---|---|---|---|
| Opening balance | 18.179 | 12.372 | 9.574 | 6.224 |
| Risk Reserve | (4.350) | 0.000 | 0.000 | 0.000 |
| Provision for VAT payment | (1.700) | 0.000 | 0.000 | 0.000 |
| Contribution from Collection fund | 1.600 | 1.000 | 1.000 | 0.000 |
| Contribution to/(from) balances | (3.057) | (3.798) | (4.350) | (5.064) |
| Closing balance | **12.372** | **9.574** | **6.224** | **1.160** |

61. The unallocated balances rely on building around 470 houses per year, no significant overspending, assumptions of additional income in the budget statement materialising and a Council Tax increase of 2.99%. We therefore need to be cautious but understand the need to invest into our services as much as possible to stimulate growth and tackle inequality.

62. Members will recall that the recent strategy for using unallocated balances has been to

(a) To minimise on-going committed annual spending to assist and work towards eradicating future years funding gaps.

(b) Invest into the Futures Fund to stimulate growth over the four years of the MTFP.

**Futures Fund**

63. As noted earlier Council allocated £4.1m to the futures fund, £0.400m pa over the MTFP life for ongoing funding for Community Safety and Maintaining an Attractive Street Environment and this funding is being utilised for those purposes. The remaining £2.5m was split equally between the five themes and the current commitments along with remaining balances are shown below;

| **Theme** | **Budget £m** | **Committed £m** | **Balance £m** |
|---|---|---|---|
| Theme 1 - Community Safety | 0.500 | 0.476 | 0.024 |
| Theme 2 - Maintaining an Attractive Street Scene Environment | 0.500 | 0.000 | 0.500 |
| Theme 3 - Maintaining a Vibrant Town Centre | 0.500 | 0.486 | 0.014 |
| Theme 4 - Developing an Attractive Visitor Economy | 0.500 | 0.000 | 0.500 |
| Theme 5 - Neighbourhood Renewal | 0.500 | 0.101 | 0.399 |
| Total | 2.500 | 1.063 | 1.437 |

64. To date £1.063m has been committed to the futures fund themes with a balance of £1.437m remaining. A summary of commitments is noted below

**Futures Fund - Theme 1 - Community Safety**

65. £0.476m of the fund has been committed on staffing across the four years. This is to improve resilience and robustness in this newly formed team. The position will be reviewed when the team is fully resourced and functioning and resource altered and prioritised as necessary.

**Futures Fund - Theme 2 – Maintaining an Attractive Street Scene Environment**

66. The one off funding has not been committed yet. The core funding allocated of £0.300m per annum has already made a big impact on the street environment. Grass cutting returned to a 12-15 day cycle which improved the look of the borough over the summer period and more frequent cleanses and litter picks have made a noticeable difference. Floral displays helped in achieving the Northumbria in bloom awards accolades.

**Futures Fund - Theme 3 – Maintaining a Vibrant Town Centre**

67. The Town Centre faces a number of challenges as do many towns across the country due to the increase in on-line shopping and out of town retailing. £0.486m of the funding has been committed across a number of areas including a one of grant to the House of Fraser to facilitate the store remaining open following the financial difficulties they face and the announcement of store closures across the country. We have invested in a Town Centre partnership officer position and also committed to a full events programme to target more footfall.

**Futures Fund - Theme 4 – Developing an Attractive Visitor Economy**

68. No funds have been committed against this theme at present as it was to be mainly focused on the Experience Darlington Strategy or the 2025 200th Anniversary of the opening of the Stockton and Darlington Railway to pump prime investment and match fund initiatives on these and other culture opportunities.

**Futures Fund - Theme 5 – Neighbourhood Renewal**

69. Despite the significant work undertaken to reduce the inequality gap through the One Darlington Strategy the austerity measures have had a negative impact and poverty and inequality remain significant barriers to all of our communities enjoying a good quality of life. £0.101m has been committed against this theme with £0.050m to the Darlington Credit Union to enable them to continue work in addressing financial hardship and deprivation across households and neighbourhoods in Darlington. Also £0.015m to fund a holiday hunger scheme through the school holidays and £0.036m to support work to embed community wealth building across the Council and partners.

**Use of balances**

70. Given the pressure on budgets and the limited funds for discretionary services it is recommended that £0.600m of the unallocated balances is utilised for the Futures Fund to replenish our priority funding and support the Councils ongoing priorities. With £0.100m proposed to be allocated to Community Safety and £0.500m to Maintaining a Vibrant Town Centre. As with the current funds the allocation between funds being delegated to Cabinet depending on need throughout the period.

**Capital Expenditure**

71. Capital expenditure is significant, one off expenditure used to purchase or improve assets to enable the Council to deliver its priorities, for example purchasing land to enable road improvements or investing in modernising school buildings and housing. The Council continues to deliver a significant capital investment programme in the main funded from the Housing Revenue Account (HRA) and external funding which is targeted at specific schemes and programmes such as Transport and Schools.

72. The Council can also supplement Government Capital and funding from its own resources such as capital receipts which are scarce in these times of austerity and or prudential borrowing which has future revenue implications. The Capital programme set and agreed by Council last year laid out a four year plan, in additional there are some significant pressures on our own council assets which require attention over the next year, including the heating system at Harewood House, renewing the louvres in the Town Clock Tower and damp proofing at the Head of Steam Goods Shed. As capital receipts are limited and required for the previously agreed Economic Growth Investment Fund prudential borrowing of £1m is proposed to facilitate these requirements over the life of the MTFP. These schemes will be prioritised and a detailed report will come to Cabinet to release the funds before work commences.

73. Attached at **Appendix 9** is the latest capital programme which has regular updates as decisions are made and external funding becomes available. The following paragraphs describe the major elements of the programme. Specific scheme approvals will be subject to detailed reports to Cabinet.

74. Set out below are details of the levels of Government funding available for investment by the Council in 2019/20 and outline proposed use of such funds, the detailed use of the funds will be subject to detailed reports to Cabinet.

| | **2019/20 £m** |
|---|---|
| **Children's Services** | |
| School Condition Allocation | 0.110 |
| | |
| **Transport** | |
| Local Transport Plan | 2.575 |
| Local Growth Fund | 0.425 |
| Pothole Action Fund | 0.095 |
| National Productivity Investment Fund | 1.855 |
| | |
| **Other Capital Programme** | |
| Disabled Facility Grant | 869 |
| | |
| **Total Capital Grants Available** | 5.929 |

**Children's Services**

**School Condition Allocations**

75. The Local Authority now only receives school condition funding for Community Maintained Schools. Maintenance funding for Academies is available through other routes. This funding received by the Local Authority will be spent in line with key priorities identified with each maintained school through the locally agreed asset management planning (LAMPA) process, carried out each January. There are no strict spend deadlines for these small scale condition related projects which are prioritised and completed as funding becomes available.

**Transport and Highways**

76. The following works are proposed for delivery in 2019/20;

77. The Department for Transport (DfT) releases capital funding to the Tees Valley Combined Authority (TVCA) under the devolution deal, to implement the Local Transport Plan (LTP) based on a needs formula. A new Local Transport Plan is currently in draft form as the Strategic Transport Plan for the Tees Valley which is due for consultation and publication early 2019. There will be a number of further documents under the Strategic Plan including a Local Implementation Plan for each local authority area, which will effectively replace the individual local authority's LTP's. Currently the TVCA has agreed to passport the LTP allocation of funding to the local authorities and it is assumed that this will continue in 2019/20. The allocation is made up of two blocks of funding; the Integrated Transport Block and Highways Capital.

78. In 2019/20 the indicative amounts are £0.886m allocated for the Integrated Block and £1.689m for the Highways Maintenance Block (comprising £1.398m maintenance and £0.291m incentive funding). These will fund an agreed priority of maintenance of highway assets, management of the highway network and improvement.

79. An Expression of Interest has been submitted to the TVCA for Local Growth Fund Sustainable Access to Employment programme funding for £0.425m. If successful this will fund works on Victoria Road to improve sustainable and public transport links with Darlington.

80. In 2017/18 a successful bid was made to the National Productivity Investment Fund (NPIF) to improve the route between the A66 and Darlington town centre. 2019/20 is the final year of this two year funding and Darlington will claim a further £1.855m. This will continue to fund the following schemes: -

    (a) McMullen Road roundabout scheme to increase capacity and traffic flow along Yarm Road and to facilitate access into Ingenium Parc.
    (b) To signalise Lingfield Way/Yarm Road junction to improve bus reliability and punctuality; improve access into the Business Park and Industrial Estate for all modes including by bike through the creation of an off road cycle route; and to improve traffic flow on Yarm Road.
    (c) To change the layout of the throughabout junction on Haughton Road and create more capacity to improve traffic flow, whilst retaining good walking and cycling crossing points and routes.

**Disabled Facility Grants**

81. These grants are available if you are disabled and need to make changes to your home with examples being:

- Widen doors and install ramps,
- Improve access to rooms and facilities – e.g. stairlifts or a downstairs bathroom,
- Provide a heating system suitable for your needs, and
- Adapt heating or lighting controls to make them easier to use.

**Housing**

82. All Housing Capital schemes are funded fully from the Housing Revenue Account. The priorities identified through the Housing Business Plan to be funded from the estimated capital resources for 2019/20 include:-

(a) Adaptations and lifts – £0.150m budget is to deliver adaptations within the Council's housing stock to enable tenants with a disability to remain in their own home and live independently across the Borough and to complete any unplanned major works to passenger lifts within sheltered and extra care schemes.

(b) Heating Replacement - £0.950m to fund new condensing boiler and central heating upgrades. This work will predominantly be completed in the following areas: Park Place and Dodds Street. There will also be some miscellaneous properties which will be included in the programme and we will be running a "just in time" programme of replacement for those boilers that fail before their due replacement date within the financial year.

(c) Structural Repairs - £0.500m has been set aside to address any structural issues that may be identified within the year.

(d) Lifeline Services - £0.050m is set aside to continue to provide upgrades to Lifeline equipment.

(e) Repairs before Painting - £0.100m will be invested in joinery repair works in anticipation of the cyclical external painting programme. This will predominantly be in the Haughton, Springfield and Firthmoor areas of the Borough.

(f) Roofing – £0.700m for the replacement of roofs, fascia's, soffits and rainwater goods alongside the top-up of loft insulation where appropriate. The programme will primarily be in the Geneva Road area.

(g) Garages - £0.050m will be invested in improvements to the Council's garage blocks in areas to be determined, which will include Nightingale Road and demolition of poor condition garages in Lock street.

(h) External Works - £0.300m will be used to provide new rear dividing fences and new footpaths to Council properties across areas including Tennyson Gardens and Hilda Street.

(i) Smoke Detectors - £0.025m is required to replace existing hard wired smoke and heat detectors where systems are now 10 years old and reaching the end of their recommended lifespan.

(j) Pavement Crossings - £0.032m has been identified to fund pavement crossings across the Borough.

(k) Replacement Door Programme - £0.350m will be used to replace external doors in the Springfield area.

(l) Window Replacement - £0.500m has been identified to replace windows across the Borough. These areas will be determined based on those in the poorest condition.

(m) Internal planned maintenance – £1.980m for the replacement of kitchens and bathrooms, rewiring of electrical systems and heating system upgrades where required. This work will predominantly be completed in Branksome. There will also be some miscellaneous properties which will be included in the programme and we will incorporate additions to the programme when void properties which have been omitted from previous year's programmes become available.

(n) Communal Works - £0.100m is required to replace communal doors and screens in the North Road Estate.

(o) New Build - £16.480m will be spent completing the current new build programme.

**Consultation**

83. The Efficiency and Resources committee met on 31 January 2019 to consider the draft MTFP and the responses from all the council's Scrutiny Committees. The minutes are shown in Appendix 8, in summary there was a majority support for the Council Tax increase of 2.99% and the fees and charges levels.

84. No further feedback has been received.

**Conclusion**

85. The MTFP as agreed by Council remains deliverable but as previously acknowledged it is not without risk and challenges. Some risks previously identified have occurred and the recommendations within this report address the associated financial implications. The proposed MTFP includes the retention of risk balances to offset further unforeseen risks and the provision of a risk contingency to cover significant value risks which are already known.

86. The Council still has the financial capacity to deliver a four year balanced MTFP which puts it in a much stronger position than many Councils, however this is at the cost of reductions in service levels. To mitigate some of these reductions the Council agreed to utilise available revenue balances to create five Future Fund Investments themes which will stimulate growth and assist in delivery of One Darlington Perfectly Placed outcomes to be utilised over the four years of the current MTFP. As balances have improved it is proposed a further £0.600m is used to supplement the futures fund themes. Despite further grant cuts and significant pressures faced in Children's Services, the proactive stance taken in growing the economy is working and assisting in minimising on-going committed annual spending to assist and work towards eradicating the unfunded budget gap in 2023/24.

87. Planning beyond the current MTFP is extremely difficult given the uncertainty around the new Local Government financial system planned for 2020 and such issues as the impact of Brexit on the country's finances. The proposed plan will allow the new Council elected in 2019 to inherit a balanced MTFP to 2022/23 giving it time to assess the impacts of the changing landscape and make its decision on how it will address the financial position it faces. Current planning suggests there will be a budget deficit of approximately £5.0m for the new Council to address however for the reason above, this will almost certainly change but at this stage it is not possible to know whether the change will be positive or negative.

88. In summary, the Council continues to face significant financial challenges however the MTFP remains deliverable on the basis of what we know now and based on the following conditions – economic growth, house building, no further pressures, fair funding review and a fair settlement, if this changes plans will need to be adjusted by the new administration.

89. As the Council's Statutory Chief Financial Officer, the Assistant Director Resources, must advise the Council on the robustness of the budget and adequacy of reserves. The budget presented to Members in this report has been based on the most accurate information available known at this point in time, therefore the Assistant Director is confident that they are an accurate reflection of the Council's financial position. General Fund Reserves are adequate however the Council is carrying a significant financial risk over the lifetime of the plan which are difficult to forecast at this time, in particular the implications and impacts of Brexit and also the need to reduce expenditure, it is essential that growing pressures in children's services are addressed through transformation and implemented as the Council will be operating with minimum levels of balances to fund any future cost pressures.

**APPENDICES**

| | |
|---|---|
| Appendix 1 | Detailed Estimates |
| Appendix 2 | Budget Pressures / Savings |
| Appendix 3 | Fees and Income Proposals |
| Appendix 4 | Assumptions used to prepare estimates |
| Appendix 5 | Projected Revenue Outturn 2018/19 |
| Appendix 6 | Assessment of Risk Balances |
| Appendix 7 | Proposed MTFP 2019 to 2023 |
| Appendix 8 | Consultation – Efficiency and Resources Minutes |
| Appendix 9 | Capital Programme 2019 to 2023 |

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# REVENUE ESTIMATES 2019/20 - Summary

APPENDIX 1

| | 2018/19 | 2019/20 | | | |
|---|---|---|---|---|---|
| | Net Budget | Gross Budget | Income | Grants | Net Budget |
| | £000 | £000 | £000 | £000 | £000 |
| Children and Adults | 55,781 | 109,317 | (15,217) | (38,493) | 55,607 |
| Economic Growth & Neighbourhood Services | 20,002 | 103,625 | (42,490) | (40,962) | 20,173 |
| Resources | 9,749 | 12,418 | (2,349) | (7) | 10,062 |
| **Group Totals** | **85,532** | **225,360** | **(60,056)** | **(79,462)** | **85,842** |
| Financing Costs | 1,294 | 510 | 0 | 0 | 510 |
| Joint Venture - Investment Return | (379) | (1,212) | 0 | 0 | (1,212) |
| Council Wide Pressures / Savings | 2,584 | 492 | 0 | 0 | 492 |
| Contingencies | (2,175) | (1,472) | 0 | 0 | (1,472) |
| **Grand Total** | **86,856** | **223,678** | **(60,056)** | **(79,462)** | **84,160** |

## Revenue Estimates 2019/20

## CHILDREN & ADULT SERVICES

| | 2018/19 | 2019/20 | | | |
|---|---|---|---|---|---|
| | Net Budget | Gross Budget | Income | Grants | Net Budget |
| | £000 | £000 | £000 | £000 | £000 |
| **Director of Adults & Children's Services** | 181 | 185 | 0 | 0 | 185 |
| **Children & Adult Services** | | | | | |
| Transformation & Performance | 511 | 671 | (119) | (35) | 517 |
| Business Support | 1,219 | 1,297 | (38) | 0 | 1,259 |
| **Children's Services** | | | | | |
| Children's Services Management & Other Services | 492 | 522 | 0 | 0 | 522 |
| Assessment Care Planning & LAC | 3,012 | 2,934 | 0 | 0 | 2,934 |
| First Response & Early Help | 2,110 | 2,740 | 0 | (489) | 2,251 |
| Adoption & Placements | 11,341 | 12,215 | (92) | (50) | 12,073 |
| Youth Offending / ASB | 251 | 610 | (127) | (223) | 260 |
| Quality Assurance & Practice Improvement | 454 | 554 | (112) | 0 | 442 |
| **Development & Commissioning** | | | | | |
| Commissioning | 2,083 | 2,232 | (93) | 0 | 2,139 |
| Workforce Development | 209 | 204 | 0 | 0 | 204 |
| Voluntary Sector | 424 | 339 | 0 | (57) | 282 |
| **Education** | | | | | |
| Education | 2,114 | 22,979 | (1,157) | (19,549) | 2,273 |
| Schools | 0 | 9,866 | 0 | (9,866) | 0 |
| Transport Unit | 0 | 0 | 0 | 0 | 0 |
| **Public Health & Community Safety** | | | | | |
| Public Health | 99 | 8,323 | 0 | (8,224) | 99 |
| Healthy New Towns | 243 | 0 | 0 | 0 | 0 |
| **Adult Social Care & Health** | | | | | |
| External Purchase of Care | 25,180 | 35,634 | (11,570) | 0 | 24,064 |
| Intake & Enablement | 644 | 1,951 | (1,294) | 0 | 658 |
| On-going Long Term Care - Older People | 1,346 | 1,499 | (112) | 0 | 1,387 |
| On-going Long Term Care - Physical Disability | 5 | 56 | (52) | 0 | 4 |
| On-going Long Term Care - Learning Disability | 1,618 | 1,680 | (55) | 0 | 1,625 |
| On-going Long Term Care - Mental Health | 934 | 1,391 | (397) | 0 | 994 |
| On-going Long Term Care - Disabled Children's | 447 | 454 | 0 | 0 | 454 |
| Service Development & Integration | 864 | 981 | 0 | 0 | 981 |
| **Total Adults & Children's Services** | **55,781** | **109,317** | **(15,217)** | **(38,493)** | **55,607** |

## Revenue Estimates 2019/20

APPENDIX 1

## Economic Growth & Neighbourhood Services

| | 2018/19 | 2019/20 | | | |
|---|---|---|---|---|---|
| | Net Budget | Gross Budget | Income | Grants | Net Budget |
| | £000 | £000 | £000 | £000 | £000 |
| **Director of Economic Growth & Neighbourhood Services** | 165 | 170 | 0 | 0 | 170 |
| **Planning, Economic Initiatives & Asset Management** | | | | | |
| AD Economic Initiative | 129 | 132 | 0 | 0 | 132 |
| Building Control | 147 | 299 | (154) | 0 | 145 |
| Built & Natural Environment | 166 | 153 | 0 | 0 | 153 |
| Consolidated Budgets | 128 | 146 | 0 | 0 | 146 |
| Development Management | (87) | 608 | (686) | 0 | (78) |
| Economy | 258 | 265 | 0 | 0 | 265 |
| Environmental Health | 283 | 312 | (15) | 0 | 298 |
| Experience Darlington | 40 | 40 | 0 | 0 | 40 |
| Place Strategy | 374 | 370 | (26) | 0 | 344 |
| Property Management & Estates | (603) | 485 | (1,088) | 0 | (604) |
| **Capital Projects, Trtansport & Highways Planning** | | | | | |
| AD Transport & Capital Projects | 122 | 126 | 0 | 0 | 126 |
| Building Design Services | 33 | 512 | (475) | 0 | 37 |
| Capital Projects | 206 | 287 | (110) | 0 | 178 |
| Concessionary Fares | 3,259 | 3,253 | 0 | 0 | 3,253 |
| Flood & Water Act | 82 | 84 | 0 | 0 | 84 |
| Highways | 2,618 | 3,123 | (644) | (29) | 2,450 |
| Highways - DLO | (449) | 6,989 | (7,438) | 0 | (450) |
| Investment & Funding | 399 | 178 | (177) | 0 | 2 |
| Regeneration Projects | 142 | 188 | (47) | 0 | 142 |
| Sustainable Transport | 197 | 785 | (40) | (552) | 193 |
| **Community Services** | | | | | |
| AD - Community Services | 122 | 126 | 0 | 0 | 126 |
| Allotments | 9 | 22 | (11) | 0 | 11 |
| Building Cleaning - DLO | 111 | 726 | (580) | 0 | 146 |
| Cemeteries & Crematorium | (812) | 635 | (1,474) | 0 | (839) |
| Dolphin Centre | 504 | 3,305 | (2,773) | 0 | 532 |
| Eastbourne Complex | (19) | 79 | (128) | 0 | (49) |
| Emergency Planning | 94 | 95 | 0 | 0 | 95 |
| Head of Steam | 232 | 300 | (58) | 0 | 242 |
| Hippodrome | 81 | 4,581 | (4,425) | (65) | 91 |
| Indoor Bowling Centre | 21 | 25 | (12) | 0 | 13 |
| Libraries | 848 | 752 | (53) | 0 | 699 |
| Markets | 2 | 0 | 0 | 0 | 0 |
| Move More | 0 | 116 | (116) | 0 | 0 |
| Outdoor Events | 227 | 358 | (22) | 0 | 336 |
| School Meals - DLO | 31 | 737 | (692) | 0 | 45 |
| Heritage & Culture Fund | 118 | 103 | 0 | 0 | 103 |
| Street Scene | 4,887 | 6,813 | (1,797) | 0 | 5,017 |
| Transport Unit - Fleet Management | (18) | 58 | (77) | 0 | (18) |
| Waste Management | 2,745 | 2,827 | 0 | 0 | 2,827 |
| Winter Maintenance | 417 | 424 | (2) | 0 | 422 |
| **Community Safety** | | | | | |
| CCTV | 233 | 599 | (348) | 0 | 252 |
| Community Safety | 95 | 154 | (19) | 0 | 136 |
| Community Safety Enforcement | 152 | 255 | (17) | 0 | 238 |
| General Licensing | 0 | 159 | (159) | 0 | 0 |
| Parking | (1,227) | 1,428 | (2,562) | 0 | (1,134) |
| Private Sector Housing | 40 | 58 | (5) | 0 | 53 |
| Stray Dogs | 48 | 44 | (1) | 0 | 43 |
| Taxi Licensing | 0 | 149 | (149) | 0 | 0 |
| Trading Standards | 223 | 237 | (6) | 0 | 231 |

## Economic Growth & Neighbourhood Services (continued)

APPENDIX 1

| | 2018/19 | 2019/20 | | | |
|---|---|---|---|---|---|
| | Net Budget | Gross Budget | Income | Grants | Net Budget |
| | £000 | £000 | £000 | £000 | £000 |
| **Building Services** | | | | | |
| Construction - DLO | (417) | 10,836 | (11,233) | 0 | (397) |
| Maintenance - DLO | (379) | 3,166 | (3,538) | 0 | (372) |
| Other - DLO | 55 | 0 | 0 | 0 | 0 |
| Corporate Landlord | 2,455 | 3,108 | (393) | 0 | 2,715 |
| **General Support Services** | | | | | |
| Works Property & Other | 105 | 107 | 0 | 0 | 107 |
| **Joint Levies & Boards** | | | | | |
| Environment Agency Levy | 105 | 109 | 0 | 0 | 109 |
| Outside Contributions | 51 | 53 | 0 | 0 | 53 |
| **Housing** | | | | | |
| Local Taxation | 435 | 775 | (272) | (147) | 356 |
| Rent Rebates / Rent Allowances / Council Tax | (132) | 39,539 | (132) | (39,539) | (132) |
| Housing Benefits Administration | 168 | 822 | 0 | (631) | 191 |
| Customer Call Centre | 351 | 757 | (288) | 0 | 469 |
| Homelessness | 301 | 397 | (97) | 0 | 300 |
| Service, Strategy & Regulation and General Services | 131 | 284 | (154) | 0 | 130 |
| **Total Economic Growth & Neighbourhood Services** | 20,002 | 103,625 | (42,490) | (40,962) | 20,173 |

## Revenue Estimates 2019/20

## Resources

| | 2018/19 | 2019/20 | | | |
|---|---|---|---|---|---|
| | Net Budget | Gross Budget | Income | Grants | Net Budget |
| | £000 | £000 | £000 | £000 | £000 |
| **Managing Director** | 251 | 259 | (64) | 0 | 195 |
| **Darlington Partnership** | 17 | 101 | (84) | 0 | 17 |
| **AD Resources** | | | | | |
| Financial Services & Governance | 1,375 | 1,668 | (331) | 0 | 1,337 |
| Financial Assessments & Protection | 211 | 272 | (40) | 0 | 232 |
| Communications & Engagement | 900 | 996 | (145) | 0 | 851 |
| Systems | 729 | 758 | (7) | 0 | 751 |
| Xentrall Services (D&S Partnership) | 1,493 | 2,280 | (659) | 0 | 1,621 |
| Human Resources | 584 | 825 | (241) | 0 | 584 |
| Health & Safety | 126 | 189 | (56) | 0 | 133 |
| **AD Law & Governance** | | | | | |
| Complaints & Freedom of Information | 170 | 188 | (4) | 0 | 184 |
| Democratic Support | 1,251 | 1,350 | (24) | (7) | 1,319 |
| Registrars of births, deaths and marriages | (35) | 243 | (254) | 0 | (11) |
| Administration | 648 | 802 | (98) | 0 | 704 |
| Legal & Procurement | 1,079 | 1,503 | (331) | 0 | 1,172 |
| Coroners | 197 | 200 | 0 | 0 | 200 |
| **AD ICT** | 753 | 784 | (11) | 0 | 773 |
| **Total Resources** | **9,749** | **12,418** | **(2,349)** | **(7)** | **10,062** |

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| Pressures/Savings | Estimate 19/20 £m | Estimate 20/21 £m | Estimate 21/22 £m | Estimate 22/23 £m |
|---|---|---|---|---|
| **Savings** | | | | |
| Concessionary Fares - NESTI funding secured until 2020/21 | (0.049) | (0.049) | 0.000 | 0.000 |
| Street Lighting energy savings from replacement columns | (0.130) | (0.130) | (0.130) | (0.130) |
| Richmond Council - increased legal services Income | (0.016) | (0.017) | (0.019) | (0.020) |
| Adults - Net reduction in packages after inflation | (1.122) | (1.019) | (0.505) | (0.068) |
| Additional Joint Venture (Interest + Profits) - due to increased activity | (0.540) | (0.583) | (0.353) | (0.090) |
| Financing Costs - lower than anticipated interest charges | (0.235) | (0.149) | (0.140) | 0.184 |
| | (2.092) | (1.947) | (1.147) | (0.124) |
| **Increased Demand** | | | | |
| Childrens External Placements | 1.165 | 0.577 | 0.038 | 0.072 |
| Childrens Services legal costs and processes | 0.146 | 0.146 | 0.146 | 0.146 |
| Early Help - Missing from home and Child Sexual Explotation contracts | 0.015 | 0.015 | 0.015 | 0.015 |
| LAC Education welfare call contract increase | 0.019 | 0.019 | 0.017 | 0.016 |
| | 1.345 | 0.757 | 0.216 | 0.249 |
| **Price Inflation** | | | | |
| Inflation - Utilities/Waste Disposal/fuel etc increase | 0.000 | 0.000 | 0.195 | 0.398 |
| Increases in electricty (17%) and gas (18%) prices across the estate and street lighting | 0.212 | 0.223 | 0.232 | 0.239 |
| | 0.212 | 0.223 | 0.427 | 0.637 |
| **Reduced Income** | | | | |
| Early Help -Trouble Families Grant ceasing | 0.000 | 0.200 | 0.530 | 0.530 |
| Decrease in DSG income affecting the LA overhead recovery | 0.062 | 0.120 | 0.150 | 0.179 |
| | 0.062 | 0.320 | 0.680 | 0.709 |
| **Other** | | | | |
| Engineers - increased cost of moving software licences to cloud based system | 0.011 | 0.011 | 0.026 | 0.026 |
| Children Services staffing | 0.154 | 0.256 | 0.282 | 0.311 |
| Adults and children safeguarding board cost increases. | 0.026 | 0.050 | 0.084 | 0.100 |
| Vulnerable Adults homeless services,700 Club & CAB - 50% one year contribution | 0.064 | 0.000 | 0.000 | 0.000 |
| ICT - Microsoft 365 upgrade | 0.108 | 0.063 | 0.000 | 0.000 |
| ICT - Anti virus security | 0.046 | 0.046 | 0.046 | 0.046 |
| Coroners pay increase contribution | 0.014 | 0.015 | 0.015 | 0.016 |
| CACI insight system software | 0.032 | 0.032 | 0.032 | 0.032 |
| | 0.455 | 0.473 | 0.485 | 0.531 |
| **Library changes** | | | | |
| Crown Street Library - ongoing costs of keeping library at Crown Steet | 0.220 | 0.220 | 0.220 | 0.220 |
| Cockerton Library budget reinstated | 0.055 | 0.065 | 0.075 | 0.085 |
| | 0.275 | 0.285 | 0.295 | 0.305 |
| **Risk contingencies** | | | | |
| Learning Disability - provision for Ordinary Residency | 0.162 | 0.323 | 0.323 | 0.323 |
| Demand and complexity pressures - 15 beds included for future demand | 0.188 | 0.188 | 0.188 | 0.188 |
| Independent Fostering - placements - cost of not achieving a net reduction | 0.154 | 0.325 | 0.496 | 0.495 |
| Independent Residential - Placements - cost of not achieving a net reduction | 0.154 | 0.325 | 0.495 | 0.496 |
| Transport - School Transport - cost of not relocating children back in to Darlington | 0.125 | 0.158 | 0.188 | 0.188 |
| | 0.784 | 1.319 | 1.691 | 1.691 |
| **Total net pressures** | **1.041** | **1.430** | **2.647** | **3.998** |

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| SCHEDULE OF CHARGES 2019/20 | | | | |
|---|---|---|---|---|
| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **LEARNING SKILLS - LEARNING FOR LIFE** | | | | |
| Standard Fee is £60 per course per term | | | | |
| Full Fees (including enrolment and tuition fees) per hour | L | 3.00 | 3.00 | **NIL** |

**Accredited Learning**
**Full accreditation fee (if applicable) - if the course has a qualification there will be additional fees to pay for registration and certification.**

**No fees will be charged for publicly subsidised courses where:**
Learners are aged 16-18 (on 31 August 2017)
Learners are aged 19-24 (on 31 August 2017) with a learning difficulty and/or disability as evidenced through an Education, Health and Care (EHC) Plan or Learning Difficulty Assessment (LDA)
Learners are aged 19 or older where the learning aim is up to and including level 2, and the learner is studying English or maths.
Learners are aged 19-23 (on their first day of study) and are studying their first 'full' level 2 or first 'full' level 3, excludes English for speakers of Other Languages (ESOL).
Learners are aged 19 or older where the learning aim is up to and including level 2 (including ESOL), the skills training will help them into work, and the learner is classed as unemployed and one or more of the following apply:
· They receive Job Seeker's Allowance (JSA) - this includes those receiving National Insurance credits only, or

They receive Employment and Support Allowance (ESA) and the learner is in the work-related activity group (WRAG), or
They receive Universal Credit, earn less than 16 times the national minimum wage or £330 a month and are determined by Jobcentre Plus (JCP) as being in one of the following groups:

i. All Work Related Requirements Group

ii. Work Preparation Group

iii. Work Focused Interview Group

They are released on temporary licence (RoTL) and studying outside a prison environment and not funded through the Offender's Learning and Skills Service (OLASS).

*Evidence required: Letter of entitlement from Job Centre Plus indicating the date and claim or for copy of licence (RoTL) from Probation Service*

Learners aged 19-24 who are unemployed and on a Traineeship

**Courses with no public subsidy**
For learners aged 19 or above and where the learning aim is level 3 or above (except for exclusion above), learners will need to take out an Advanced Learning Loan, subject to funding availability. Further details can be found at: www.gov.uk/advanced-learning-loans

Asylum Seekers – individuals will be assessed for eligibility in conjunction with SFA
Special Fees – some courses have special fees, cost on application
FE course – NVQ etc price on application
**The following courses are free:**
Family Learning, Functional Skills, Study Programmes and courses which are funded through external projects
**Additional Learning Support (ALS**) is intended to enable disadvantaged learners to achieve their learning goal by providing funding, on top of programme funds, to help them overcome their barriers to learning. The funding is intended to be flexible and to help support learners who have a range of learning difficulties and/or disabilities.

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| **KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **REGISTRATION OF BIRTHS, DEATHS, MARRIAGES AND CIVIL** | | | | |
| The following fees do not incur VAT | | | | |
| **Marriages** | | | | |
| Entering a Notice of Marriage or Civil Partnership | N | | | |
| For a Registrar to attend a Marriage at the Register Office | N | | | |
| Civil Partnership Registration | N | | | |
| Incumbents for every Entry Contained in Quarterly Certified | N | | | |
| Copies of Entries of Marriage | N | | | |
| Registrars fee for attending a marriage at a registered building or for the housebound or detained | N | | | |
| Superintendents Registrar fee for attesting a notice of marriage away from his office for housebound or detained | N | | | |
| Superintendents Registrar fee for attending the marriage of the housebound or detained | N | | These charges set nationally by Statute and will be charged at the advised rate for 2019/20 | |
| **Certification for Worship and Registration for Marriages** | | | | |
| Place of Meeting for Religious Worship | N | | | |
| Registration of Building for Solemnisation of Marriage | N | | | |
| **Certificates issued from Local Offices** | | | | |
| Standard Certificate (SR) | N | | | |
| Standard Certificate (RBD) (at time of Registration) | N | | | |
| Standard Certificate (RBD) (after Registration) | N | | | |
| Short Certificate of Birth (SR) | N | | | |
| Short Certificate of Birth (RBD) | N | | | |
| Certificates of Civil Partnership (at time of Ceremony) | N | | | |
| Certificates of Civil Partnership (at later date) | N | | | |
| General Search fee | N | | | |
| Each Verification | N | | | |
| **Certificates** | | | | |
| Walk in Certificates | L | 20.00 | 20.00 | |
| European Passport return service checking | L | 40.00 | 40.00 | |
| **All Ceremonies – Approved Premises** | | | | |
| Application Fee (3 years) | L | 1,700.00 | 1,700.00 | |
| Fee for Attendance Monday to Saturday | L | 458.00 | 533.00 | |
| Fee for Attendance Sunday | L | 508.00 | 533.00 | |
| Fee for Attendance Bank Holidays | L | 508.00 | 533.00 | |
| **All Ceremonies – Town Hall** | | | | |
| Monday to Saturday | L | 250.00 | 283.00 | |
| **REGISTER OF ELECTORS, OPEN REGISTER AND MONTHLY UPDATES - SALE** | | | | |
| The following fees do not incur VAT. | | | | |
| Register – Printed Form | N | 10.00 | 10.00 | |
| Per 1,000 Names – Printed | N | 5.00 | 5.00 | |
| Register – Data Form | N | 20.00 | 20.00 | |
| Per 1,000 Names – Data | N | 1.50 | 1.50 | |
| **LIST OF OVERSEAS ELECTORS – SALE** | | | | |
| The following fees do not incur VAT. | | | | |
| List – Printed Form | N | 10.00 | 10.00 | |
| Per 1,000 Names – Printed | N | 5.00 | 5.00 | |
| List – Data Form | N | 20.00 | 20.00 | |
| Per 1,000 Names – Data | N | 1.50 | 1.50 | |
| **MARKED COPY OF THE REGISTER OF ELECTORS AND MARKED ABSENT VOTERS LIST - SALE** | | | | |
| The following fees do not incur VAT | | | | |
| Register – Printed Form | N | 10.00 | 10.00 | |
| Per 1,000 Names – Printed | N | 2.00 | 2.00 | |
| Register – Data Form | N | 10.00 | 10.00 | |
| Per 1,000 Names – Data | N | 1.00 | 1.00 | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **TOWN HALL** | | | | |
| Hire of Committee Rooms – all charges shown exclusive of VAT. Charges will be made plus the appropriate VAT rate. | | | | |
| All rooms are to be charged by the hour, rather than by session | | | | |
| Committee Rooms per hour | L | 31.00 | 32.00 | |
| | | | | **12,500.00** |
| **LAND CHARGES** | | | | |
| **The following fees are inclusive of VAT** | | | | |
| **Search Fees** | | | | |
| Standard Search - Residential Property (post or DX) | L | 91.80 | 91.80 | |
| Standard Search – Residential Property (electronic) | L | 89.80 | 89.80 | |
| Standard Search – Commercial Property (post or DX) | L | 139.80 | 139.80 | |
| Standard Search – Commercial Property (electronic) | L | 137.80 | 137.80 | |
| **Con 29 Required** | | | | |
| **Residential Property** | | | | |
| One Parcel of Land | L | 76.80 | 76.80 | |
| Several Parcels of Land – Each Additional Parcel | L | 24.00 | 24.00 | |
| **Commercial Property** | | | | |
| One Parcel of Land | L | 124.80 | 124.80 | |
| Several Parcels of Land – Each Additional Parcel | L | 24.00 | 24.00 | |
| **Con 29 Optional** | | | | |
| Each Printed Enquiry | L | 6.00 | 6.00 | |
| Own Questions | L | 6.00 | 6.00 | |
| Official Search – LLCI | L | 15.00 | 15.00 | |
| Official Search – NLIS (National Land Information Service) or email | L | 13.00 | 13.00 | |
| Expedited Search (Residential) | L | 165.00 | 165.00 | |
| Expedited search (Commercial) | L | 225.00 | 225.00 | |
| Personal Search | L | No charge | No charge | |
| | | | | **NIL** |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **FINANCIAL PROTECTION SERVICES** | | | | |
| **Category** | | | | |
| I. Work up to and including the date upon which the court makes an order appointing a deputy for property and affairs | N | 745.00 | 745.00 | |
| II. Annual management fee where the court appoints a local authority deputy for property and affairs, payable on the anniversary of the court order: | | | | |
| - for the first year | N | 775.00 | 775.00 | |
| - for the second and subsequent years | N | 650.00 | 650.00 | |
| where the net assets are below £16,000, the local authority deputy for property and affairs will take an annual management fee not exceeding 3% of the net assets on the anniversary of the court order appointing the local authority as deputy | | | | |
| Where the court appoints a local authority deputy for health and welfare, the local authority will take an annual management fee not exceeding 2.5% of the net assets on the anniversary of the court order appointing the local authority as deputy for health and welfare up to a maximum of £500. | | | | |
| III. Annual property management fee to include work involved in preparing property for sale, instructing agents, conveyancers, etc or the ongoing maintenance of property including management and letting of a rental property | N | 300.00 | 300.00 | |
| IV. Preparation and lodgement of an annual report or account to the Public Guardian | N | 216.00 | 216.00 | |
| V. Conveyancing Costs | | | | |
| Where a deputy or other person authorised by the court is selling or purchasing a property on behalf of P, the following fixed rates will apply except where the sale or purchase is by trustees in which case, the costs should be agreed with the trustees: | N | See Description | See Description | |
| A value element of 0.15% of the consideration with a minimum sum of £350 and a maximum sum of £1,500, plus disbursements | | | | |
| Travel Rates are allowed at a fixed rate per hour for travel costs | N | 40.00 | 40.00 | |
| Please note that these rates are set by The Office of Public Guardian and are the rates as of 1st April 2017, these may be amended during 2019/20 | | | | |
| | | | | **NIL** |
| **DEFERRED PAYMENT FEES** | | | | |
| Administration cost for setting up a Deferred Payment Agreement | | 300.00 | 300.00 | |
| plus cost of valuation (this will be dependant on property type) | | 200.00 | Actual cost of valuation | |
| | | | | **NIL** |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| **KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **LIBRARIES** | | | | |
| **Fines On Overdue Items** | | | | |
| Adults – per day | L | 0.15 | 0.15 | |
| Maximum charge per book | L | 5.10 | 5.10 | |
| Senior Citizens – per day | L | 0.10 | 0.10 | |
| Maximum charge per book | L | 3.10 | 3.10 | |
| Children – per day | L | No charge | No charge | |
| **Loan Charges for Audio Materials (1 week)** | | | | |
| CD's | L | 1.00 | 1.00 | |
| DVD's | L | 1.50 | 1.50 | |
| **Reservation Fees for books and Audio Materials** | | | | |
| Adults | L | 0.50 | 0.50 | |
| Senior Citizens | L | 0.25 | 0.25 | |
| Children/Unemployed | L | 0.25 | 0.25 | |
| **Reservation Fees for Books Obtained from Outside the Authority** | | | | |
| Single charge for all books obtained from other libraries | L | 6.00 | 6.00 | |
| **Repeat Fee for Renewal of Books from Outside the Authority** | | | | |
| Single Charge for all books obtained from other local authorities | L | 6.00 | 6.00 | |
| **Replacement Tickets** | | | | |
| Adults | L | 1.20 | 1.20 | |
| Senior Citizens | L | 1.20 | 1.20 | |
| Children/Unemployed | L | 0.60 | 0.60 | |
| **Spoken Word** | | | | |
| Cassettes & CDs (3 Week Loan) | L | | | |
| Adults (who are not exempt) each | L | 1.50 | 1.50 | |
| Children each | L | No charge | No charge | |
| **Language Courses (per element)** | | | | |
| Subscription for whole course to be paid in advance | L | 1.35 | 1.35 | |
| **Local History Research** | | | | |
| Standard charge | L | 5.00 | 5.00 | |
| Specialist Research – per hour | L | 30.00 | 30.00 | |
| **Photocopies** | | | | |
| A4 B&W | L | 0.15 | 0.15 | |
| A3 B&W | L | 0.30 | 0.30 | |
| **Printing** | | | | |
| Text Printouts | | | | |
| A4 B&W | L | 0.15 | 0.15 | |
| A3 B&W | L | 0.30 | 0.30 | |
| Image Printouts | | | | |
| A4 B&W | L | 0.80 | 0.80 | |
| A4 colour | L | 1.60 | 1.60 | |
| **Reproduction of Images from Stock** | | | | |
| Digital copies for Private/Study purposes – per photo | L | 5.50 | 5.50 | |
| Digital copies for small local commercial use – per photo | L | 5.50 + 2 copies of publications | 5.50 + 2 copies of publications | |
| Digital copies for local commercial use - per photo | L | 10.50 + 2 copies of book | 10.50 + 2 copies of book | |
| Digital copies for national/international commercial | L | 110.00 | 110.00 | |
| **Scan and e-mail Service** | | | | |
| First sheet | L | 1.00 | 1.00 | |
| Each subsequent sheet | L | 0.50 | 0.50 | |
| **Hire of Locker** | L | 0.50 | 0.50 | |
| **Internet Use** | | | | |
| Library members First 30 minutes FREE , Members & Non Members £1.00 per 30 minutes hereafter | L | 1.00 | 1.00 | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **Lost & Damaged Items** | L | Full current Replacement Cost (non-refundable) | Full current Replacement Cost (non-refundable) | |
| **Fax** | | | | |
| Outgoing Transmission | | | | |
| United Kingdom – per sheet | L | 1.45 | 1.45 | |
| Europe – per sheet | L | 2.30 | 2.30 | |
| USA/Canada – per sheet | L | 2.80 | 2.80 | |
| Rest of the World – per sheet | L | 3.80 | 3.80 | |
| Incoming Transmission – per sheet | L | 0.45 | 0.45 | |
| **Fax by Satellite** | | | | |
| Atlantic Ocean/Indian Ocean/Pacific Ocean – per sheet | L | 12.50 | 12.50 | |
| **Room Hire** | | | | |
| Not for profit organisations per hour | L | 10.00 | 10.00 | |
| Commercial organisations per hour | L | 15.00 | 15.00 | |
| | | | | **NIL** |
| **PLANNING FEES** | | | | |
| Planning fees are set nationally | | | | |
| **PLANNING – PRE APPLICATION ADVICE** | | | | |
| All charges include VAT at 20% | | | | |
| Large Major Development (200+) for a written response, including up to 2 meetings | L | 504.00 | 1,200.00 | |
| Small Major Development (10-199) for a written response, including up to 2 meetings | L | 504.00 | 600.00 | |
| Minor Development for a written response to include a meeting if necessary | L | 252.00 | 400.00 | |
| **Other Developments** | | | | |
| Minerals Processing | L | Based on areas above | Based on areas above | |
| Change of use for a written response to include a meeting if necessary | L | 126.00 | 50.00 | |
| Householder developments | L | 24.00 to 36.00 | 36.00 | |
| Advertisements | L | 63.00 | 25.00 | |
| Listed Building consents (to alter/extend/demolish) | L | Free | Free | |
| Conservation area consents | L | Free | Free | |
| Certificates of lawful development | L | Application advice not appropriate | Application advice not appropriate | |
| Telecommunications Notifications | L | 126.00 | 126.00 | |
| **Other Charges** | | | | |
| Pre-Application meeting involving Planning Committee Members | L | 630.00 | 1,000.00 | |
| **PLANNING – SUPPLEMENTARY ITEMS** | | | | |
| **Items inclusive of VAT at 20%** | | | | |
| A4 Photocopy (ex plans) – first page | L | 1.10 | 1.10 | |
| Subsequent pages | L | 0.10 | 0.10 | |
| A3 Photocopy (ex plans) – first page | L | 1.20 | 1.20 | |
| Subsequent pages | L | 0.20 | 0.20 | |
| A2 Photocopy (ex plans) – first page | L | 1.50 | 1.50 | |
| A1 Photocopy (ex plans) | L | 2.00 | 2.00 | |
| A0 Photocopy (ex plans) | L | 3.00 | 3.00 | |
| **Items outside the scope of VAT** | | | | |
| Local plan | L | 18.00 | 18.00 | |
| Local plan – postage | L | 4.00 | 4.00 | |
| Local plan – alterations | L | 2.00 | 2.00 | |
| Invoicing | L | 9.00 | 9.00 | |
| | | | | **7,000.00** |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **LICENSING The following fees do not incur VAT** | | | | |
| **Prosecution Costs** | | | | |
| Hourly rate for Preparation of Case Reports | L | 45.00 | 46.00 | |
| **General Licensing** | | | | |
| Pavement Café Licence, per person | | | | |
| 1-10 | L | 200.00 | 200.00 | |
| 11-25 | L | 240.00 | 240.00 | |
| 26-40 | L | 280.00 | 280.00 | |
| 41-60 | L | 320.00 | 320.00 | |
| 61-80 | L | 360.00 | 360.00 | |
| 81-99 | L | 400.00 | 400.00 | |
| 100 or over | L | 450.00 | 450.00 | |
| Duplicate licence fee | L | 50.00 | 50.00 | |
| Transfer of licence | L | 50.00 | 50.00 | |
| Change of detail | L | 30.00 | 30.00 | |
| Variation of Covers | L | 100.00 | 100.00 | |
| Pavement Display Licence | L | 155.00 | 155.00 | |
| Pet Shops | L | 120.00 | 130.00 | |
| Animal Boarding | L | 120.00 | 130.00 | |
| Dangerous wild animals | L | 120.00 | 120.00 | |
| Performing animals registration | L | 100.00 | 100.00 | |
| Dog Breeding | L | 120.00 | 130.00 | |
| Riding Establishments | L | 230.00 | 230.00 | |
| Sex Shop Grant of application | L | 1,200.00 | 1,200.00 | |
| Sex Shop Renewal | L | 1,200.00 | 1,200.00 | |
| Sex Shop transfer | L | 1,200.00 | 1,200.00 | |
| Sexual Entertainment Venue (SEV) Grant | L | 1,200.00 | 1,200.00 | |
| SEV Variation | L | 1,200.00 | 1,200.00 | |
| SEV Renewal | L | 1,200.00 | 1,200.00 | |
| SEV Grant / Variation / Renewal – Club Premises Certificates | L | 750.00 | 750.00 | |
| Skin Piercing (Premises) Grant | L | 280.00 | 280.00 | |
| Skin Piercing (Personal) Grant/Variation | L | 65.00 | 65.00 | |
| **Scrap Metal Dealers** | | | | |
| Collectors Licence (3 years) - application | L | 150.00 | 150.00 | |
| Collectors Licence (3 years) – renewal | L | 150.00 | 150.00 | |
| Major Variation | L | 50.00 | 50.00 | |
| Minor Variation | L | 15.00 | 15.00 | |
| Site Licence (3 years) Grant | L | 350.00 | 350.00 | |
| Additional Sites (per site per year of licence) | L | 195.00 | 195.00 | |
| Site licence (3 years) – renewal | L | 270.00 | 270.00 | |
| Additional sites (per site per year of licence) | L | 195.00 | 195.00 | |
| Minor Variation Site | L | 15.00 | 15.00 | |
| Major Variation Site | L | 50.00 + 65.00 per additional site per year | 50.00 + 65.00 per additional site per year | |
| **Caravan Sites** | | | | |
| New Application for a permanent residential site licence; | L | | | |
| 1-5 pitches | L | 200.00 | 200.00 | |
| 6-20 pitches | L | 225.00 | 225.00 | |
| 21-50 pitches | L | 240.00 | 240.00 | |
| Greater than 50 pitches | L | 260.00 | 260.00 | |
| Annual Fees associated with administration and monitoring of site licences; | | | | |
| 1-5 pitches | L | No charge | No charge | |
| 6-50 pitches | L | 220.00 | 220.00 | |
| Greater than 50 pitches | L | 260.00 | 260.00 | |
| Cost of Laying Site Rules | L | 25.00 | 25.00 | |
| Cost of Variation/Transfer | L | 100.00 | 100.00 | |
| **Zoo Licensing Act** | | | | |
| New Application (4 years) or renewal (6 years) for a Zoo Licence (excluding the inspection costs of appointed inspector) | L | 450.00 | 450.00 | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **Street Trading** | | | | |
| November / December - Full Calendar Month | L | 975.00 | 975.00 | |
| - Week | L | 385.00 | 385.00 | |
| - Day | L | 85.00 | 85.00 | |
| January / October - Full Calendar Month | L | 660.00 | 660.00 | |
| - Week | L | 270.00 | 270.00 | |
| - Day | L | 60.00 | 60.00 | |
| Note- The above to apply to Itinerant traders. For regular all year round traders - fees as follows | | | | |
| Annual Consent | L | 7,000.00 | 7,000.00 | |
| If Paying Monthly | L | 620.00 | 620.00 | |
| If Paying Weekly | L | 170.00 | 170.00 | |
| Buskers selling CD's – Half Day | L | 25.00 | 25.00 | |
| Full Day | L | 45.00 | 45.00 | |
| Mobile vehicles (moving or lay-by) | L | 260.00 | 260.00 | |
| New Vendor Permits | L | 35.00 | 35.00 | |
| Duplicate licenses | L | 15.00 | 15.00 | |
| **Skip Hire Licence** | | | | |
| More than 3 days' notice | L | 15.00 | 15.00 | |
| Less than 3 days' notice | L | 30.00 | 30.00 | |
| Hoarding/Scaffold Licence | L | 50.00 | 50.00 | |
| Administration Charge (per hour or part thereof) | L | 35.00 | 35.00 | |
| **Statutory Fees** | | | | |
| **Petroleum Licences** | | | | |
| Less than 2,500 litres | L | 41.00 | 41.00 | |
| 2,500 – 50,000 litres | L | 57.00 | 57.00 | |
| More than 50,000 litres | L | 118.00 | 118.00 | |
| Transfer/variation | L | 8.00 | 8.00 | |
| **Gambling Act** | | | | |
| **Statutory Fees- The following gambling fees are set within statutory bands and will be revised as changed nationally.** | | | | |
| Adult Gaming Centres – Annual Fee | N | 600.00 | 600.00 | |
| New Application | N | 1,300.00 | 1,300.00 | |
| Variation | N | 1,300.00 | 1,300.00 | |
| Transfer | N | 1,200.00 | 1,200.00 | |
| Provisional Statement | N | 1,300.00 | 1,300.00 | |
| Licence Reinstatement | N | 1,200.00 | 1,200.00 | |
| Betting Shops - Annual Fee | N | 550.00 | 550.00 | |
| New Application | N | 1,300.00 | 1,300.00 | |
| Variation | N | 1,300.00 | 1,300.00 | |
| Transfer | N | 1,200.00 | 1,200.00 | |
| Provisional Statement | N | 1,300.00 | 1,300.00 | |
| Licence Reinstatement | N | 1,300.00 | 1,300.00 | |
| Bingo Halls - Annual Fee | N | 600.00 | 600.00 | |
| New Application | N | 1,300.00 | 1,300.00 | |
| Variation | N | 1,300.00 | 1,300.00 | |
| Transfer | N | 1,200.00 | 1,200.00 | |
| Provisional Statement | N | 1,300.00 | 1,300.00 | |
| Licence Reinstatement | N | 1,200.00 | 1,200.00 | |
| Family Entertainment Centres – Annual Fee | N | 550.00 | 550.00 | |
| New Application | N | 1,300.00 | 1,300.00 | |
| Variation | N | 1,300.00 | 1,300.00 | |
| Transfer | N | 950.00 | 950.00 | |
| Provisional Statement | N | 1,300.00 | 1,300.00 | |
| Licence Reinstatement | N | 950.00 | 950.00 | |
| Betting (tracks) – Annual Fee | N | 550.00 | 550.00 | |
| New Application | N | 1,300.00 | 1,300.00 | |
| Variation | N | 1,300.00 | 1,300.00 | |
| Transfer | N | 950.00 | 950.00 | |
| Provisional Statement | N | 1,300.00 | 1,300.00 | |
| Licence Reinstatement | N | 950.00 | 950.00 | |
| *Permit Type – The following fees are set by statute and will be revised as changed nationally* | | | | |
| Small Society Lottery Registration | N | 40.00 | 40.00 | |
| Small Society Annual Fee | N | 20.00 | 20.00 | |
| FEC gaming machine – Renewal fee | N | 300.00 | 300.00 | |
| FEC gaming machine – Change of name | N | 25.00 | 25.00 | |
| Prize gaming – Application fee | N | 300.00 | 300.00 | |
| Prize gaming – Renewal fee | N | 300.00 | 300.00 | |
| Prize gaming – Change of name | N | 25.00 | 25.00 | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| Prize gaming – Copy permit | N | 15.00 | 15.00 | |
| Gaming machines (3 or more) - application Fee | N | 100.00 | 100.00 | |
| Gaming machines (3 or more) - variation Fee | N | 100.00 | 100.00 | |
| Gaming machines (3 or more) - transfer Fee | N | 25.00 | 25.00 | |
| Gaming machines (3 or more) - annual Fee | N | 50.00 | 50.00 | |
| Change of name | N | 25.00 | 25.00 | |
| Copy Permit | N | 15.00 | 15.00 | |
| Notice of intent 2 or less gaming machines available | N | 50.00 | 50.00 | |
| Club Premises cert (S 72f Licencing Act 2003) application fee | N | 100.00 | 100.00 | |
| Club Premises cert (S 72f Licencing Act 2003) renewal fee | N | 100.00 | 100.00 | |
| Other applicants - application fee | N | 200.00 | 200.00 | |
| Other applicants - renewal fee | N | 200.00 | 200.00 | |
| Variation fee | N | 100.00 | 100.00 | |
| Annual fee | N | 50.00 | 50.00 | |
| Copy permit | N | 15.00 | 15.00 | |
| Initial fee | N | 40.00 | 40.00 | |
| Annual fee | N | 20.00 | 20.00 | |
| Temporary use notice | N | 500.00 | 500.00 | |
| Copy/replacement/endorsed copy of notice | N | 25.00 | 25.00 | |
| | | | | |
| **Licensing Act Fees** | | | | |
| **Statutory Fees- The following gambling fees are set within statutory bands and will be revised as changed nationally.** | | | | |
| **Premises Licences** | | | | |
| Band A (RV £0 - £4,300) - Initial fee | N | 100.00 | 100.00 | |
| - Annual fee | N | 70.00 | 70.00 | |
| Band B (RV £4,301 - £33,000) - Initial fee | N | 190.00 | 190.00 | |
| - Annual fee | N | 180.00 | 180.00 | |
| Band C (RV £33,001 - £87,000) - Initial fee | N | 315.00 | 315.00 | |
| - Annual fee | N | 295.00 | 295.00 | |
| Band D (RV £87,001 - £125,000) - Initial fee | N | 450.00 | 450.00 | |
| - Annual fee | N | 320.00 | 320.00 | |
| Band E (RV > £125,001) - Initial fee | N | 635.00 | 635.00 | |
| - Annual fee | N | 350.00 | 350.00 | |
| Band D with Multiplier - Initial fee | N | 900.00 | 900.00 | |
| - Annual fee | N | 640.00 | 640.00 | |
| Band E with Multiplier - Initial fee | N | 1,905.00 | 1,905.00 | |
| - Annual fee | N | 1,050.00 | 1,050.00 | |
| **Club Premises Certificates** | | | | |
| Band A (RV £0 - £4,300) - Initial fee | N | 100.00 | 100.00 | |
| - Annual fee | N | 70.00 | 70.00 | |
| Band B (RV £4,301 - £33,000) - Initial fee | N | 190.00 | 190.00 | |
| - Annual fee | N | 180.00 | 180.00 | |
| Band C (RV £33,001 - £87,000) - Initial fee | N | 315.00 | 315.00 | |
| - Annual fee | N | 295.00 | 295.00 | |
| Band D (RV £87,001 - £125,000) - Initial fee | N | 450.00 | 450.00 | |
| - Annual fee | N | 320.00 | 320.00 | |
| Band E (RV > £125,001) - Initial fee | N | 635.00 | 635.00 | |
| - Annual fee | N | 350.00 | 350.00 | |
| **Large Scale Events** | | | | |
| 5,000 to 9,999 - Initial fee | N | 1,000.00 | 1,000.00 | |
| - Annual fee | N | 500.00 | 500.00 | |
| 10,000 to 14,999 - Initial fee | N | 2,000.00 | 2,000.00 | |
| - Annual fee | N | 1,000.00 | 1,000.00 | |
| 15,000 to 19,999 - Initial fee | N | 4,000.00 | 4,000.00 | |
| - Annual fee | N | 2,000.00 | 2,000.00 | |
| 20,000 to 29,999 - Initial fee | N | 8,000.00 | 8,000.00 | |
| - Annual fee | N | 4,000.00 | 4,000.00 | |
| 30,000 to 39,999 - Initial fee | N | 16,000.00 | 16,000.00 | |
| - Annual fee | N | 8,000.00 | 8,000.00 | |
| 40,000 to 49,999 - Initial fee | N | 24,000.00 | 24,000.00 | |
| - Annual fee | N | 12,000.00 | 12,000.00 | |
| 50,000 to 59,999 - Initial fee | N | 32,000.00 | 32,000.00 | |
| - Annual fee | N | 16,000.00 | 16,000.00 | |
| 60,000 to 69,999 - Initial fee | N | 40,000.00 | 40,000.00 | |
| - Annual fee | N | 20,000.00 | 20,000.00 | |
| 70,000 to 79,999 - Initial fee | N | 48,000.00 | 48,000.00 | |
| - Annual fee | N | 24,000.00 | 24,000.00 | |
| 80,000 to 89,999 - Initial fee | N | 56,000.00 | 56,000.00 | |
| - Annual fee | N | 28,000.00 | 28,000.00 | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| > 90,000 - Initial fee | N | 64,000.00 | 64,000.00 | |
| - Annual fee | N | 32,000.00 | 32,000.00 | |
| **Other Licensing Act 2003 Fees & Charges** | | | | |
| Minor Variations | N | 89.00 | 89.00 | |
| Personal Licence | N | 37.00 | 37.00 | |
| Provisional Statement | N | 315.00 | 315.00 | |
| Temporary Event Notice (TEN) | N | 21.00 | 21.00 | |
| Theft / Loss of Licence / Notice | N | 10.50 | 10.50 | |
| Variation of DPS | N | 23.00 | 23.00 | |
| Transfer of Premises Licence | N | 23.00 | 23.00 | |
| Change of Name / Address | N | 10.50 | 10.50 | |
| Notification of Interest | N | 21.00 | 21.00 | |
| Notification of Alteration of Club Rules | N | 10.50 | 10.50 | |
| Interim Authority Notice | N | 23.00 | 23.00 | |
| Explosives Act/Fireworks Annual Registration | N | 52.00 | 52.00 | |
| | | | | **Minimal** |
| **HACKNEY CARRIAGES** | | | | |
| **Taxi Licencing** | | | | |
| Taxi licensing fees are agreed annually by licensing committee normally in March and will be published separately as part of this process. Existing licence holders will be notified accordingly. | | | | |
| **ENVIRONMENTAL HEALTH** | | | | |
| Pest Treatment Charges – All charges shown exclusive of VAT. Charges will be made plus the appropriate VAT rate | | | | |
| Insects – per Treatment | L | 58.50 | 58.50 | |
| Rodents in Private Premises | L | 8.33 | 8.33 | |
| Re-rating Food Hygiene Inspections | L | 150.00 | 150.00 | |
| **Prosecution Costs** | | | | |
| Hourly Rate for preparation of case reports and carrying out works in default of legal notices | L | 45.00 | 46.00 | |
| **Environmental Searches** | | | | |
| Environmental search 1 or 2 report includes environmental information held by the Council on a site | L | 65.00 | 65.00 | |
| (additional charges apply for sites larger than 10,000m2 and distance buffer greater than 250m radius) | | | | |
| Additional photocopying for example copies of site investigation reports; | | | | |
| A4 B&W | L | 0.10 | 0.10 | |
| A3 B&W | L | 0.20 | 0.20 | |
| A4 Colour | L | 1.00 | 1.00 | |
| A3 Colour | L | 2.00 | 2.00 | |
| Scanned Copy | L | Free | Free | |
| **LAPPC and LAIPPC Permits** | | | | |
| Charges are annually set by Defra in March and are subject to change. Current charges as known are; | | | | |
| **LAPPC Charges** | | | | |
| Application Fee; | | | | |
| Standard process (includes solvent emission activities) | N | 1,650.00 | 1,650.00 | |
| Additional fee for operating without a permit | N | 1,188.00 | 1,188.00 | |
| PVRI, SWOBs and Dry Cleaners | N | 155.00 | 155.00 | |
| PVR I & II combined | N | 257.00 | 257.00 | |
| VRs and other Reduced Fee Activities | N | 362.00 | 362.00 | |
| Reduced fee activities: additional fee for operating without a permit | N | 71.00 | 71.00 | |
| Mobile plant** | N | 1,650.00 | 1,650.00 | |
| for the third to seventh applications | N | 985.00 | 985.00 | |
| for the eighth and subsequent applications | N | 498.00 | 498.00 | |
| Where an application for any of the above is for a combined Part B and waste application add an extra to the above amounts | N | 310.00 | 310.00 | |
| Annual Subsistence Charge; | | | | |
| Standard process Low* | N | 772.00 (+104.00) | 772.00 (+104.00) | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| Standard process Medium* | N | 1,161.00 (+156.00) | 1,161.00 (+156.00) | |
| Standard process High* | N | 1,747.00 (+207.00) | 1,747.00 (+207.00) | |
| *the additional amounts must be charged where a permit is for a combined Part B and waste installation | | | | |
| PVRI, SWOBs and Dry Cleaners Low | N | 79.00 | 79.00 | |
| PVRI, SWOBs and Dry Cleaners Medium | N | 158.00 | 158.00 | |
| PVRI, SWOBs and Dry Cleaners High | N | 237.00 | 237.00 | |
| PVR I & II combined Low | N | 113.00 | 113.00 | |
| PVR I & II combined Medium | N | 226.00 | 226.00 | |
| PVR I & II combined High | N | 341.00 | 341.00 | |
| VRs and other Reduced Fees Low | N | 228.00 | 228.00 | |
| VRs and other Reduced Fees Medium | N | 365.00 | 365.00 | |
| VRs and other Reduced Fees High | N | 548.00 | 548.00 | |
| Mobile plant, for the first and second permits Low** | N | 626.00 | 626.00 | |
| for the third to seventh permits Low | N | 385.00 | 385.00 | |
| eighth and subsequent permits Low | N | 198.00 | 198.00 | |
| Mobile plant, for the first and second permits Medium** | N | 1,034.00 | 1,034.00 | |
| for the third to seventh permits Medium | N | 617.00 | 617.00 | |
| eighth and subsequent permits Medium | N | 316.00 | 316.00 | |
| Mobile plant, for the first and second permits High** | N | 1,551.00 | 1,551.00 | |
| for the third to seventh permits High | N | 924.00 | 924.00 | |
| eighth and subsequent permits High | N | 473.00 | 473.00 | |
| Late payment fee | N | 52.00 | 52.00 | |
| Where a Part B installation is subject to reporting under the E-PRTR Regulation add an extra to the above amounts | N | 104.00 | 104.00 | |
| Transfer and Surrender; | | | | |
| Standard process transfer | N | 169.00 | 169.00 | |
| Standard process partial transfer | N | 497.00 | 497.00 | |
| New operator at low risk reduced fee activity | N | 78.00 | 78.00 | |
| Surrender: all Part b activities | N | 0.00 | 0.00 | |
| Reduced fee activities: transfer | N | 0.00 | 0.00 | |
| Reduced fee activities: partial transfer | N | 47.00 | 47.00 | |
| Temporary transfer for mobiles; | | | | |
| First transfer | N | 53.00 | 53.00 | |
| Repeat following enforcement or warning | N | 53.00 | 53.00 | |
| Substantial change; | | | | |
| Standard process | N | 1,050.00 | 1,050.00 | |
| Standard process where the substantial change results in a new PPC activity | N | 1,650.00 | 1,650.00 | |
| Reduced fee activities | N | 102.00 | 102.00 | |
| **Not using simplified permits | | | | |
| **LAPPC mobile plant charges (not using simplified permits)** | | | | |
| Number of permits 1 to 2; | | | | |
| Application fee | N | 1,650.00 | 1,650.00 | |
| Subsistence fee Low | N | 646.00 | 646.00 | |
| Subsistence fee Medium | N | 1,034.00 | 1,034.00 | |
| Subsistence fee High | N | 1,506.00 | 1,506.00 | |
| Number of permits 3 to 7; | | | | |
| Application fee | N | 985.00 | 985.00 | |
| Subsistence fee Low | N | 385.00 | 385.00 | |
| Subsistence fee Medium | N | 617.00 | 617.00 | |
| Subsistence fee High | N | 924.00 | 924.00 | |
| Number of permits 8 and over; | | | | |
| Application fee | N | 498.00 | 498.00 | |
| Subsistence fee Low | N | 198.00 | 198.00 | |
| Subsistence fee Medium | N | 316.00 | 316.00 | |
| Subsistence fee High | N | 473.00 | 473.00 | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **LA-IPPC charges** | | | | |
| Every subsistence charge below includes the additional £104 charge to cover LA extra costs in dealing with reporting under the E-PRTR Regulation | | | | |
| Application | N | 3,363.00 | 3,363.00 | |
| Additional fee for operating without a permit | N | 1,188.00 | 1,188.00 | |
| Annual Subsistence Low | N | 1,447.00 | 1,447.00 | |
| Annual Subsistence Medium | N | 1,611.00 | 1,611.00 | |
| Annual Subsistence High | N | 2,334.00 | 2,334.00 | |
| Late Payment Fee | N | 52.00 | 52.00 | |
| Variation | N | 1,368.00 | 1,368.00 | |
| Transfer | N | 235.00 | 235.00 | |
| Partial Transfer | N | 698.00 | 698.00 | |
| Surrender | N | 698.00 | 698.00 | |
| Subsistence charges can be paid in four equal quarterly instalments paid on 1st April, 1st July, 1st October and 1st January. Where paid quarterly the total amount payable to the local authority will be increased by £38.00 | | | | |
| Newspaper adverts may be required under EPR at the discretion of the LA as part of the consultation process when considering an application. This will be undertaken and paid for by the LA and the charging scheme contains a provision for the LA to recoup its costs | | | | **Minimal** |
| **TRADING STANDARDS** | | | | |
| Please note that VAT may be added to some charges. Check with the service before the work is agreed. | | | | |
| **Prosecution Costs** | | | | |
| Hourly rate for Preparation of Case Reports | L | 45.00 | 46.00 | |
| **Measures** | | | | |
| Linear measures not exceeding 3m each scale | L | 13.50 | 14.00 | |
| Not exceeding 15kg | L | 38.00 | 39.00 | |
| Exceeding 15kg but not exceeding 100kg | L | 58.00 | 59.50 | |
| Exceeding 100kg but not exceeding 250kg | L | 80.00 | 82.00 | |
| Exceeding 250kg but not exceeding 1 tonne | L | 139.00 | 142.50 | |
| Exceeding 1 tonne but not exceeding 10 tonnes | L | 223.00 | 228.50 | |
| Exceeding 10 tonnes but not exceeding 30 tonnes | L | 468.00 | 479.00 | |
| Exceeding 30 tonnes but not exceeding 60 tonnes | L | 696.00 | 712.00 | |
| Charge to cover any additional costs involved in testing incorporating remote display or printing facilities based on the above fee plus a charge per hour (minimum charge of 2 hours) | L | 61.32 per hour | 62.52 per hour | |
| **Measuring Instruments for Intoxicating Liquor** | | | | |
| Not exceeding 150ml | L | 22.00 | 22.50 | |
| Other | L | 25.00 | 26.00 | |
| **Measuring Instruments for Liquid Fuels and Lubricants** | | | | |
| Container Type (un-subdivided) | | | | |
| Multi-grade (with price computing device): | L | 96.00 | 98.50 | |
| Single Outlets | L | 132.00 | 135.50 | |
| Solely Price Adjustment | L | 241.50 | 247.50 | |
| Otherwise | | | | |
| Other Types – Single Outlets | | | | |
| Solely Price Adjustment | L | 106.00 | 108.50 | |
| Otherwise | L | 144.00 | 147.50 | |
| Other Types – Multi Outlets: | | | | |
| 1 Meter Tested | L | 154.00 | 158.00 | |
| 2 Meters Tested | L | 253.00 | 259.00 | |
| 3 Meters Tested | L | 345.50 | 353.50 | |
| 4 Meters Tested | L | 440.00 | 450.50 | |
| 5 Meters Tested | L | 532.50 | 545.00 | |
| 6 Meters Tested | L | 625.00 | 639.50 | |
| 7 Meters Tested | L | 706.00 | 722.50 | |
| 8 Meters Tested | L | 816.50 | 835.50 | |
| Charge to cover any additional costs involved in testing ancillary equipment such as payment acceptors based on the above fee plus a charge per hour (minimum of 2 hours) | L | 61.32 per hour | 62.52 per hour | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| **KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **Special Weighing and Measuring Equipment** | | | | |
| For all specialist work undertaken by the service which is not included above a charge per hour on site (minimum charge of 2 hours) plus cost of provision of testing equipment applies | L | 61.32 per hour | 62.52 per hour | |
| Discounts | | | | |
| Fees from Measures to Certification Calibration will be discounted as follows :- | | | | |
| a) Where more than a single item is submitted on one occasion the second and subsequent fees will be reduced by 20% | | | | |
| b) Where tests are undertaken using appropriately certified weights and equipment not supplied by the Borough Council the fees will be reduced by 20% | | | | |
| c) Special rates can be negotiated for multiple submissions or where assistance with equipment or labour is provided | | | | |
| NB – Where different fees are involved the highest fee will be charged in full and any discounts calculated from the remaining lesser fees | | | | |
| **Licensing – VAT not applicable** | | | | |
| **Explosives and Fireworks Licences (Statutory Fee)** | | | | |
| Licence for the storage of explosives | N | **See Note | **See Note | |
| Licence for the sale of fireworks all year round | N | **See Note | **See Note | |
| **These are statutory rates that are set centrally in April | | | | |
| | | | | **Minimal** |
| **PARKING – all off-street charges are inclusive of VAT at 20%** | | | | |
| **Car Parks (Short Stay) – per hour** | | | | |
| Abbotts Yard | L | 1.00 | 1.00 | |
| Commercial Street East & West | L | 1.00 | 1.00 | |
| Feethams Multi Storey Car Park | L | 1.00 | 1.00 | |
| Winston Street North & South | L | 1.00 | 1.00 | |
| **Car Parks – Mixed Charges** | | | | |
| Archer Street, Garden Street, Kendrew Street East & West, Hird Street, St Hilda's & Park Place East & West | | | | |
| First 2 hours | L | Free | Free | |
| 3 hours | L | 1.00 | 1.00 | |
| Per day | L | 4.00 | 4.00 | |
| Per week | L | 16.00 | 16.00 | |
| East Street | | | | |
| Per hour | L | 1.00 | 1.00 | |
| Per day | L | 2.00 | 2.00 | |
| **Car Parks – Long Stay** | | | | |
| Chestnut Street | | | | |
| Cars first 2 hours | L | Free | Free | |
| Cars 3 hours | L | 1.00 | 1.00 | |
| Cars per day | L | 2.00 | 2.00 | |
| Cars per week | L | 8.00 | 8.00 | |
| HGV/coach per day | L | Free | Free | |
| HGV/coach per night (6pm-8am) | L | 4.00 | 4.00 | |
| Park Lane | | | | |
| Per day | L | 5.00 | 5.00 | |
| Central House | | | | |
| Saturday all day | L | 4.00 | 4.00 | |
| Bank Holiday all day | L | 4.00 | 4.00 | |
| **All Car Parks** | | | | |
| Sunday all day | L | 1.00 | 1.00 | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **On Street Parking (up to 2 hours no return within 1 hour EXCEPT for Grange Road & Northumberland Street up to 3 hours no return within 1 hour and East Row 30 minutes maximum no return within 1 hour)** | | | | |
| Per 30 mins | L | 0.50 | 0.50 | |
| **Car Parks – Contract Parking – all charges are inclusive of VAT at 20%** | | | | |
| Parking locations as determined by the Director of Neighbourhood Services and Resources. | | | | |
| Per year one space | L | 950.00 | 950.00 | |
| Per year two spaces | L | 900.00 | 900.00 | |
| Per year three spaces | L | 860.00 | 860.00 | |
| Per year four spaces | L | 830.00 | 830.00 | |
| Per year five to nine spaces | L | 800.00 | 800.00 | |
| Per year ten or more spaces | L | 700.00 | 700.00 | |
| Four Riggs | | | | |
| Per calendar month | L | 64.00 | 64.00 | |
| Winston Street West | | | | |
| Per space per year | L | 1,100.00 | 1,100.00 | |
| **Car Parks – Staff & Members per year** | L | 173.04 | 173.04 | |
| **Residents Parking Permits** | | | | |
| 3 month temporary permit | L | 12.00 | 12.00 | |
| 6 month permit | L | 24.00 | 24.00 | |
| 12 month permit | L | 40.00 | 40.00 | |
| **Tradesmen Parking Permits** | | | | |
| Daily Waiver | L | 5.00 | 5.00 | |
| 3 month permit | L | 50.00 | 50.00 | |
| 6 month permit | L | 90.00 | 90.00 | |
| 12 month permit | L | 150.00 | 150.00 | |
| | | | | **NIL** |
| **BUILDING CONTROL** | | | | |
| Items inclusive of VAT at 20% | | | | |
| Letter confirming exemption | L | Free | Free | |
| Letter confirming enforcement action will not be taken | L | Free | Free | |
| **Decision/Approval Notice (Building Control)** | | | | |
| Responding to request for historical information from electronic databases (email response) | L | Free | Free | |
| Responding to request for historical information from electronic databases (letter response) | L | 1.00 | 1.00 | |
| Responding to request for historical information from manually recorded data (email response) | L | Free | Free | |
| Personal searches (email response) | L | Free | Free | |
| **The Building (Local Authority Charges) Regulations 2010 Plus VAT at 20%** | | | | |
| Work charged on individual job basis | L | As agreed with client | As agreed with client | |
| | | | | **NIL** |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **DOLPHIN CENTRE** | | | | |
| Pricing based on the introduction of a leisure card. | | | | |
| **Swimming** | | | | |
| Adult swim | | | | |
| Card holder | L | 3.65 | 3.75 | |
| Non card holder | L | 4.20 | 4.30 | |
| Concession | L | 2.75 | 2.85 | |
| Junior Swim | L | 2.45 | 2.55 | |
| Concession | L | 1.85 | 1.90 | |
| Family swim junior rate discount | | | | |
| (up to 4 children accompanying 1 adult) | | | | |
| Per card holder | L | 1.85 | 1.90 | |
| Per non card holder | L | 2.15 | 2.20 | |
| Under 5 years | L | 1.05 | 1.10 | |
| Under 12 months | L | Free | Free | |
| Lessons | L | 45.00 | 46.50 | |
| **Fitness Areas** | | | | |
| The Gym | | | | |
| Card holder | L | 4.35 | 4.55 | |
| Non card holder | L | 5.00 | 5.25 | |
| Concession | L | 3.25 | 3.40 | |
| Junior Gym | L | 3.50 | 3.70 | |
| Concession | L | 2.65 | 2.80 | |
| **Health & Fitness Classes** | | | | |
| Health & Fitness Classes | | | | |
| Card holder | L | 3.90 | 3.95 | |
| Non card holder | L | 4.50 | 4.55 | |
| Concession | L | 2.95 | 2.95 | |
| **Multi Activity Sessions** | | | | |
| Badminton Daytime Session | | | | |
| Card holder | L | 2.40 | 2.60 | |
| Non card holder | L | 2.75 | 3.00 | |
| **Half Main Hall** | | | | |
| Adult | | | | |
| Card holder | L | 43.50 | 43.50 | |
| Non card holder | L | 50.00 | 50.00 | |
| Junior (1 hour courts only) | L | 30.00 | 30.00 | |
| Weekday lunchtime | | | | |
| Card holder | L | 38.00 | 38.00 | |
| Non card holder | L | 42.00 | 42.00 | |
| **Badminton** | | | | |
| Adult | | | | |
| Card holder | L | 7.65 | 7.90 | |
| Non card holder | L | 8.80 | 9.10 | |
| Concession | L | 5.75 | 5.95 | |
| Junior (1 hour courts only) | L | 4.05 | 4.25 | |
| Concession (1 hour courts only) | L | 3.05 | 3.20 | |
| **Squash Courts** | | | | |
| Adult | | | | |
| Card holder | L | 6.90 | 6.90 | |
| Non card holder | L | 7.95 | 7.95 | |
| Concession | L | 5.20 | 5.20 | |
| Junior (up to 5pm on weekdays only) | L | 3.55 | 3.55 | |
| Concession (up to 5pm on weekdays only) | L | 2.65 | 2.65 | |
| **Equipment Hire** | | | | |
| Footballs | L | Free | Free | |
| Footballs – Deposit (FOC for card holders) | L | 5.00 | 5.00 | |
| Badminton | L | 2.00 | 2.00 | |
| Badminton – Deposit (FOC for card holders) | L | 5.00 | 5.00 | |
| Squash Racquets | L | 2.00 | 2.00 | |
| Squash Racquets – Deposit (FOC for card holders) | L | 5.00 | 5.00 | |
| Table Tennis Bats | L | 1.40 | 1.40 | |
| Table Tennis Bats – Deposit (FOC for card holders) | L | 5.00 | 5.00 | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| Pram Lock | L | Free | Free | |
| Pram Lock – Deposit (FOC for card holders) | L | 5.00 | 5.00 | |
| | | | | |
| **Children's Activities** | | | | |
| Crèche | L | 3.30 | 3.40 | |
| Soft play admissions | L | 3.60 | 3.70 | |
| Sensory Room | L | 3.60 | 3.70 | |
| Parent/toddler (Soft play) | L | 3.60 | 3.70 | |
| | | | | |
| **Other Activities** | | | | |
| Showers | | | | |
| Card holders | L | 1.75 | 1.85 | |
| Non card holders | L | 2.00 | 2.10 | |
| | | | | |
| **Fit 4 Life Packages** | | | | |
| 12 month Full Membership | L | 299.40 | 299.40 | |
| 12 month Seniors | L | 228.00 | 228.00 | |
| 12 month Student | L | 180.00 | 180.00 | |
| 6 Month Full | L | 195.00 | 195.00 | |
| 12 Month Upfront | L | 275.00 | 275.00 | |
| | | | | |
| **Swimming Pools** | | | | |
| Main Pool - per hour | L | 86.40 | 89.00 | |
| Diving Pool - per hour | L | 48.60 | 50.00 | |
| Teaching Pool - per hour | L | 48.60 | 50.00 | |
| **Gala - per hour** | | | | |
| Swimming Galas - whole complex | | | | |
| Normal opening hours - per hour | L | 275.40 | 284.00 | |
| Outside normal opening hours - per hour | L | 145.80 | 150.00 | |
| | | | | |
| **Swimming Galas - Schools, Junior Clubs and Organisations** | | | | |
| Main Pool - Peak | L | 194.40 | 200.00 | |
| Main Pool - Off Peak | L | 135.00 | 139.00 | |
| Main Pool and Teaching Pool - Peak | L | 162.00 | 167.00 | |
| Main Pool and Teaching Pool - Off Peak | L | 167.40 | 172.00 | |
| Electronic Timing | L | 81.00 | 83.00 | |
| | | | | |
| **Dry Sports Hall** | | | | |
| Main Sports Hall - per hour | L | 91.70 | 94.00 | |
| Special Events - per hour Weekends | L | 289.90 | 309.00 | |
| Preparation - per hour Weekends | L | 156.20 | 161.00 | |
| Special Events - Schools - per hour off peak | L | 43.00 | 44.00 | |
| Meeting Room | L | 31.00 | 32.00 | |
| Seminar Room/Stephenson Suite | L | 31.00 | 32.00 | |
| | | | | |
| **Central Hall** | | | | |
| All Events (except commercial, exhibitions and local societies) | L | 95.00 | 98.00 | |
| Exhibitions - commercial - per hour | L | 124.00 | 128.00 | |
| Local Societies event - per hour | L | 65.00 | 67.00 | |
| | | | | **23,500.00** |
| **PARKS** | | | | |
| Bowls Season Ticket | L | 37.00 | 37.00 | |
| Concession | L | 28.00 | 28.00 | |
| Football - Hire of Hundens Park Pitch Seniors' Match | L | 36.00 | 36.00 | |
| Juniors Match | L | 20.00 | 20.00 | |
| | | | | **NIL** |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **EASTBOURNE SPORTS COMPLEX** | | | | |
| **3G Pitch** | | | | |
| Non Charter Standard Pay and Play (No VAT) | | | | |
| 3G 1/3 per hour – Adult | L | 45.00 | 46.00 | |
| 3G 1/3 per hour – Junior | L | 28.00 | 29.00 | |
| 3G Full pitch per hour – Adult | L | 75.00 | 77.00 | |
| 3G Full pitch per hour – Junior | L | 48.00 | 50.00 | |
| Charter Standard and Partner Clubs (No VAT) | | | | |
| 3G 1/3 hour | L | 35.00 | 36.00 | |
| 3G Full pitch hour | L | 50.00 | 52.00 | |
| Partner Club Rate Fridays 3G Full pitch hour | L | 30.00 | 31.00 | |
| Off Peak Summer Prices (May to August) Charter Standard and Partner Clubs Only | | | | |
| 3G 1/3 hour | L | 15.00 | 15.50 | |
| 3G Full pitch hour | L | 25.00 | 26.00 | |
| **Grass Pitch** | | | | |
| Adult per match | L | 35.80 | 37.00 | |
| Junior per match | L | 18.00 | 19.00 | |
| **Athletics Track** | | | | |
| Non club rate | | | | |
| Adult | L | 3.50 | 3.60 | |
| Junior | L | 2.10 | 3.20 | |
| Full track per hour | L | 31.00 | 32.00 | |
| Club rate | | | | |
| Adult | L | 2.25 | 3.00 | |
| Junior | L | 1.45 | 3.00 | |
| **Gym** | | | | |
| Adult | L | 4.00 | 4.20 | |
| Cardiac Concession | L | 2.20 | 2.20 | |
| Junior | L | 2.00 | 2.00 | |
| Adult induction | L | 10.30 | 10.50 | |
| Junior Induction | L | 7.75 | 8.00 | |
| Personal training per hour | L | 20.00 | 20.00 | |
| 3 months membership | L | 60.00 | 60.00 | |
| 12 month full upfront membership | L | 150.00 | 150.00 | |
| 12 month direct debit membership per month | L | 15.00 | 15.00 | |
| **Other** | | | | |
| Shower | L | 1.70 | 1.80 | |
| Function room and pavilion hire per hour | L | 19.00 | 20.00 | |
| | | | | **2,500.00** |
| **HIPPODROME & HULLABALOO** | | | | |
| Hire & Conferencing (all pricing exclusive of VAT) | | | | |
| John Wade Group Lounge - max capacity 40 (theatre style) - per hour | L | 40.00 | 40.00 | |
| John Wade Group Lounge - max capacity 40 (theatre style) - day hire** | L | 240.00 | 240.00 | |
| Living Water Tower Room - max capacity 18 - per hour | L | 30.00 | 30.00 | |
| Living Water Tower Room - max capacity 18 - day hire** | L | 200.00 | 200.00 | |
| Hippo Lounge - max capacity 70 - per hour | L | 40.00 | 40.00 | |
| Hippo Lounge - max capacity 70 - day hire** | L | 240.00 | 240.00 | |
| Hippo Education Space - max capacity 40 (workshop of approx. 25) - per hour | L | 40.00 | 40.00 | |
| Hippo Education Space - max capacity 40 (workshop of approx. 25) - day hire** | L | 240.00 | 240.00 | |
| Hullabaloo Rehearsal Space - max capacity 35 - per hour | L | 40.00 | 40.00 | |
| Hullabaloo Rehearsal Space - max capacity 35 - day hire** | L | 240.00 | 240.00 | |
| Hullabaloo Café - max capacity 70 - per hour | L | 40.00 | 40.00 | |
| Hullabaloo Café - max capacity 70 - day hire** | L | 240.00 | 240.00 | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| Hippodrome Theatre Hire - max capacity 1,000 - w/end full day | L | 1,500.00 | 1,500.00 | |
| Hippodrome Theatre Hire - max capacity 1,000 - w/end half day | L | 750.00 | 750.00 | |
| Hippodrome Theatre Hire - max capacity 1,000 - w/day full day | L | 1,250.00 | 1,250.00 | |
| Hippodrome Theatre Hire - max capacity 1,000 - w/day half day | L | 650.00 | 650.00 | |
| Hullabaloo Theatre Hire - max capacity 150 - per hour | L | 60.00 | 60.00 | |
| Hullabaloo Theatre Hire - max capacity 150 - day hire** | L | 360.00 | 360.00 | |
| **day hire - 9am to 6pm | | | | |
| | | | | NIL |
| **CATTLE MARKET** | | | | |
| Tolls | | | | |
| Cattle | L | 13.30 | 13.30 | |
| Sheep, pigs, calves | L | 4.35 | 4.35 | |
| Levies | | | | |
| Cattle | L | 10.64 | 10.64 | |
| Sheep, pigs, calves | L | 3.48 | 3.48 | |
| Rent | L | 4,000.00 | 4,000.00 | |
| | | | | NIL |
| **HEAD OF STEAM** | | | | |
| **Admission** | | | | |
| Adult | L | 4.95 | 4.95 | |
| Concession | L | 3.75 | 3.75 | |
| Children (6-16 years old) | L | 3.00 | 3.00 | |
| Children (under 6) | L | No charge | No charge | |
| Single annual pass | L | 10.00 | 10.00 | |
| Family day pass (2 adults & 4 children) | L | 10.00 | 10.00 | |
| Family annual pass (2 adults & 4 children) | L | 15.00 | 15.00 | |
| School Visit | L | No charge | No charge | |
| **Research** | | | | |
| Research | L | £30.00 (min 1 hour & max 3 hours) | £30.00 (min 1 hour & max 3 hours) | |
| Research by Curator | L | £30.00 (min 1 hour & max 3 hours) | £30.00 (min 1 hour & max 3 hours) | |
| Short research (up to 10 mins) | L | Free except for £5.00 minimum handling fee for scans, photocopies and postage | Free except for £5.00 minimum handling fee for scans, photocopies and postage | |
| **Photocopying** | | | | |
| A4 (B&W) | L | 0.20 | 0.20 | |
| A3 (B&W) | L | 0.40 | 0.40 | |
| A4 (B&W) | L | 0.50 | 0.50 | |
| A3 (Colour) | L | 1.00 | 1.00 | |
| A0 plan copies (B&W) | L | 6.50 | 6.50 | |
| **Digital Copies (personal) per image** | | | | |
| Scan of document (max A3) | L | Free except for £5.00 minimum handling fee for scans | Free except for £5.00 minimum handling fee for scans | |
| Scan of photograph (max A3) | L | 6.50 | 6.50 | |
| Day photo pass | L | 10.00 | 10.00 | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **Digital Copies (commercial) per image** | | | | |
| Small local charitable, educational including websites | L | 6.50 | 6.50 | |
| Local commercial including websites | L | 15.00 | 15.00 | |
| Books, specialist magazines, journals & newspapers including websites | L | 30.00 | 30.00 | |
| Regional TV/Video/Film/DVD | L | 50.00 | 50.00 | |
| National/international TV/Video/Film/DVD | L | 100.00 | 100.00 | |
| Discount for 10 images or more | L | 0.10 | 0.10 | |
| **Postage and Packing** | | | | |
| Up to A4 (in UK only) | L | Free except for 5.00 minimum handling fee | Free except for 5.00 minimum handling fee | |
| 'Package' size and/or outside UK delivery | L | Dependant on size and weight | Dependant on size and weight | |
| **Filming Fees** | | | | |
| Student Production (during opening hours) | L | Free but donation welcome | Free but donation welcome | |
| Small Productions (per day) | L | 350.00 | 350.00 | |
| Large Productions (per day) | L | 700.00 | 700.00 | |
| **Conference Facilities** | | | | |
| During opening hours (per hour) | L | 25.00 | 25.00 | |
| Outside opening hours (per hour) | L | 32.50 | 32.50 | |
| Use by Museum partners (during opening hours) | L | Free | Free | |
| **Hire of Museum Field** | | | | |
| Educational Use | L | No charge | No charge | |
| Corporate Events | L | Negotiated on an individual basis | Negotiated on an individual basis | |
| | | | | **NIL** |
| **REFUSE COLLECTION AND DISPOSAL** | | | | |
| Refuse sacks (per 25) (Exclusive of VAT) | L | 96.45 | 99.35 | |
| Bulky Household Collection up to 6 items | L | 17.17 | 17.70 | |
| Garden waste sacks (Non-Vatable) | L | 10.30 | 10.60 | |
| Cost of replacement (inclusive of 20% VAT) | | | | |
| 360L Wheeled Bin | L | 50.30 | 50.30 | |
| 240L Wheeled Bin | L | 19.80 | 19.80 | |
| Caddie | L | 5.10 | 5.10 | |
| Glass Box | L | 3.25 | 3.25 | |
| 55L Box | L | 1.60 | 1.60 | |
| Lid for recycling box | L | 1.35 | 1.35 | |
| Lid for 240 bin | L | 4.95 | 4.95 | |
| | | | | **2,400.00** |
| **CEMETERIES** | | | | |
| Burial fees without exclusive right of burial (these fees will be tripled where the deceased is a non-resident of Darlington at time of death) | | | | |
| Individual foetal remains | N | No Charge | No Charge | |
| Stillborn or child not exceeding 12 months | N | No Charge | No Charge | |
| Person over 12 months up to 18 years | N | 300.00 | No Charge | |
| Person over 18 years | L | 800.00 | 825.00 | |
| Burial fees with exclusive right of burial (these fees will be doubled where the deceased is a non-resident of Darlington at time of death) | | | | |
| Individual foetal remains | N | No Charge | No Charge | |
| Child not exceeding 12 months | N | No Charge | No Charge | |
| Person over 12 months up to 18 years | N | 300.00 | No Charge | |
| Person over 18 years | L | 800.00 | 825.00 | |
| Cremated remains | L | 200.00 | 200.00 | |
| Exclusive rights of burial (these fees will be doubled if the purchaser is a non-resident of Darlington if not purchased at time of first interment). | | | | |
| Exclusive burial rights (50 years) | L | 850.00 | 900.00 | |
| Exclusive burial rights for a bricked grave | L | 1,700.00 | 1,800.00 | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **Other charges** | | | | |
| Scattering of cremated remains | L | 45.00 | 45.00 | |
| Indemnity form (to produce duplicate grant | L | 45.00 | 45.00 | |
| Use of Cemetery Chapel | L | 100.00 | 100.00 | |
| After post mortem remains | L | 200.00 | 200.00 | |
| Evergreens (including grass mats) | L | 65.00 | 65.00 | |
| Exhumation of a body (excl. re-interment) | L | 2,000.00 | 2,000.00 | |
| Exhumation of cremated remains (excl. re-interment) | L | 500.00 | 500.00 | |
| **Grave Maintenance (inclusive of 20% VAT)** | | | | |
| Initial payment | L | 50.00 | 50.00 | |
| Annual Maintenance | L | 36.00 | 36.00 | |
| **Memorials (fees will be doubled where the deceased to whom the memorial/inscription refers was non-resident of Darlington at time of death)** | | | | |
| Memorial rights including first inscription (30 years) | L | 220.00 | 220.00 | |
| Provision of kerbs – traditional sites only) | L | 100.00 | 100.00 | |
| Vases not exceeding 300mm | L | 80.00 | 80.00 | |
| Additional inscription | L | 80.00 | 80.00 | |
| **Total financial effect for Cemeteries** | | | | **7,000.00** |
| **CREMATORIUM** | | | | |
| Crematorium fees (inclusive of certificate of cremation, use of organ and scattering of remains in Gardens of Remembrance at an unreserved time) | | | | |
| Individual foetal remains | N | No charge | No charge | |
| Hospital arrangement – foetal remains | L | 200.00 | 200.00 | |
| Stillborn or child not exceeding 12 months | N | No charge | No charge | |
| Person over 12 months up to 18 years | N | 300.00 | No charge | |
| Person over 18 years | L | 773.00 | 800.00 | |
| After post mortem remains | L | 200.00 | 200.00 | |
| **Other charges** | | | | |
| Medical Referee Fee | N | 20.00 | 20.00 | |
| Environmental Surcharge (set by CAMEO) | N | 55.00 | 55.00 | |
| Postal Carton | L | 15.00 | 20.00 | |
| Metal Urn | L | 40.00 | 40.00 | |
| Wooden Casket | L | 50.00 | 50.00 | |
| Baby Urn | L | 10.00 | 10.00 | |
| Crematorium Chapel | L | 100.00 | 100.00 | |
| Scattering of remains at reserved time | L | 45.00 | 45.00 | |
| **Book of Remembrance (inclusive of 20% VAT)** | | | | |
| Single Entry (2 lines) | L | 70.00 | 70.00 | |
| Double Entry (3 or 4 lines) | L | 110.00 | 110.00 | |
| Additional lines | L | 25.00 | 25.00 | |
| Crest or floral emblem | L | 115.00 | 115.00 | |
| **Memorial Cards (inclusive of 20% VAT)** | | | | |
| Single entry card (2 lines) | L | 20.00 | 25.00 | |
| Double entry card (3 or 4 lines) | L | 27.00 | 30.00 | |
| Additional lines | L | 5.00 | 5.00 | |
| Crest of floral emblem | L | 60.00 | 70.00 | |
| Personal photographs – set up | L | 40.00 | 50.00 | |
| Additional photographs – after set up | L | 10.00 | 10.00 | |
| **Memorial Books (inclusive of 20% VAT)** | | | | |
| Single entry book (2 lines) | L | 70.00 | 80.00 | |
| Double entry card (3 or 4 lines) | L | 77.00 | 85.00 | |
| Additional lines | L | 5.00 | 5.00 | |
| Crest of floral emblem | L | 60.00 | 70.00 | |
| Personal photographs – set up | L | 40.00 | 50.00 | |
| Additional photographs – after set up | L | 10.00 | 10.00 | |
| **Triptych (inclusive of 20% VAT)** | | | | |
| Single entry card (2 lines) | L | 65.00 | 67.00 | |
| Double entry (3 or 4 lines | L | 72.00 | 72.00 | |
| Additional lines | L | 5.00 | 5.00 | |
| Crest or floral emblem | L | 60.00 | 70.00 | |
| Personal Photographs – set up | L | 40.00 | 50.00 | |
| Additional Photographs – after set up | L | 10.00 | 10.00 | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| **KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **Other Memorial Schemes** | | | | |
| Replacement kerb vase plaque | L | 300.00 | 300.00 | |
| Replacement flower holder | L | 5.00 | 5.00 | |
| Wall plaques | L | 245.00 | 245.00 | |
| Planter plaques | L | 365.00 | 365.00 | |
| Lease of space for memorial plaques (per annum) | L | 25.00 | 25.00 | |
| **Total financial effect for Crematorium** | | | | **35,000.00** |
| **ALLOTMENTS** | | | | |
| Rent per year | L | 145.00 | 170.00 | |
| | | | | **1,400.00** |
| **SOUTH PARK RESOURCE CENTRE** | | | | |
| Educational Events (£/child for a full day) | L | 4.00 | 4.10 | |
| Educational Events (£/child for half day) | L | 2.50 | 2.60 | |
| | | | | **Minimal** |
| **HIGHWAYS** | | | | |
| Private apparatus in the Highway (new installations) | L | 350.00 | 350.00 | |
| Private Road Openings (repair existing) | L | 125.00 | 125.00 | |
| Vehicle Crossings – estimate fee (taken as part of payment if go ahead with the works) | L | 25.00 | 25.00 | |
| Vehicle Crossings (plus actual construction costs) | L | 100.00 | 100.00 | |
| Vehicle Crossings if planning permission required on a classified road (plus actual construction costs) | L | 150.00 | 150.00 | |
| Temporary Road Closure Notices | L | 125.00 | 130.00 | |
| Temporary Road Closure Orders (plus advertising) | L | 250.00 | 275.00 | |
| Emergency Road Closures | L | 125.00 | 125.00 | |
| Street Naming Royal Mail Income (per address, Nationally agreed price LGIH) | L | 1.00 | 1.00 | |
| Street Naming & Numbering of Properties: | | | | |
| - Per road name (developer suggests) | L | 160.00 | 165.00 | |
| - Per road name (council names) | L | 160.00 | 200.00 | |
| - Per plot | L | 15.00 | 15.00 | |
| Street Naming & Numbering of Properties: | | | | |
| - Per plot or renaming of a property | L | 30.00 | 35.00 | |
| Rechargeable Works | L | Actual cost + 10% | Actual cost + 10% | |
| Temporary Traffic Light Applications | L | No Charge | No Charge | |
| Section 50 Licence | L | 300.00 | 300.00 | |
| Section 50 Licence associated bond costs | L | Individually priced based on requirements | Individually priced based on requirements | |
| Access protection markings | L | No charge | No charge | |
| Tourist Sign (plus actual cost of sign) | L | £75.00 + VAT | £75.00 + VAT | |
| Accident Data Requests | L | £75.00 + VAT | £75.00 + VAT | |
| Traffic Count Data | L | 75.00 | 75.00 | |
| Street Lighting Design Service | L | Individually priced based on charge out rate | Individually priced based on charge out rate | |
| Oversailing Licence | L | No charge | No charge | |
| Banner Licence | L | No charge | No charge | |
| Placing Goods on the Highway | L | 155.00 | 155.00 | |
| Deposits upon the Highway | L | No charge | No charge | |
| Temporary Development Signs – Admin Fee | L | 200.00 | 200.00 | |
| Temporary Development Signs – DBC undertake work on behalf of developer | L | Actual costs | Actual costs | |
| Switch off / on traffic signal / pelican crossings – per visit | L | 150.00 | 150.00 | |
| Unauthorised marks or affixing of signs to street furniture | L | No charge | No charge | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| Section 278 Highway works agreement | N | 6% of works + legal if delivered by developer | 6% of works + legal if delivered by developer | |
| Section 116 Stopping Up of the Highway | N | Actual Costs | Actual Costs | |
| Section 38 Road Adoption agreement | N | 6% of works + legal if delivered by developer | 6% of works + legal if delivered by developer | |
| NRSWA Defect Charges | N | Nationally set scale of charges | Nationally set scale of charges | |
| NRSWA Road Opening Inspection Charges (sample) | N | Nationally set scale of charges | Nationally set scale of charges | |
| Section 74 – charges for overstays | N | Nationally set scale of charges | Nationally set scale of charges | |
| | | | | **Minimal** |
| **PUBLIC RIGHTS OF WAY** | | | | |
| Public Path Orders (HA 80 S 118 and 119, TCPA 90 s247, 257) | | | | |
| Actual cost based on charge out rate plus advertising and legal costs | | | | |
| PROW Temporary Closures – as Highways fees and charges | | | | |
| Landowner Rights of Way Statement and Declaration s31.6 | | | | |
| One parcel of land, includes 2 notices | L | 250.00 | 250.00 | |
| Additional parcel | L | 50.00 | 50.00 | |
| Additional notice | L | 50.00 | 50.00 | |
| Authorisation for installing a new gate or stile (HA 80 s147) | L | 100.00 | 100.00 | |
| Path Orders under Deregulation Act | | | | |
| Actual cost based on charge out rate plus advertising and legal costs, to include but not restricted to pre-application advice, processing the application, resolving objections, making the order, confirmation of the order, and any subsequent Public Inquiry or Hearing | | | | |
| | | | | **NIL** |
| **SUSTAINABLE TRANSPORT** | | | | |
| Charges for Concessionary Travel (ENCTS); | | | | |
| Replacement pass for lost/stolen without a CRN | L | 10.00 | 10.00 | |
| Learn to Ride per session (child) | L | 3.00 | 3.00 | |
| Production, placement and retrieval of notices when bus stops are temporarily per bus stop | L | 60.00 | 60.00 | |
| Production and placement of bus timetable information when bus services have to be re-registered due to road closures – up to 6 timetables | L | 84.00 | 84.00 | |
| | | | | **NIL** |
| **TRANSPORT SERVICES** | | | | |
| Charges for Taxi Licensing; | | | | |
| Taxi Vehicle Test | L | 50.00 | 50.00 | |
| Taxi Vehicle Test and MOT | L | 60.00 | 60.00 | |
| Failure to attend (less than 48 hours' notice) | L | 50.00 | 50.00 | |
| Re-test | L | 25.00 | 25.00 | |
| Re-test including emissions | L | 35.00 | 35.00 | |
| Re-test emissions only | L | 10.00 | 10.00 | |
| Charges for General Public; | | | | |
| MOT for Motorbike Class I & II | L | 25.00 | 25.00 | |
| MOT for Standard Car Class IV | L | 35.00 | 35.00 | |
| MOT for Class V Vehicles | L | 40.00 | 40.00 | |
| MOT for Class VII Vehicles | L | 40.00 | 40.00 | |
| | | | | **NIL** |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| **KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **PRIVATE SECTOR HOUSING** | | | | |
| Works in default & statutory activities per hour | L | 45.00 | 46.00 | |
| Housing inspections & consultancy per hour (inclusive of VAT) | L | 54.00 | 55.00 | |
| Charge for the service relevant Housing Act 2004 legal notice | L | 405.00 | 413.00 | |
| Securing empty homes (addition of VAT by agreement) | L | 270.00 | 275.00 | |
| Houses in Multiple Occupation Activities; | | | | |
| HMO licence fee per letting/let/tenancy | L | 178.50 | 183.00 | |
| Other relevant HMO activities per hour | L | 45.00 | 46.00 | |
| Housing Immigration Inspections; | | | | |
| Within 10 working days (including VAT) | L | 135.00 | 138.00 | |
| Fast Track within 5 working days (including VAT) | L | 180.00 | 184.00 | |
| General Enforcement Activities: | | | | |
| Hourly rate for preparation of case reports/prosecutions | L | 45.00 | 46.00 | |
| Additional copies of legal notices via post | L | 10.00 | 10.00 | |
| Smoke and Carbon Monoxide Alarms (England) Regulation 2015; | | | | |
| Fines for failing to provide a working smoke or carbon monoxide alarm. Offence by the same individual or organisation; | | | | |
| First | N | 500.00 | 500.00 | |
| Second | N | 1,000.00 | 1,000.00 | |
| Third | N | 2,000.00 | 2,000.00 | |
| Fourth | N | 3,000.00 | 3,000.00 | |
| Fifth or more | N | 5,000.00 | 5,000.00 | |
| The Redress Schemes for Letting Agency Work and Property Management Work (England) Order 2014; | | | | |
| Fines for failing to join an approved letting and management redress scheme; | | | | |
| Businesses that have been served with a notice of intent and failed to join an approved scheme | N | 5,000.00 | 5,000.00 | |
| Businesses that have joined an approved scheme following the service of the notice of intent | N | 4,000.00 | 4,000.00 | |
| Businesses that have joined an approved scheme prior to enforcement action being taken, after the 1st October 2014 | N | 3,000.00 | 3,000.00 | |
| **Energy Efficiency (Private Rented Property) (England and Wales) Regulations** | | | | |
| Penalty (less than 3 months in breach) renting a non-compliant property | N | Up to 2,000.00 and/or publication penalty | Up to 2,000.00 and/or publication penalty | |
| Penalty (3 months or more in breach) renting out a non-compliant property | N | Up to 4,000.00 and/or publication penalty | Up to 4,000.00 and/or publication penalty | |
| Providing false or misleading information on the PRS Exemptions Register | N | Up to 1,000.00 and/or publication penalty | Up to 1,000.00 and/or publication penalty | |
| Failing to comply with a compliance notice | N | Up to 2,000.00 and/or publication penalty | Up to 2,000.00 and/or publication penalty | |

| Description | Type** | Existing Charge £ | New Charge £ | Financial Effect £ |
|---|---|---|---|---|
| ****KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed** | | | | |
| **Housing and Planning Act 2016** | | | | |
| Failure to comply with an Improvement Notice (under section 30 of the Housing Act 2004)<br>Failure to comply with a Prohibition Order (under section 32 of the Housing Act<br>Breach of a banning order made under section 21 of the Housing and Planning Act 2016 (due to be enacted in November 2017);<br>Using violence to secure entry to a property (under section 6 of the Criminal Law Act 1977)<br>Illegal eviction or harassment of the occupiers of a property (under section 1 of the Protection from Eviction Act 1977) | N | Civil penalties of up to 30,000 per offence as an alternative to prosecution | Civil penalties of up to 30,000 per offence as an alternative to prosecution | |
| | | | | **Minimal** |
| **COST OF REVENUE COLLECTION** | | | | |
| **Council Tax – All Charges do not incur VAT** | | | | |
| Issue of Summons for Liability Order | L | 33.00 | 35.50 | |
| Issue of Liability Order | L | 44.00 | 44.00 | |
| Issue of Summons for Committal Hearing | L | 90.00 | 90.00 | |
| Issue of Statutory Demand | L | 157.50 | 157.50 | |
| | | | | **Minimal** |
| **Business Rates (NNDR) – All Charges do not incur VAT** | | | | |
| Issue of Summons for Liability Order | L | 37.00 | 35.50 | |
| Issue of Liability Order | L | 50.00 | 44.00 | |
| Issue of Summons for Committal Hearing | L | 90.00 | 90.00 | |
| Issue of Statutory Demand | L | 157.50 | 157.50 | |
| | | | | **Minimal** |

APPENDIX 4

**KEY ASSUMPTIONS USED IN PROJECTED RESOURCES, EXPENDITURE AND INCOME 2019-23**

| Factor | Assumption |
|---|---|
| **Resources** | |
| Council Tax base | Variable depending on projected additional properties. |
| Council Tax | 2.99% increase in 2019/20 year and then a 2.99% increase in 2020/21, 2021/22 & 2022/23. |
| Council Tax collection | 99% collected |
| Government Grants | Government grants for 2019-20 as indicated in settlement and indicative figures for 2020/21 – 2022/23. |
| | Increase in Business Rates Scheme and Top Up Grant of 2.2% 2019/20 and 2% thereafter (projected CPI). |
| | Reduction in Revenue Support Grant of 44% in 2019/20 & 13% in 2020/21. |
| **Expenditure** | |
| Pay inflation | 2019-20 2% and assimilation to national scheme and thereafter 2%. |
| Price inflation | Only contractual inflation on running costs |
| Local Government Pension Scheme | Stepped Employers contributions of 16.8% in 2019/20 and thereafter plus a lump sum payment to pension fund for Past Service Deficit in 2019/20. |
| **Financing Costs** | |
| Interest rates payable | Average rate on existing debt 2019-20, 2.99%; 2020-21, 3.07%; 2021-22, 3.17%; 2022-23, 3.21%. |
| Interest rates payable on new debt – 10 year rate | 2019/20, 2.70%; 2020/21, 2.98%; 2021/22, 3.18%; 2022/23, 3.20%. |
| Interest rates receivable | 2019/20, 1.00%; 2020/21, 1.25%; 2021/22, 1.50%; 2022/23, 1.75%. |
| **Income** | |
| Inflationary increases | Various based on individual service considerations |

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# REVENUE BUDGET MANAGEMENT 2018/19

## Projected General Fund Reserve at 31st March 2019

| | 2018-22 MTFP (Feb 2018) £000 |
|---|---|
| **Medium Term Financial Plan (MTFP) :-** | |
| MTFP Planned Opening Balance 01/04/2018 | 20,233 |
| Approved net contribution from balances | (4,743) |
| **Planned Closing Balance 31/03/2019** | **15,490** |
| Increase in opening balance from 2017-18 results | 530 |
| Projected corporate underspends / (overspends) :- | |
| Adult Social Care & Health based savings | 400 |
| Resources based savings | 25 |
| Council Wide | 128 |
| Financing Costs | 591 |
| Adult Social Care Support Grant | 307 |
| Levy Account Surplus | 346 |
| **Projected General Fund Reserve (excluding Departmental) at 31st March 2019** | **17,817** |
| **Planned Balance at 31st March 2019** | **15,490** |
| **Improvement** | **2,327** |

## Departmental projected year-end balances

| | Improvement / (decline) compared with 2018-22 MTFP £000 |
|---|---|
| Children & Adults Services | 375 |
| Economic Growth & Neighbourhood Services | 63 |
| Resources | (76) |
| TOTAL | **362** |

| **Summary Comparison with :-** | 2018-22 MTFP £000 |
|---|---|
| Corporate Resources - increase in opening balance from 17/18 results | 530 |
| Corporate Resources - additional in-year Improvement/(Decline) | 1,372 |
| Quarter 1 budget claw back | 425 |
| Departmental - Improvement / (Decline) | 362 |
| Improvement / (Decline) compared with MTFP | **2,689** |
| **Projected General Fund Reserve at 31st March 2019** | **18,179** |

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## RISK RESERVE

| | Risk | Consequence | Scale | Financial Loss £m | Likelihood % | Annual Risk £m | Period (Years) | Reserve Required £m |
|---|---|---|---|---|---|---|---|---|
| ECONOMIC | Economic Downturn | Reduced Revenue Income – Leisure, Parking, Planning, Property | £12m @ £0.120m per 1% - assess risk of further 5% | 0.600 | 25% | 0.150 | 2 | 0.300 |
| | | Failure of significant service provider contractors | £36m pa corporately – assess risk of 10% cost increase | 3.600 | 10% | 0.360 | 2 | 0.720 |
| | Energy Costs Significant Increases | Higher Annual Revenue Costs | | 0.200 | 20% | 0.040 | 2 | 0.080 |
| | General Price Inflation | Higher Annual Revenue Costs | £40m – assess risk of 3% | 1.200 | 20% | 0.240 | 2 | 0.480 |
| | Slow down in housing growth | Not achieving house growth as anticipated | 100 Band D equivalents @ £0.003m (CT + NHB) | 0.300 | 20% | 0.060 | 2 | 0.120 |
| | Adverse Changes in Interest Rates | Higher Financing costs | Net Debt £120m @ 1% = £1.2m | 1.200 | 10% | 0.120 | 1 | 0.120 |
| | Brexit | Increased demand and reduced income | £80m net revenue budget @1% | 0.800 | 25% | 0.200 | 2 | 0.400 |
| | Pandemic or Similar Event | Increased employee absence requiring cover at extra cost | £0.5M per 1% of employee costs | 0.500 | 10% | 0.050 | 1 | 0.050 |
| SERVICES | New Children's Care Packages | Higher Costs | Average £0.200m per Case – 5 cases | 1.000 | 30% | 0.300 | 4 | 1.200 |
| | | | Average £0.040m per case – 10 cases | 0.400 | 30% | 0.120 | 4 | 0.480 |
| | Social Care Increasing Demand | Higher annual Revenue Costs | | 0.500 | 20% | 0.100 | 2 | 0.200 |
| | Capital Overspends | Fund from Revenue (no Capital Resources available) | One-off £5M funded over 10 years | 0.500 | 10% | 0.050 | 2 | 0.100 |
| GENERAL | Corporate Manslaughter | Unlimited Fine | Assess risk of £10M fine | 10.000 | 1% | 0.100 | 1 | 0.100 |
| | **TOTAL GENERAL FUND RESERVE REQUIREMENT** | | | | | | | **4.350** |

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## MEDIUM TERM FINANCIAL TERM 2019 TO 2023

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Children and Adults Services | 55.607 | 56.298 | 57.747 | 59.602 |
| Economic Growth & Neighbourhood Services | 20.173 | 20.689 | 21.772 | 22.355 |
| Resources | 10.062 | 10.194 | 10.402 | 10.636 |
| Financing costs | 0.510 | 0.832 | 1.033 | 1.356 |
| Joint Venture - Investment Return | (1.212) | (1.028) | (0.812) | (0.517) |
| Council Wide savings/pressures | 0.492 | (0.110) | (0.046) | 0.181 |
| Council Wide Contingencies | (1.472) | 1.518 | 1.892 | 1.892 |
| Contribution to/(from) revenue balances | (1.357) | (3.798) | (4.350) | (5.064) |
| **Total Net Expenditure** | **82.803** | **84.595** | **87.638** | **90.440** |
| **Resources - Projected and assumed** | | | | |
| Council Tax | 49.496 | 51.802 | 54.030 | 56.331 |
| Business rates retained locally | 16.147 | 17.720 | 18.049 | 18.385 |
| Top Up | 7.180 | 7.323 | 7.470 | 7.619 |
| Revenue Support Grant (RSG) | 3.556 | 3.102 | 3.102 | 3.102 |
| New Homes Bonus (NHB) | 1.713 | 1.501 | 1.840 | 1.856 |
| Better Care Fund (BCF) | 3.855 | 3.147 | 3.147 | 3.147 |
| Additonal Social Care funding | 0.856 | 0.000 | 0.000 | 0.000 |
| **Total Resources** | **82.803** | **84.595** | **87.638** | **90.441** |
| **Balances** | | | | |
| Opening balance | 18.179 | 12.372 | 9.574 | 6.224 |
| Risk Reserve | (4.350) | 0.000 | 0.000 | 0.000 |
| Contibution to GF from Collection Fund | 1.600 | 1.000 | 1.000 | 0.000 |
| Provision for VAT payment | (1.700) | 0.000 | 0.000 | 0.000 |
| Contribution to/(from) balances | (1.357) | (3.798) | (4.350) | (5.064) |
| **Closing balance** | **12.372** | **9.574** | **6.224** | **1.160** |

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## EFFICIENCY AND RESOURCES SCRUTINY COMMITTEE

Thursday, 31 January 2019

**PRESENT** – Councilllors Haszeldine (Chair), Carson, Cossins, Coultas, Johnson, Marshall and C Taylor

**APOLOGIES** – Councillor Mrs H Scott,

**ABSENT** – Councillor Crichlow

**ALSO IN ATTENDANCE** – Councillors Knowles and Newall

**OFFICERS IN ATTENDANCE** – Elizabeth Davison (Assistant Director Resources), Shirley Burton (Democratic Manager) and Hannah Fay (Democratic Officer)

### ER23 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

### ER24 MEDIUM TERM FINANCIAL PLAN (MTFP) 2019/20

Submitted – The Minutes (previously circulated) of all of this Scrutiny Committee's which had been held to discuss the proposals contained within the Medium Term Financial Plan, which were within their individual remits.

It was reported that all of the Scrutiny Committees had supported the proposals in relation to the proposed Council Tax increase of 2.99 per cent and the proposed increase in fees and charges within their own remits. Each of the Scrutiny Chairs presented, at the meeting, the outcomes of their Scrutiny Committees.

In presenting the findings of the Adults and Housing Scrutiny Committee, the Chair of that Scrutiny Committee also advised Members of the discussion which has taken place in relation to the Council's Housing Review Account (HRA) and particular reference was made to the welcome lift by the Government of the borrowing cap on the HRA which would enable the Council to increase its housing capital programme by around £12 million.

The Chair of the Health and Partnerships Scrutiny Committee reported that that Scrutiny Committee had requested further information in relation to the allocation of the £501,000 which had been identified for winter pressures and it was reported that that money had now been allocated and would be reported to Members.

In relation to Children's Services, reference was made to the significant pressures in Children's social care and the demand pressures on external residential placements and independent fostering placements, together with the cost of SEND school transport which was subject to a review to reduce the current projected overspend.

Discussion ensued on the potential significant financial risks which could occur over the lifetime of the Plan which were difficult to predict at this time, particularly in relation to Brexit outcomes and it was highlighted that further discussions around how the Council would address these issues and the subsequent financial implications were needed. Some unease was raised about the Council agreeing to a four-year plan which could not be quantified at this stage in view of the uncertainty, however, the Assistant Director Resources reported that the Council had a long established process of operating a medium term approach to its financial planning and to only look at one year would not be prudent. In recommending the Plan to Members it had been accepted that the Council was carrying a significant risk in terms of the need to reduce expenditure, however contingencies had been put in place and the plan was based on the most accurate reflection of the Councils financial position.

It was reported that the Council had just been advised that it was to receive funding of £210,000 over the next two years to help it with its preparations for Brexit and that this funding would be put into reserves until called upon.

Reference was made to the role of this Scrutiny Committee in monitoring the MTFP over its life.

**RESOLVED** - That, in relation to the Medium Term Financial Plan, Cabinet be advised that :-

(i) the response of this Council's Scrutiny Committee is to support the proposed increase in fees and charges and the proposed Council Tax increase of 2.99 per cent for the next financial year; and

(ii) in considering the proposed four-year MTFP, the Efficiency and Resources Scrutiny Committee wishes to highlight its concern in relation to the potential significant financial risks over the lifetime of the plan, which are difficult to forecast at this time and that the Council's Statutory Chief Financial Officer be formally requested to highlight these concerns to Cabinet

# Capital Medium Term Financial Plan 2019/20 - 2022/23

| | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Resources** | | | | | |
| Capital Grants | 5,929 | 3,649 | 3,649 | 3,649 | **16,876** |
| HRA Revenue Contributions | 5,854 | 5,632 | 5,620 | 5,620 | **22,726** |
| HRA Investment Fund | 4,780 | 3,780 | 3,280 | 1,500 | **13,340** |
| HRA Capital Receipts | 200 | 222 | 234 | 234 | **890** |
| Borrowing | 11,700 | - | - | - | **11,700** |
| Corporate Resources | 1,736 | 1,913 | 400 | 400 | **4,449** |
| **Total Resources** | **30,199** | **15,196** | **13,183** | **11,403** | **69,981** |
| **Commitments - see below** | **30,199** | **15,196** | **13,183** | **11,403** | **69,981** |
| **Resources Available for Investment** | **-** | **-** | **-** | **-** | **-** |
| **Children, Families & Learning** | | | | | |
| School Condition Allocations | *110* | *110* | *110* | *110* | **440** |
| | 110 | 110 | 110 | 110 | **440** |
| **Housing** | | | | | |
| Adaptations / Lifts | 150 | 150 | 150 | 150 | **600** |
| Heating replacement programme | 950 | 950 | 950 | 950 | **3,800** |
| Structural works | 500 | 300 | 300 | 300 | **1,400** |
| Lifeline Services | 50 | 50 | 50 | 50 | **200** |
| Repairs before painting | 100 | 100 | 100 | 100 | **400** |
| Roofing | 700 | 700 | 700 | 700 | **2,800** |
| Garages | 50 | 50 | 50 | 50 | **200** |
| External Works (footpaths, fencing, etc.) | 300 | 300 | 300 | 300 | **1,200** |
| Smoke detection | 25 | 25 | 25 | 25 | **100** |
| Pavement Crossing | 32 | 32 | 32 | 32 | **128** |
| Replacement Door Programme | 350 | 350 | 350 | 350 | **1,400** |
| Window Replacement | 500 | 500 | 500 | 500 | **2,000** |
| IPM works | 1,980 | 1,980 | 1,980 | 1,980 | **7,920** |
| Comunal Works | 100 | 100 | 100 | 100 | **400** |
| New build (net of HCA grant) | 16,480 | 3,780 | 3,280 | 1,500 | **25,040** |
| Fees | 267 | 267 | 267 | 267 | **1,068** |
| | 22,534 | 9,634 | 9,134 | 7,354 | **48,656** |
| **Transport** | | | | | |
| Highway Maintenence | *1,689* | *1,689* | *1,689* | *1,689* | **6,756** |
| Integrated Transport | *886* | *886* | *886* | *886* | **3,544** |
| Local Growth Fund | *425* | *tbc* | *tbc* | *tbc* | **425** |
| Pothole Action fund | *95* | *95* | *95* | *95* | **380** |
| National Productivity Investment Fund | *1,855* | - | - | - | **1,855** |
| | 4,950 | 2,670 | 2,670 | 2,670 | 12,960 |
| **Other Capital Programmes** | | | | | |
| Disabled Facility Grants | 869 | *869* | *869* | *869* | **3,476** |
| | 869 | 869 | 869 | 869 | **3,476** |
| **Council funded Schemes** | | | | | |
| Economic Growth Investment Fund | 336 | 513 | | | **849** |
| Highways Maintenance - Unclassified roads | 500 | 500 | | | **1,000** |
| Highways Maintenance - Bridge Maintenance | 500 | 500 | | | **1,000** |
| Council owned property Capitalised Repairs | 250 | 250 | 250 | 250 | **1,000** |
| Advanced Design Fees | 150 | 150 | 150 | 150 | **600** |
| Total Council Funded Schemes | 1,736 | 1,913 | 400 | 400 | 4,449 |
| **Total Spending Plans** | **30,199** | **15,196** | **13,183** | **11,403** | **69,981** |

Figures shown in italics are estimates, awaiting confirmation of funding streams.

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**SPECIAL CABINET**
**12 FEBRUARY 2019**

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# HOUSING REVENUE ACCOUNT – MTFP 2019/20 TO 2022/23

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**Responsible Cabinet Member - Councillor Andy Scott, Housing, Health and Partnerships Portfolio**

**Responsible Director – Ian Williams Director of Economic Growth and Neighbourhood Services**

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## SUMMARY REPORT

### Purpose of the Report

1. To consider proposals for the revenue budget, rent levels and service charges for the Council's Housing Revenue Account (HRA) for the financial year 2019/20 in the context of the HRA Medium Term Financial Plan to 2022/23 and the 30 year Business Plan.

### Summary

2. The key decision regarding the HRA is the balance between rent and service charge levels and investment in the housing stock. For four years, from 2016/17 the Government are implementing a compulsory 1% reduction in Social and Affordable rents through the Welfare Reform and Work Bill 2015. There is no discretion in making this change and all Council tenants will therefore have an average 61p reduction in weekly rent (Average Rent 2018/19 (£70.88 – Average Rent 2019/20 £70.53). Where appropriate some service charges have however had an inflationary increase. Whilst the rent reductions have meant less income for the HRA, Council tenants have benefitted enormously with an overall reduction in payments equalling £2.5m per annum.

3. For many years now we have been lobbying Central Government to lift the borrowing cap on the HRA so that our tenants could benefit from the same flexible borrowing arrangements as other Council services. This cap has now been lifted and in 2019/20 alone will enable us to increase our housing capital programme by around £12m. This can be supplemented with Homes England grant and we plan to build 100 affordable homes per annum over the next 10 years. We also have over 50% of households with one or more person with a disability and we are therefore committed to providing good quality homes with generous space standards and lifetime homes principles to support people to live independently and have a good quality of life. Over 180 households have already benefitted from our current new build programme which has taken place at various locations around the town and demand has been exceptionally high.

**Recommendations**

4. It is proposed that the following are recommended to Council :-

   (a) An average weekly social rent reduction of 1% for 2019/20 be implemented giving an average social rent of £70.53 and affordable rent of £77.92

   (b) Garage rents and service charges are increased as shown in Table 3.

   (c) The budget at **Appendix 1** is approved.

   (d) The Housing Business Plan **Appendix 2** is agreed.

**Reason**

5. To enable the Council to deliver an appropriate level of service to tenants to meet housing need and to support the economic growth of the Borough through housing development.

**Ian Williams**
**Director of Economic Growth and Neighbourhood Services**

**Background Papers**
CLG Rent Restructuring Guidance

Pauline Mitchell: Ext 5831

| | |
|---|---|
| S17 Crime and Disorder | The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect. |
| Health and Well Being | There are no issues relating to health and well-being which this report needs to address |
| Carbon Impact | There are no carbon impact implications in this report |
| Diversity | There are no diversity issues |
| Wards Affected | This will have an effect on the majority of the Wards in the Borough. |
| Groups Affected | All Council Tenants and Lifeline Service Users |
| Budget and Policy Framework | The issues contained within this report require Council approval and the report will be presented to Council in February 2019. |

| | |
|---|---|
| Key Decision | This is a key decision because agreement to the recommendations will result in the Local Authority incurring expenditure which is significant. There will also be a significant effect on the communities living or working in an area comprising two or more wards within the area of the local authority. |
| Urgent Decision | This is not an urgent decision for Cabinet, as the approval of Council on February 2019 will be required. |
| One Darlington: Perfectly Placed | The report has no particular implications for the Sustainable Community Strategy. |
| Efficiency | As the HRA is a ring fenced budget every effort is made to maximise income and identify savings in order to maintain a high quality service. |
| Impact on Looked After Children and Care Leavers | No impact |

## MAIN REPORT

### Setting the MTFP for the HRA

6. Councils no longer have the previous levels of flexibility to decide the balance between the levels of service provided to tenants and the levels of rent charged. For a four year period commencing in 2016/17 all social and affordable rents must be reduced by 1%. The MTFP as described in the following sections reflects this requirement whilst ensuring the standard of service offered remains high. Central Government have indicated this requirement will end after 2019/20 and from 2020/21 therefore it has been assumed a return to the previous rent of CPI plus 1% will apply.

7. For many years now we have been lobbying Central Government to lift the borrowing cap on the HRA so that our tenants could benefit from the same flexible borrowing arrangements as other Council services. This cap has now been lifted and in 2019/20 alone will enable us to increase our housing capital programme by around £12m. This can be supplemented with Homes England grant to provide more than 1000 much needed new Council homes at affordable rents over the next 10 years. Around 180 households have already benefitted from our current new build programme which has taken place across the Borough with sites at Branksome, Red Hall, Skerne Park, Lingfield and Lascelles Park. Overall demand has been exceptionally high.

8. **Analysis of Expenditure within the HRA**

   (a) **Management £5.724m**
   This includes all staffing costs associated with the provision of a housing management service, central support service and ground maintenance recharges and other associated support costs such as ICT and insurance.

   (b) **Maintenance - Revenue Repairs - £3.995m**
   This covers the on-going general repairs to the Council's 5,334 properties at a rate of approximately £590 per property per year. This level represents an average spend and reflects the overall good condition of the stock due to

sustained capital investment. The continued investment in a good repairs service is essential to maintaining our stock at a good level for current and future tenants.

(c) **Capital Financing Costs - £4.078m**
This is the cost of paying for borrowing undertaken to fund capital expenditure.

(d) **Bad Debts Provision - £0.350m**
A provision to cover rents that are deemed unrecoverable.

(e) **Revenue Contributions to Capital Programme - £10.634m**
This represents the amount the HRA is able to fund major capital works. In addition to this the Council continues to be successful in bidding for grant funding from Homes England towards the building of new houses.

**Borrowing**

9. The HRA borrowing cap has now been abolished. We are now able to prudentially borrow and have included additional borrowing of £11.7m in 2019/20 to build new affordable houses or address any emerging regeneration opportunities.

10. Members will appreciate that expenditure items (a) to (d) are relatively fixed and the main variable is the type and location of capital investment. The proposed Business Plan is discussed in the following section and this explains where future capital investment is planned.

**Housing Business Plan**

11. All Housing Capital schemes are funded fully from the Housing Revenue Account. The key difference for next year is the proposal to spend £16.48m on new build and emerging regeneration initiatives. The other priorities identified through the Housing Business Plan to be funded from the estimated capital resources for 2019/20 include:-

(a) Adaptations and lifts – £0.150m budget is to deliver adaptations within the Council’s housing stock to enable tenants with a disability to remain in their own home and live independently across the Borough and to complete any major works to passenger lifts within sheltered and extra care schemes.

(b) Heating Replacement - £0.950m to fund new condensing boiler and central heating upgrades. This work will predominantly be completed in the Park Place and Dodds Street areas. There will also be some miscellaneous properties which will be included in the programme and we will be running a “just in time” programme of replacement for those boilers that fail before their due replacement date within the financial year.

(c) Structural Repairs - £0.500m has been set aside to address any structural issues that may be identified within the year.

(d) Lifeline Services - £0.050m is set aside to continue to provide upgrades to Lifeline equipment.

(e) Repairs before Painting - £0.100m will be invested in joinery repair works in anticipation of the cyclical external painting programme. This will predominantly be in the Haughton, Springfield and Firthmoor.

(f) Roofing – £0.700m for the replacement of roofs, fascia's, soffits and rainwater goods together with the top-up of loft insulation where appropriate. The programme will primarily be in the Geneva Road Area.

(g) Garages - £0.050m will be invested in improvements to the Council's garage blocks which will include Nightingale Avenue and demolition of low demand garages in poor condition at Rise Carr.

(h) External Works - £0.300m will be used to provide new rear dividing fences and new footpaths to Council properties in various locations based on condition.

(i) Smoke Detectors - £0.025m is required to replace existing hard wired smoke and heat detectors where systems are now 10 years old and reaching the end of their recommended lifespan.

(j) Pavement Crossings - £0.032m has been identified to fund pavement crossings and hard-standings across the Borough.

(k) Replacement Door Programme - £0.350m will be used to replace external doors with energy efficient composite doors in the Springfield Area.

(l) Window Replacement - £0.500m has been identified to replace windows across the Borough with double glazed UPVC. These areas will be determined based on those in the poorest condition.

(m) Internal planned maintenance – £1.980m for the replacement of kitchens and bathrooms, rewiring of electrical systems and heating system upgrades where required. This work will predominantly be completed in Branksome. There will also be some miscellaneous properties which will be included in the programme.

(n) Communal Works - £0.100m is required to replace communal doors in the North Road area.

(o) Investment Fund- New Build/Regeneration - £16.480m will be spent on the new build programme and any emerging regeneration initiatives.

**Housing Business Plan**

12. The purpose of the Housing Business Plan is to ensure that the Housing Service has a financial plan which is sustainable and focuses investment towards strategic priorities. During the development of the Business Plan it has become clear that there were a number of strategic investment priorities that are particularly pressing and have significant financial implications for both the Housing Revenue Account and the Council's General Fund.

13. The following proposals will outline these strategic priorities, the resources available to deliver on these priorities (subject to final decisions on rent levels) and how resources will be aligned against the priorities.

**New Build**

14. The Strategic Housing Market Assessment completed for Darlington in 2015 identified that there is a need for 160 affordable dwellings for rent across the Borough of Darlington each year.

15. Not only is there a need to build affordable dwellings to meet local need, it is also a business need for the Housing Service. The Business Plan is underpinned by the rents received from Council properties and the loss of rents as a result of previous regeneration works and ongoing right to buy sales would significantly reduce income for the Housing Service if these properties were not replaced. Similarly the impact for New Homes Bonus of overall reductions in property numbers needs to be taken into account.

16. Now that the HRA borrowing cap has been abolished we are able to prudentially borrow an additional £11.7m in the current year to build new affordable houses. This is in addition to £4.78m available from revenue contributions to capital giving us a total of £16.48m available for the development of new Council homes for rent or regeneration initiatives. However this will increase when combined with any successful grant applications to the Homes England's Affordable Housing Programme. It is difficult to predict grant funding levels as funding is now available on the basis of a rolling programme but we have received up to 40% of the overall costs for recent schemes. Appendix 3 shows we are anticipating spending around £60m of our own money on new build in total going forward and with Homes England grant this could be topped up to around £100m.

17. A number of new build sites have been identified and are currently being worked up in more detail to enable planning permission to be sought.

**Housing for Vulnerable People**

18. Each year Housing Services complete a range of minor and major adaptions to individual Council properties where a need has been identified by an Occupational Therapist. Works range from the provision of lever taps and grab rails to semi-permanent ramps, stair lifts, hoists and ground floor extensions.

19. The HRA adaptations budget reflects the fundamental role adaptations play in supporting households to continue to live independently, reduce the need for expensive care packages and prevent a premature move into a more supported form of accommodation. These high levels of need have therefore been taken into account in developing our new build housing programme. The properties provided as part of our ongoing new build programme have been built in accordance with Lifetime Homes principles. Inexpensive features include flush door entrances at front and rear for wheelchair access, and raised sockets, as well as, low level window sills and openings. Increased space standards allow for hallways wide enough for 360º wheelchair turning circles, wider doors, and ground floor toilets. Occupational Therapists and Housing Officers also work closely with individuals to meet their particular needs where appropriate, providing bespoke lowered kitchens, specific bathing requirements etc. before they move in wherever possible.

20. This approach has significantly reduced the demands on the adaptations budget.

## Existing Stock Investment and Responsive Repairs

21. In accordance with good practice, the housing stock was surveyed by an independent specialist organisation last year and detailed analysis of the data has been taking place since then. Overall our properties have been assessed as being in good condition, reflecting our significant annual investment as part of a structured programme for both on-going capital improvements and maintenance resulting in:

    (a) All stock meeting the Decent Homes Standard by 2006.

    (b) A proactive approach to capital improvement work ensuring all stock is maintained to a standard above the Decent Homes Standard, locally known as the Darlington Standard.

    (c) An average SAP rating of over 70 across the Council housing stock indicating an above average level of thermal comfort. This can be largely attributed to a central heating programme providing A-rated combi-boilers and a planned maintenance programme which ensures all properties suitable benefit from cavity wall insulation and 300mm of loft insulation. A significant number of properties with previously poor SAP ratings have also been targeted in recent years for a more comprehensive package of energy efficiency measures including double glazed UPVC windows, composite doors and in some cases external cladding.

22. The Business Plan identifies a capital works budget of around £90m over the next five years and £280m budget for capital works over the next 30 years, including the New Build Programme. This budget will ensure all works identified within the stock condition survey can be completed alongside additional works to maintain properties to the Darlington Standard.

23. The Business Plan anticipates responsive repairs will remain at historical levels and so allocates a budget of £20.8m for responsive and cyclical repairs within the five year investment plan and £122m within the 30 year investment plan.

## Rent Level Options

24. The main objective of the Government's policy on rent restructuring is that rents should be fair and affordable for tenants in the social rented sector. The policy sets out a common basis on which all rents in the social sector should be set. This means that the rent for a house or flat (known as the formula rent) is linked to its capital value, size, location, condition and local earnings so that tenants can make a proper choice between how much they pay and the size and quality of the property they live in.

25. In 2015 the government introduced a requirement for all social landlords to reduce their rents by 1% every year for the next four years (2016/17 – 2019/20) rather than increasing them by CPI + 1% as previously indicated. The reduction was described by Government as social landlords' contribution to reducing the Housing Benefit Bill. The impact on the Council's HRA is that by year 4 we will be losing rental income of approximately £2.5m every year. Example rents for 2019/20 based on this are attached at **Appendix 4.**

### Garage Rents and Service Charges

26. The budget at Appendix 1 includes the financial effect of the proposed increases. The proposed service charges shown below at Table 3 provide for achieving full recovery of costs from those tenants who directly benefit from the services provided. In most instances this means a small inflationary increase is necessary but in some instances no increase is needed to maintain current levels of service.

27. Any additional costs will be covered by Housing Benefits for the 70% of tenants who are eligible. The HRA funds a Money Advice Service and Income Management Team to address the financial challenges facing a number of Council tenants and referrals are also made to CAB for independent financial advice as well as to food banks and furniture recycling schemes. Those tenants, particularly first time tenants who require more sustained intensive support will be referred to the Housing Plus Team.

**Table 3: Garage Rents and Service Charges**

| Description | Current Weekly Charge (18/19) | Proposed Weekly Charge (19/20) |
|---|---|---|
| | £ | £ |
| Garage Rents | 7.69 | 7.88 |
| Building Cleaning – Flats | 1.79 | 1.82 |
| Building Cleaning – Sheltered Schemes | 3.68 | 3.70 |
| Building Cleaning – Extra Care | 11.55 | 11.78 |
| Grounds Maintenance – General Housing | 1.71 | 1.74 |
| Grounds Maintenance – Blocks of Flats | 1.71 | 1.74 |
| Heating – Comprehensive schemes | 11.46 | 11.46 |
| Heating – Blocks of flats | 1.41 | 1.48 |
| Administration – Leaseholders | 1.67 | 1.71 |
| Furnishings and Fittings – Comprehensive Schemes | 1.93 | 1.98 |
| Furnishings and Fittings – Good Neighbour Schemes | 0.87 | 0.89 |
| Lifeline Response | 5.50 | 5.52 |
| Lifeline – Sheltered and Extra Care Housing | 17.64 | 17.77 |
| Pavement Crossings and Hard standings | 4.13 | 4.25 |
| Mid-day Meal – Extra Care (Residents only) | 32.90 | 34.21 |
| Mid-day Meal – Extra Care (Non-Residents only) | 39.48 | 41.11 |
| Furnished Tenancies | 6.10 | 15.13 |
| Guest Rooms in Sheltered Schemes | 82.04 | 84.17 |
| Door Entry Systems | 0.68 | 0.68 |
| TV Aerials | 0.19 | 0.19 |
| Housing Plus Service | 18.07 | 18.43 |

**Consultation**

28. The Annual Review of the HRA Business Plan is developed in consultation with Council tenants through their Customer Panel and associated sub-groups supplemented with surveys, focus groups, bespoke meetings and marketing tools such as mystery shopping. The proposals have been considered by the Joint Tenants Customer/Scrutiny Panel and they supported the proposed changes.

**Financial Implications**

29. The estimates included in this report represent a fair view of ongoing plans and commitments although Members will appreciate some budget are subject to volatility and will continue to be monitored closely.

30. The level of revenue balances projected in this report represent an adequate level given the level of risk.

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# HOUSING REVENUE ACCOUNT

**Appendix 1**

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Income** | | | | | |
| Rents Of Dwellings (Gross) | (19,683) | (20,796) | (21,212) | (22,195) | (22,639) |
| Sundry Rents (Including Garages & Shops) | (469) | (475) | (481) | (487) | (493) |
| Charges For Services & Facilities | (2,906) | (2,930) | (2,940) | (2,950) | (2,965) |
| Contribution towards expenditure | (260) | (265) | (270) | (275) | (281) |
| Interest Receivable | (14) | (6) | (6) | (6) | (6) |
| **Total Income** | (23,333) | (24,473) | (24,909) | (25,913) | (26,383) |
| **Expenditure** | | | | | |
| Management | 5,724 | 5,830 | 5,926 | 6,025 | 6,059 |
| Capital Financing Costs | 4,078 | 4,091 | 4,521 | 4,815 | 5,196 |
| Increase in Bad Debt Provision | 350 | 350 | 350 | 350 | 350 |
| HRA Revenue Repairs | 3,995 | 4,075 | 4,157 | 4,240 | 4,325 |
| Revenue Contribution to Capital (R.C.C.O.) | 10,634 | 9,412 | 12,900 | 11,120 | 7,620 |
| Contribution to/(from) balance | (1,449) | 714 | (2,945) | (637) | 2,833 |
| **Total Expenditure** | 23,333 | 24,473 | 24,909 | 25,913 | 26,383 |
| **(Surplus) / Deficit** | **0** | **0** | **0** | **0** | **0** |
| **Opening balance** | **9,114** | **7,665** | **8,379** | **5,435** | **4,798** |
| **Contribution to/(from) balance** | **(1,449)** | **714** | **(2,945)** | **(637)** | **2,833** |
| **Closing balance** | **7,665** | **8,379** | **5,435** | **4,798** | **7,631** |
| *of which: Capital Investment Fund* | *3,665* | *4,379* | *1,435* | *798* | *3,631* |
| *HRA Working Balance* | *4,000* | *4,000* | *4,000* | *4,000* | *4,000* |
| **Estimated closing dwelling numbers** | **5,401** | **5,521** | **5,500** | **5,617** | **5,744** |
| **Closing balance per dwelling** | **£1,419.18** | **£1,517.71** | **£988.10** | **£854.13** | **£1,328.51** |

THIRTY YEAR INVESTMENT FORECAST 2019/20 - 2048/49

Appendix 2

| | Years 1-10 (£000) | Years 11-20 (£000) | Years 21-30 (£000) | Total Spend (£000) |
|---|---|---|---|---|
| Adaptations / Lifts | 1,500 | 1,500 | 1,500 | 4,500 |
| Communal Works | 1,000 | 1,000 | 1,000 | 3,000 |
| Decoration following IPM | 290 | 563 | 540 | 1,393 |
| External works (footpaths, fencing, etc.) | 3,000 | 3,000 | 3,000 | 9,000 |
| Garage Improvements | 500 | 500 | 500 | 1,500 |
| Heating Replacements | 12,977 | 15,982 | 15,304 | 44,263 |
| Internal Planned Maintenance | 25,804 | 30,975 | 29,780 | 86,559 |
| Repairs before painting | 1,000 | 1,000 | 1,000 | 3,000 |
| Roof work | 7,000 | 7,000 | 7,000 | 21,000 |
| Structural Repairs | 3,200 | 3,000 | 3,000 | 9,200 |
| Warden Link & Sheltered Housing | 500 | 500 | 500 | 1,500 |
| Energy Efficiency | 8,500 | 8,500 | 8,500 | 25,500 |
| Professional Fees | 2,670 | 2,670 | 2,670 | 8,010 |
| Smoke / Fire Alarms | 250 | 250 | 250 | 750 |
| Pavement Crossing | 320 | 320 | 320 | 960 |
| New build and regeneration capital investment | 60,240 | 0 | 0 | 60,240 |
| **Total expenditure** | **128,751** | **76,760** | **74,864** | **280,375** |

## HRA Business Plan – Draft 5 Year Investment Plan

**Appendix 3**

| | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **2022/23** |
|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's |
| **Scheme / Project** | | | | | |
| Adaptations / Lifts | 150 | 150 | 150 | 150 | 150 |
| Heating replacement programme | 950 | 950 | 950 | 950 | 950 |
| Structural works | 500 | 300 | 300 | 300 | 300 |
| Lifeline Services* | 50 | 50 | 50 | 50 | 50 |
| Repairs before painting | 100 | 100 | 100 | 100 | 100 |
| Roofing | 700 | 700 | 700 | 700 | 700 |
| Garages | 50 | 50 | 50 | 50 | 50 |
| External Works (footpaths, fencing, fabric etc.) | 300 | 300 | 300 | 300 | 300 |
| Smoke detection | 25 | 25 | 25 | 25 | 25 |
| Pavement Crossing | 32 | 32 | 32 | 32 | 32 |
| Replacement Door Programme | 350 | 350 | 350 | 350 | 350 |
| Window Replacement | 500 | 500 | 500 | 500 | 500 |
| IPM works | 1,980 | 1,980 | 1,980 | 1,980 | 1,980 |
| Communal Works | 100 | 100 | 100 | 100 | 100 |
| New build (net of HE grant)/regeneration | 16,480 | 3,780 | 15,680 | 13,900 | 10,400 |
| Fees | 267 | 267 | 267 | 267 | 267 |
| | | | | | |
| | | | | | |
| **Total spend** | **22,534** | **9,634** | **21,534** | **19,754** | **16,254** |
| | | | | | |
| Resourced by: | | | | | |
| Capital Receipts | 200 | 222 | 234 | 0 | 0 |
| RCCO | 5,854 | 5,632 | 5,620 | 5,854 | 5,854 |
| Additional Borrowing | 11,700 | 0 | 8,400 | 8,400 | 8,400 |
| Investment Fund | 4,780 | 3,780 | 7,280 | 5,500 | 2,000 |

**Examples of Weekly Rent Changes for 2019/20** **Appendix 4**

| Area | Property Type | Approved Rent 2018/19 | Proposed Rent 2019/20 | Increase between 18/19 & 19/20 | Increase between 18/19 & 19/20 |
|---|---|---|---|---|---|
| | | | | £ | % |
| Middleton St George | | | | | |
| | 1 Bedroom Bungalow | 69.13 | 68.44 | (0.69) | -1.00% |
| | 2 Bedroom House | 75.42 | 74.67 | (0.75) | -1.00% |
| | 3 Bedroom House | 86.03 | 85.17 | (0.86) | -1.00% |
| Cockerton | | | | | |
| | 1 Bedroom Flat | 62.28 | 61.66 | (0.62) | -1.00% |
| | 2 Bedroom House | 72.94 | 72.21 | (0.73) | -1.00% |
| | 3 Bedroom House | 78.58 | 77.79 | (0.79) | -1.00% |
| Haughton | | | | | |
| | 1 Bedroom Flat | 62.81 | 62.18 | (0.63) | -1.00% |
| | 2 Bedroom Flat | 71.14 | 70.43 | (0.71) | -1.00% |
| | 1 Bedroom Bungalow | 69.17 | 68.48 | (0.69) | -1.00% |
| | 2 Bedroom House | 74.85 | 74.10 | (0.75) | -1.00% |
| | 3 Bedroom House | 83.68 | 82.84 | (0.84) | -1.00% |
| Branksome | | | | | |
| | 1 Bedroom Flat | 62.38 | 61.76 | (0.62) | -1.00% |
| | 1 Bedroom Bungalow | 69.00 | 68.31 | (0.69) | -1.00% |
| | 2 Bedroom House | 71.55 | 70.83 | (0.72) | -1.00% |
| | 3 Bedroom House | 81.34 | 80.53 | (0.81) | -1.00% |
| Lascelles | | | | | |
| | 1 Bedroom Flat | 61.65 | 61.04 | (0.61) | -1.00% |
| | 2 Bedroom Flat | 68.76 | 68.07 | (0.69) | -1.00% |
| | 2 Bedroom House | 70.60 | 69.89 | (0.71) | -1.00% |
| | 3 Bedroom House | 78.12 | 77.34 | (0.78) | -1.00% |
| Bank Top | | | | | |
| | 1 Bedroom Flat | 62.78 | 62.15 | (0.63) | -1.00% |
| | 3 Bedroom House | 80.44 | 79.64 | (0.80) | -1.00% |
| Redhall | | | | | |
| | 1 Bedroom Flat | 60.22 | 59.62 | (0.60) | -1.00% |
| | 2 Bedroom Flat | 66.23 | 65.57 | (0.66) | -1.00% |
| | 1 Bedroom Bungalow | 63.86 | 63.22 | (0.64) | -1.00% |
| | 2 Bedroom House | 67.70 | 67.02 | (0.67) | -1.00% |
| | 3 Bedroom House | 74.13 | 73.39 | (0.74) | -1.00% |
| Eastbourne | | | | | |
| | 1 Bedroom Flat | 59.16 | 58.57 | (0.59) | -1.00% |
| | 2 Bedroom Flat | 65.89 | 65.23 | (0.66) | -1.00% |
| | 2 Bedroom House | 68.62 | 67.93 | (0.69) | -1.00% |
| | 3 Bedroom House | 74.27 | 73.53 | (0.74) | -1.00% |
| Skerne Park | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | 2 Bed House | 69.39 | 68.70 | (0.69) | -1.00% |
| | 3 Bed House | 74.98 | 74.23 | (0.75) | -1.00% |
| Parkside | | | | | |
| | 1 Bedroom Flat | 62.86 | 62.23 | (0.63) | -1.00% |
| | 2 Bedroom House | 72.08 | 71.36 | (0.72) | -1.00% |
| | 3 Bedroom House | 82.12 | 81.30 | (0.82) | -1.00% |

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**CABINET**
**12 FEBRUARY 2019**

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**MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2018/19**

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**Responsible Cabinet Member – Councillor Stephen Harker**
**Leader of the Council and Efficiency and Resources Portfolio**

**Responsible Director - Paul Wildsmith, Managing Director**

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## SUMMARY REPORT

### Purpose of the Report

1. This report seeks approval of the revised Treasury Management Strategy, Prudential Indicators and provides a half–yearly review of the Council's borrowing and investment activities. Cabinet are requested to forward the revised Strategy and indicators to Council for their approval and note changes to the MTFP with regard to the Treasury Management Budget (Financing Costs).

### Summary

2. This report and the prudential indicators contained in it were examined by the Audit Committee on 30 January 2019 and it was agreed at the meeting that the report be referred to Council via Cabinet to enable the updated indicators, revised Operational Boundary and Authorised Limit for borrowing be approved and that the Audit Committee is satisfied with the Council's borrowing and investment activities, the reported indicators and the revised borrowing limits.

3. The mandatory Prudential Code, which governs Council's borrowing, requires Council approval of controls, called Prudential Indicators, relating to capital spending and borrowing. Prudential Indicators are set in three statutory annual reports, a forward looking annual treasury management strategy, a backward looking annual treasury management report and this mid-year update. The mid-year update follows Council's approval in February 2018 of the 2018/19 Prudential Indicators and Treasury Management Strategy.

4. The key objectives of the three annual reports are:

   (a) to ensure the governance of the large amounts of public money under the Council's Treasury Management activities:

      (i) Complies with legislation
      (ii) Meets high standards set out in codes of practice

   (b) To ensure that borrowing is affordable,
   (c) To report performance of the key activities of borrowing and investments.

5. The key proposed revision to Prudential Indicators relates to the Operational Boundary which will reduce to £300.653m and the Authorised Limit to £315.686m to allow for any additional cash flow requirement.

6. Investments now include £30m in property funds which are expected to increase our net return on investments by around £0.600m in future years.

**Recommendation**

7. It is recommended that :

   (a) The revised prudential indicators and limits within the report in Tables 1 to 6, 8 and 15 to 18 are examined.

   (b) The reduction in the Treasury Management Budget (Financing Costs) of £0.590m shown in Table 12 is noted.

   (c) That this report is forwarded to Council with comments from this committee, in order for the updated prudential indicators to be approved.

**Reasons**

8. The recommendations are supported by the following reasons :-

   (a) In order to comply with the Prudential Code for Capital Finance in Local Authorities;
   (b) To inform Members of the performance of the Treasury Management function;
   (c) To comply with the Local Government Act 2003;
   (d) To enable further improvements to be made in the Council's Treasury Management function.

**Paul Wildsmith**
**Managing Director**

**Background Papers**

(i) Capital Medium Term Financial Plan 2018/19
(ii) Accounting records
(iii) The Prudential Code for Capital Finance in Local Authorities

Peter Carrick: Extension 5401

| | |
|---|---|
| S17 Crime and Disorder | This report has no implications for S17 Crime and Disorder. |
| Health and Well Being | This report has no implications for the Council's Health and Well Being agenda. |
| Carbon Impact | There are no carbon impact implications in this report. |
| Diversity | There are no specific implications for the Council's diversity agenda. |
| Wards Affected | All Wards. |
| Groups Affected | All Groups. |
| Budget and Policy Framework | This is not an Executive decision |
| Key Decision | This is not an Executive decision. |
| Urgent Decision | For the purposes of call in this report is not an urgent decision. |
| One Darlington: Perfectly Placed | This report has no particular implications for the sustainable Community Strategy. |
| Efficiency | The report refers to actions taken to reduce costs and manage risks. |
| Impact on Looked After Children and Care Leavers | This report does not impact on Looked After Children or Care Leavers |

## MAIN REPORT

### Information and Analysis

9. This mid-year review report meets the regulatory framework requirement of treasury management. It also incorporates the needs of the Prudential Code to ensure monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Strategy and the PIs were previously reported to Council on 22 February 2018.

10. This report concentrates on the revised positions for 2018/19. Future year's indicators will be revised when the impact of the MTFP 2019/20 onwards is known.

11. A summary of the revised headline indicators for 2018/19 is presented in **Table 1** below**.** More detailed explanations of each indicator and any proposed changes are contained in the report. The revised indicators reflect the movement in the Capital MTFP since its approval in February 2018 and the means by which it is financed.

**Table 1 Headline Indicators**

| | 2018/19 Original Estimate | 2018/19 Revised Estimate |
|---|---|---|
| | £m | £m |
| Capital Expenditure (Tables 2 and 3) | 38.972 | 35.877 |
| Capital Financing Requirement (Table 4) | 302.889 | 319.487 |
| Operational Boundary for External Debt (Table 4) | 301.653 | 300.653 |
| Authorised Limit for External Debt (Table 6) | 316.736 | 315.686 |
| Ratio of Financing Costs to net revenue stream- General Fund (Table 15) | 3.46% | 3.03% |
| Ratio of Financing Costs to net revenue stream- Housing Revenue Account (HRA)( Table 15) | 15.03% | 15.04% |

12. The capital expenditure plans and prudential indicators for capital expenditure are set out initially, as these provide the framework for the subsequent treasury management activity. The actual treasury management activity follows the capital framework and the position against the treasury management indicators is shown at the end.

13. The purpose of the report supports the objective in the revised CIPFA Code of Practice on Treasury Management and the Ministry of Housing, Communities and Local Government Investment Guidance which state that Members receive and adequately scrutinise the treasury service.

14. The underlying economic environment remains difficult for Councils and concerns over counterparty risk are still around. This background encourages the Council to continue investing over the shorter term and with high quality counterparties, the downside is that investment returns remain low.

**Key Prudential Indicators**

15. This part of the report is structured to update:

    (a) The Council's capital expenditure plans
    (b) How these plans are financed
    (c) The impact of the changes in the capital expenditure plans on the PI's and the underlying need to borrow
    (d) Compliance and limits in place for borrowing activity
    (e) Changes to the Annual Investment Strategy
    (f) The revised financing costs budget for 2018/19

**Capital Expenditure PI**

16. **Table 2** shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the budget.

**Table 2**

| Capital Expenditure by Service | 2018/19 Original Estimate | 2018/19 Revised Estimate |
|---|---|---|
| | £m | £m |
| General Fund | 16.746 | 18.507 |
| HRA | 17.181 | 12.370 |
| **Total Estimated Capital Expenditure** | **33.927** | **30.877** |
| Loans to Joint Ventures | 5.000 | 5.000 |
| **Total** | **38.927** | **35.877** |

17. The changes to the 2018/19 capital expenditure estimates have been notified to Cabinet as part of the Capital Budget monitoring process (Quarterly Project Position Statement Report).

18. The current capital programme now stands at £49.877m but this includes a number of schemes that will be spent over a number of years not just in 2018/19. A reduction of £14.000m has been allowed for schemes which are known will be finalised in future years, but it is likely that other schemes may also slip into future years.

**Impact of Capital Expenditure Plans**

**Changes to the financing of the Capital Programme**

19. **Table 3** draws together the main strategy elements of the capital expenditure plans shown above, highlighting the original elements of the capital programme and the expected financing arrangements of this capital expenditure. The borrowing element (Borrowing Need) increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR). Borrowing need has increased for 2018/19 due to scheme slippage in previous years now requiring funding. This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

**Table 3**

| **Capital Expenditure** | 2018/19 Original Estimate | 2018/19 Revised Estimate |
|---|---|---|
| | £m | £m |
| General Fund | 16.746 | 18.507 |
| HRA | 17.181 | 12.370 |
| Loans to Joint Ventures | 5.000 | 5.000 |
| Total Capital expenditure | 38.927 | 35.877 |
| | | |
| **Financed By**: | | |
| Capital Receipts - Housing | 0.198 | 0.198 |
| Capital Receipts –General Fund | 3.511 | 5.678 |
| Capital grants | 12.735 | 7.863 |
| Revenue Contributions - GF | 0.000 | 1.600 |
| Revenue Contributions - Housing | 16.983 | 12.172 |

| | | |
|---|---|---|
| Total Financing | 33.427 | 27.511 |
| **Borrowing Need** | **5.500** | **8.366** |

**The Capital Financing Requirement (PI), External Debt (PI) and the Operational Boundary**

20. **Table 4** shows the Capital Financing Requirement (CFR), which is the underlying external need to borrow for capital purposes. It shows the expected actual debt position over the period. This is called the Operational Boundary. The increase in Borrowing Need (Table 3) is around £2.9m and currently actual borrowing for the Council is £188.261m, it is proposed to set an actual borrowing figure of £288.000m this will accommodate the additional borrowing need and any debt requirements for cash flow purposes. Other Long term liabilities (the PFI scheme) will be added to give the revised operational boundary for 2018/19.

**Prudential Indicator- External Debt/ Operational Boundary**

**Table 4**

| | 2018/19 Original Estimate | 2018/19 Revised Estimate |
|---|---|---|
| | £m | £m |
| **Prudential Indicator- Capital Financing Requirement** | | |
| Opening CFR- Post Audit of Accounts | 299.190 | 316.288 |
| Closing CFR | 302.889 | 319.487 |
| CFR General Fund | 115.640 | 132.238 |
| CFR General Fund PFI/Leasing IFRS | 12.653 | 12.653 |
| CFR – Housing | 69.596 | 69.596 |
| CFR – Loans to RSL’s | 100.000 | 100.00 |
| CFR – Loans to Joint Ventures | 5.000 | 5.000 |
| Total Closing CFR | **302.889** | **319.487** |
| Net Movement in CFR | 3.699 | 3.199 |
| | | |
| Borrowing | 289.000 | 288.000 |
| Other long Term Liabilities | 12.653 | 12.653 |
| **Total Debt 31 March- Operational Boundary** | **301.653** | **300.653** |

**Limits to Borrowing Activity**

21. The first key control over the treasury activity is a PI to ensure that over the medium term gross borrowing should not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the next two financial years. As shown in table 5 below.

**Table 5**

| | 2018/19 Original Estimate £m | 2018/19 Revised Estimate £m | 2019/20 Revised Estimate £m | 2020/21 Original Estimate £m |
|---|---|---|---|---|
| Gross borrowing | 189.000 | 188.000 | 199.000 | 199.000 |
| Loan Facility to RSL's | 100.000 | 100.000 | 100.000 | 100.000 |
| Plus Other Long Term Liabilities | 12.653 | 12.653 | 11.498 | 10.358 |
| Total Gross Borrowing | 301.653 | 300.653 | 310.498 | 309.358 |
| CFR* (year-end position) | 302.889 | 319.487 | 326.703 | 324.934 |

* includes on balance sheet PFI schemes and finance leases and Loan Facility to RSLs

22. The Assistant Director Resources reports that no difficulties are envisaged for the current and future years in complying with this PI.

23. A further PI controls the overall level of borrowing, this is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which while not desirable, could be afforded in the short term, but is not sustainable in the longer term. The Authorised Limit is currently set 5% above the Operational Boundary to allow for any additional cashflow needs, the revised figure for 2018/19 has been raised by 5% of the new Operational Boundary total. Whilst it is not expected that borrowing would be at these levels this would allow additional borrowing to take place should market conditions change suddenly and swift action was required. This is a Statutory limit determined under section 3 (1) of the Local Government Act 2003.

24. It is proposed to move the Authorised Limit in Table 6 in line with the movement in the overall Capital Financing Requirement.

**Table 6**

| **Authorised Limit for External Debt** | 2018/19 Original Indicator £m | 2018/19 Revised Indicator £m |
|---|---|---|
| Operational Boundary | 301.653 | 300.653 |
| Additional headroom to Capital Financing Requirement | 15.083 | 15.033 |
| Total Authorised Limit for External Debt | 316.736 | 315.686 |

**Interest Rate Forecasts Provided by Link Asset Services**

**Table 7**

| | Bank Rate | PWLB rates for borrowing purposes* | | | |
|---|---|---|---|---|---|
| | | 5 year | 10 year | 25 year | 50 year |
| | % | % | % | % | % |
| **2018/19** | | | | | |
| Dec 2018 | 0.75 | 1.80 | 2.30 | 2.70 | 2.50 |
| March 2019 | 0.75 | 1.90 | 2.30 | 2.70 | 2.50 |
| **2019/20** | | | | | |
| June 2019 | 1.00 | 2.00 | 2.40 | 2.80 | 2.60 |
| Sept 2019 | 1.00 | 2.00 | 2.40 | 2.90 | 2.70 |
| Dec 2019 | 1.00 | 2.10 | 2.50 | 2.90 | 2.70 |
| March 2020 | 1.25 | 2.10 | 2.60 | 3.00 | 2.80 |
| **2020/21** | | | | | |
| June 2020 | 1.25 | 2.20 | 2.70 | 3.10 | 2.90 |
| Sept 2020 | 1.25 | 2.30 | 2.70 | 3.10 | 2.90 |
| Dec 2020 | 1.50 | 2.30 | 2.80 | 3.20 | 3.00 |
| March 2021 | 1.50 | 2.40 | 2.80 | 3.20 | 3.00 |

*****PWLB rates above are for certainty rates (which are provided for those authorities that have disclosed their borrowing/capital plans to the government. Darlington Borough Council will be able to access these certainty rates which are 0.2% below PWLB's normal borrowing rates.

25. The flow of generally positive economic statistics after the end of the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. We do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. We also feel that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

26. The overall balance of risks to economic growth in the UK is probably neutral.

27. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

28. The downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

    (a) Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

(b) A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. This is likely to lead to friction with the EU when setting the target for the fiscal deficit in the national budget. Unsurprisingly, investors have taken a dim view of this and so Italian bond yields have been rising.

(c) Austria, the Czech Republic and Hungary now form a strongly anti-immigration bloc within the EU while Italy, this year, has also elected a strongly anti-immigration government. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position as a result of the rise of the anti-immigration AfD party. To compound this, the result of the Swedish general election in September 2018 has left an anti-immigration party potentially holding the balance of power in forming a coalition government. The challenges from these political developments could put considerable pressure on the cohesion of the EU and could spill over into impacting the euro, EU financial policy and financial markets.

(d) The imposition of trade tariffs by President Trump could negatively impact world growth. President Trump's specific actions against Turkey pose a particular risk to its economy which could, in turn, negatively impact Spanish and French banks which have significant exposures to loans to Turkey.

(e) Weak capitalisation of some European banks.

(f) Rising interest rates in the US could negatively impact emerging countries which have borrowed heavily in dollar denominated debt, so causing an investor flight to safe havens e.g. UK gilts.

(g) Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

29. The upside risks to current forecasts for UK gilts and PWLB rates are:

(a) President Trump's fiscal plans to stimulate economic expansion causing a significant increase in inflation in the US and causing further sell offs of government bonds in major western countries.

(b) The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

(c) The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

(d) UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

**Treasury Management Strategy 2018/19 and Annual Investment Strategy Update**

30. In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities will be required to prepare a Capital Strategy which is intended to provide the following: -

(a) a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services

(b) an overview of how the associated risk is managed

(c) the implications for future financial sustainability

31. A report setting out our Capital Strategy will be taken to Council via Cabinet before 31st March 2019.

**Debt Activity during 2018/19**

32. The expected net borrowing need is set out in table 8

**Table 8**

| | **2018/19 Original Estimate £M** | **2018/19 Revised Estimate £M** |
|---|---|---|
| CFR (year-end position) from Table 4 | 302.889 | 319.487 |
| Less other long term liabilities PFI and finance leases | 12.653 | 12.653 |
| Net adjusted CFR (net year end position) | 290.236 | 306.834 |
| Expected Borrowing | 289.000 | 288.000 |
| (Under)/ Over borrowing | (1.236) | (18.834) |
| Expected Net movement in CFR | 3.699 | 6.565 |
| **Expected Net Movement in CFR represented by** | | |
| Net financing need for the year from table 3 | 5.500 | 8.366 |
| Less MRP General Fund | | |
| Less MRP Housing | 0.629 | 0.629 |
| Less MRP relating to finance leases including PFI | 1.172 | 1.172 |
| **Movement in CFR (Net Borrowing Need)** | 3.699 | 6.565 |

33. The following new borrowing has been taken to date.

**Table 9**

| **Date Taken** | **Term** | **Amount £m** | **Interest Rate** | **Purpose** | **Lender** |
|---|---|---|---|---|---|
| 25th July 2018 | 2 Year | £5.000 | 0.80% | Property Funds | Other Local Authority |
| 8th August 2018 | 9 months | £5.000 | 0.70% | General | Other Local Authority |
| 31st August 2018 | 1 Year | £3.500 | 1.00% | Property Funds | Other Local Authority |
| 31st August 2018 | 5 Year | £5.000 | 1.82% | Joint Ventures | PWLB |
| 18th October 2018 | 1 Year | £5.000 | 1.05% | General | Other Local Authority |
| 20th December 2018 | 1 year | £4.000 | 1.00% | Rescheduling | Other Local Authority |
| 20th December 2018 | 2 years | £5.000 | 1.45% | Rescheduling | Other Local Authority |
| 20th December 2018 | 1 year | £5.000 | 1.10% | Rescheduling | Other Local Authority |
| 21st December 2018 | 42 Years | £5.000 | 2.47% | Rescheduling | PWLB |
| 21st December 2018 | 43 years | £5.000 | 2.46% | Rescheduling | PWLB |
| 21st December 2018 | 44 years | £5.000 | 2.46% | Rescheduling | PWLB |
| 21st December | 45 years | £6.000 | 2.46% | Rescheduling | PWLB |
| 21st December 2018 | 46 years | £6.250 | 2.45% | Rescheduling | PWLB |
| Total | | 64.750 | | | |

34. The amount borrowed by the Council now stands at £188.261M, this excludes any loans to RSL's or additional cashflow loans which may be required.

35. There will still be an element of under-borrowing by the Council at the end of March 2019.

## Debt Rescheduling

36. Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010.

37. During the current financial year, however, the following debt rescheduling opportunity arose and was undertaken.

38. As Members are aware the Council has held a number of Lender Option Borrower Option (LOBO's) since 2006, 2 of which were classified as 'Inverse LOBO's' whereby the interest rate paid was linked to the prevailing '10 year swap rate' which meant that the higher the interest rate (linked to base rate) the less the Council paid in interest payments and vice versa.

39. An opportunity to redeem the 2 inverse LOBO's arose in December 2018 whereby even with the associated cost of the premium for early settlement the savings to the Council in cash terms are £26.740m over the remaining 42 years of the loans and £12.658m at NPV discounted rates.

## Annual Investment Strategy 2018/19

## Investment Portfolio

40. In accordance with the Code, it is the Council's priority to ensure security of Capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. It is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous years as rates are very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis together with other risks which could impact on the creditworthiness of banks prompts a low risk strategy. Given this risk environment investment returns are likely to remain low.

## Treasury Management Activity from 1st April 2018 to 30th November 2018

41. Current investment position – The Council held £49.824m of investments at 30/11/2018 and this is made up of the following types of investment.

**Table 10**

| Sector | Country | Up to 1 year |
|---|---|---|
| | | £m |
| Banks | UK | 2.000 |
| Building Societies | UK | 0.000 |
| AAA Money Market Funds | Sterling Funds | 17.890 |
| Property Funds - CCLA | UK | 10.000 |
| Hermes | UK | 9.934 |
| Lothbury | UK | 10.000 |
| **Total** | | **49.824** |

### Short Term Cashflow Investments

42. Cash balances are invested on a daily basis to maximise the benefit of temporary surplus funds. These include investments in Money Market Funds, the Government's Debt Management Office and bank short term notice accounts. A total of 31 investments were made in the period 1st April 2018 to 30th September 2018 totalling c£60m these were for short periods of up to 100 days and earned interest of £30,657 on an average balance of £13.841m which equated to an annual average interest rate of 0.46%

### Longer Term Capital Investments Excluding Property Funds

43. The Council's reserves and capital receipts are invested for varying periods up to the maximum permitted time period which is currently 2 years for part Nationalised banks and 12 months for other counterparties. The investments have been at an average level of £2.681m to date. Some individual loans have matured and been renewed during this period. The longer term investments have earned interest of £37,943 for the first six months of 2018/19 at an average rate of 0.74%.

### Investment returns measured against the Service Performance Indicators

44. The target for our investment returns is to better or at least match a number of external comparators, this performance indicator is also known as yield benchmarking. As can be seen from Table 11, the short and long term investment achievements are above market expectations.

**Table 11**

| | Cashflow Investments % |
|---|---|
| **Darlington Borough Council - Actual** | **0.75** |
| **External Comparators** | |
| London Interbank Bid Rate 7 day | 0.43 |
| London Interbank Bid Rate 3 months | 0.61 |
| London Interbank Bid Rate one year | 0.87 |

### Treasury Management Budget

45. There are three main elements within the Treasury Management Budget:-

(a) Longer term capital investments interest earned – a cash amount of which earns interest and represents the Councils revenue balances, unused capital receipts, reserves and provisions, this will now include Property Funds.

(b) Cash flow interest earned – since becoming a unitary council in 1997, the authority has consistently had a positive cash flow. Unlike long term capital investments it does not represent any particular sum but it is the consequence of many different influences such as receipt of grants, the relationship between debtors and creditors, cashing of cheques and payments to suppliers.

(c) Debt serving costs – this is the principal and interest costs on the Council's long term debt to finance the capital programme.

**Table 12 - Changes to the Financing Costs Budget 2018/19**

| | £m | £m |
|---|---|---|
| **Original Financing Costs Budget 2018/19** | | **0.915** |
| Less reduced Repayment of Principal | (0.064) | |
| Less reduced Interest payments paid on debt | (0.337) | |
| Add reduced interest earned on Investments | 0.045 | |
| Less increased returns on Property Funds and Commercial Ventures | (0.123) | |
| Less saving on rescheduling LOBO's | (0.111) | |
| **Revised Treasury Management Budget 2018/19** | | **0.325** |

46. The majority of the savings in Financing Costs relate to the reduced interest payments on debt than originally budgeted for. A further £0.123m of income will be received as interest from loans from commercial ventures. Additionally savings of £0.064m have been due to debt principal (MRP) and interest payments on debt being lower than expected. There is also a current year saving of £0.111m on the rescheduling of the previously mentioned LOBO's.

47. This statement concludes that the Treasury Management budget is forecast to achieve an improvement of £0.590m in 2018/19, these savings in finance costs will be returned to Council balances.

**Risk Benchmarking**

48. A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance and these are shown in Table 10. Discrete security and liquidity benchmarks are also requirements of member reporting.

49. The following reports the current position against the benchmarks originally approved.

50. **Security** – The Council's maximum security risk benchmarks for the current portfolio of investments, when compared to historic default tables were set as follows;

    **0.077% historic risk of default when compared to the whole portfolio**

**Table 13**

| Maximum | Benchmark 2018/19 | Actual July | Actual November |
|---|---|---|---|
| Year 1 | 0.077% | 0.008% | 0.004% |

N.B. this excludes Property Funds

51. The counterparties that we use are all high rated therefore our actual risk of default based on ratings attached to counterparties is very low.

52. **Liquidity** – In respect of this area the Council set liquidity facilities/ benchmark to maintain

(a) Bank overdraft - £0.100M
(b) Liquid short term deposits of a least £3.000M available within a weeks notice
(c) Weighted Average Life benchmark is expected to be 0.4 years with a maximum of 1 year

53. The Assistant Director Resources can report that liquidity arrangements have been adequate for the year to date as shown in Table 13

**Table 14**

| | **Benchmark 2018/19** | **Actual June** | **Actual October** |
|---|---|---|---|
| **Weighted Average Life** | 0.4 – 1 year | 0.18 years | 0.16 years |

54. The figures are for the whole portfolio so include both longer term fixed investments currently up to 2 years as well as cash flow investments deposited with Money Market funds on a call basis (i.e. can be drawn on without notice).

**Treasury Management Indicators**

55. **Actual and estimates of the ratio of financing costs to net revenue stream –** This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream. The reduction in % relates to reduced financing costs for General Fund of £0.443M.

**Table 15**

| | **2018/19 Original Indicator** | **2018/19 Revised Indicator** |
|---|---|---|
| **General Fund** | **3.46%** | **3.03%** |
| **HRA** | **15.03%** | **15.04%** |

**Treasury Management Prudential indicators**

56. **Upper Limits on Variable Rate Exposure –** This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.

57. **Upper Limits on Fixed Rate Exposure –** Similar to the previous indicator this cover a maximum limit on fixed interest rates.

58. Historically for a number of years this Council has used these percentages; together they give flexibility to the treasury management strategy allowing the Council to take advantage of both fixed and variable rates in its portfolio whilst ensuring that its exposure to variable rates is limited.

**Table 16**

| | 2018/19 Original Indicator | 2018/19 Revised Indicator |
|---|---|---|
| Limits on fixed interest rates | 100% | 100% |
| Limits on variable interest rates | 40% | 40% |

59. **Maturity Structures of Borrowing -** These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest for the duration of the instrument) falling due for refinancing. The higher limits for longer periods reflect the fact that longer maturity periods give more stability to the debt portfolio.

**Table 17**

**Maturity Structures of Borrowing**

| | 2018/19 Original indicator | 2018/19 Actual to Date | 2018/19 Revised Indicator |
|---|---|---|---|
| Under 12 months | 25% | 5.7% | 30% |
| 12 months to 2 years | 40% | 3.1% | 40% |
| 2 years to 5 years | 60% | 10.9% | 60% |
| 5 years to 10 years | 80% | 5.7% | 80% |
| 10 years and above | 100% | 77.6% | 100% |

60. **Total Principal Funds Invested –** These limits are set having regard to the amount of reserves available for longer term investment and show the limits to be placed on investments with final maturities beyond 1 year. This limit allows the authority to invest for longer periods if they give better rates than shorter periods. It also allows some stability in the interest returned to the Authority.

**Table 18**

**Principal Funds Invested**

| | 2018/19 Original Indicator | 2018/19 Revised Indicator |
|---|---|---|
| Maximum principal sums invested greater than 1 year | £50m | £30m |

**Conclusion**

61. The prudential indicators have been produced to take account of the Council's borrowing position. The key borrowing indicator (the Operational Boundary) is £300.653m to include any possible loans to RSL's. The Councils return on investments has been good, exceeding both of the targets. Based on the first seven months of 2018/19 the Council's borrowing and investments is forecast to achieve an improvement of £0.590m on the approved 2018/19 budget.

62. The Council’s treasury management activities comply with the required legislation and meet the high standards set out in the relevant codes of practice.

**Outcome of Consultation**

63. No consultation was undertaken in the production of this report.

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**CABINET**
**12 FEBRUARY 2019**

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## PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY REPORT 2019/20

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**Responsible Cabinet Member – Councillor Stephen Harker**
**Leader of the Council and Efficiency and Resources Portfolio**

**Responsible Director - Paul Wildsmith, Managing Director**

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### SUMMARY REPORT

**Purpose of the Report**

1. This report requests Cabinet to review the following prior to forwarding to Council for their approval and adoption :-

   (a) The Prudential Indicators and Limits for 2019/20 to 2021/22 relating to capital expenditure and Treasury Management activity.

   (b) A policy statement relating to the Minimum Revenue Provision.

   (c) The Treasury Management Strategy 2019/20, which includes the Annual Investment Strategy for 2019/20

2. The report outlines the Council's prudential indicators for 2019/20 – 2021/22 and sets out the expected treasury operations for this period. It fulfils key legislative and guidance requirements:

   (a) The reporting of the **prudential indicators** setting out the expected capital activities and treasury management prudential indicators included as treasury indicators in the CIPFA Treasury Management Code of Practice

   (b) The Council's **Minimum Revenue Provision (MRP) Policy**, which sets out how the Council will pay for capital assets through revenue each year.

   (c) The **treasury management strategy** statement which sets out how the Council's treasury service will support capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators.

   (d) The key indicator is the **authorised limit**, the maximum amount of debt the Council could afford in the short term, but which is not sustainable in the longer term.

   (e) The **investment strategy** which sets out the Council's criteria for choosing the investment counterparties and limiting exposures to the risk of loss.

3. The information contained in the report regarding the Councils expenditure plans, Treasury Management and Prudential Borrowing activities indicate that they are:-

   (a) Within the statutory framework and consistent with the relevant codes of practice.

   (b) Prudent, affordable and sustainable.

   (c) An integral part of the Council's Revenue and Capital Medium Term Financial Plans.

**Recommendation**

4. It is recommended that Cabinet recommends the following for approval by Council:

   (a) The Prudential Indicators and limits for 2019/20 to 2021/22 summarised in Tables 1 and 2.

   (b) The Minimum Revenue Provision (MRP) statement (paragraphs 37 - 41).

   (c) The Treasury Management Strategy 2019/20 to 2021/22 as summarised in paragraphs 45 to 70.

   (d) The Annual Investment Strategy 2019/20 contained in paragraphs 71 to 112.

**Reasons**

5. The recommendations are supported by the following reasons :-

   (a) In order to comply with the Prudential Code for Capital Finance in Local Authorities and the Department for Communities and Local Government (CLG) guidance on investments.

   (b) To comply with the requirements of the Local Government Act 2003.

   (c) To approve a framework for officers to work within when making investment decisions.

**Paul Wildsmith**
**Managing Director**

**Background Papers**
(i) Annual Statement of Account 2017/18
(ii) Draft Capital MTFP 2019/20 to 2022/23
(iii) Link Asset Services Economic Report Dec 2018

Peter Carrick : Extension 5401

| | |
|---|---|
| S17 Crime and Disorder | This report has no implications for S 17 Crime and Disorder. |
| Health and Well Being | This report has no implications for the Council's Health and Well being agenda. |
| Carbon Impact | This report has no implications for the Council's Carbon Emissions. |
| Diversity | This report has no implications for the Council's Diversity agenda. |
| Wards Affected | All Wards |
| Groups Affected | All Groups |
| Budget and Policy Framework | This report must be considered by Council. |
| Key Decision | This is not an executive decision |
| Urgent Decision | For the purposes of call in this report is not an urgent decision. |
| One Darlington: Perfectly Placed | This report has no particular implications for the sustainable Community Strategy. |
| Efficiency | The report refers to actions taken to reduce costs and manage risks. |
| Impact on Looked After Children and Care Leavers | This report has no impact on Looked After Children or Care Leavers. |

## MAIN REPORT

### Information and Analysis

### Background

6. The Council is required to operate a balanced 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 counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.

7. 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, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

8. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

9. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

10. 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 the pursuit of optimum performance consistent with those risks."*

11. Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately alongside the 2019/20 MTFP.

**Reporting requirements**

**Capital Strategy**

12. The revised 2017 CIPFA Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

    (a) a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services

    (b) an overview of how the associated risk is managed

    (c) the implications for future financial sustainability

13. The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

14. This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

    (a) The corporate governance arrangements for these types of activities;
    (b) Any service objectives relating to the investments;
    (c) The expected income, costs and resulting contribution;
    (d) The debt related to the activity and the associated interest costs;
    (e) The payback period (MRP policy);
    (f) For non-loan type investments, the cost against the current market value;
    (g) The risks associated with each activity

15. Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

16. Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

17. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

18. To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

**Treasury Management Reporting**

19. The Council is required by legislation 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 before being recommended to the Council. This role is undertaken by the Audit Committee.

**Prudential and Treasury Indicators and Treasury Strategy** (this report)

20. The first, and most important report is forward looking and covers:

    (a) The capital plans (including prudential indicators);

    (b) A minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);

    (c) The treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and

    (d) An investment strategy, (the parameters on how investments are to be managed).

**A Mid Year Treasury Management Report**

21. This will update members with the progress on the capital position, amending prudential indicators as necessary, and whether the treasury function is meeting the strategy or whether any policies require revision.

**An Annual Treasury Report**

22. This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

**Treasury Management Strategy for 2019/20**

23. The strategy for 2019/20 covers two main areas:

(a) Capital Issues:

(i) the capital expenditure plans and the prudential indicators;
(ii) the minimum revenue provision (MRP) policy.

(b) Treasury Management Issues:

(i) the current treasury position;
(ii) treasury indicators which will limit the treasury risk and activities of the Council;
(iii) prospects for interest rates;
(iv) the borrowing strategy;
(v) policy on borrowing in advance of need;
(vi) debt rescheduling;
(vii) the investment strategy;
(viii) creditworthiness policy; and
(ix) policy on use of external service providers.

24. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and the MHCLG Investment Guidance.

25. A summary of the key prudential indicators and limits are contained inTables 1 and 2 and further details are contained further on in this report.

**Table 1 – Capital Expenditure and Borrowing**

| | **2018/19 Revised** | **2019/20 Estimated** | **2020/21 Estimated** | **2021/22 Estimated** |
|---|---|---|---|---|
| Capital Expenditure Table 3 and 4 | £35.877m | £34.149m | £15.146m | £13.133m |
| Capital financing requirement Table 5 | £319.487m | £326.703m | £324.934m | £323.179m |
| Ratio of financing costs to net revenue stream – General Fund See paragraph 43/44 Table 6 | 3.03% | 2.74% | 2.98% | 3.03% |
| Ratio of financing costs to net revenue stream – HRA See paragraph 43/44 Table 6 | 15.03% | 17.48% | 16.72% | 18.15% |
| Operational boundary for external debt Table 8 | £300.653m | £310.498m | £309.358m | £308.232m |
| Authorised limit for external debt Table 9 | £315.686m | £326.023m | £324.826m | £323.644m |

**Table 2 – Treasury Management**

| | 2019/20 Upper Limit | 2020/21 Upper Limit | 2021/22 Upper Limit |
|---|---|---|---|
| **Limits on fixed interest rates** | 100% | 100% | 100% |
| **Limits on variable interest rates** | 40% | 40% | 40% |
| **Maximum principal sums invested > 364 days** | £50m | £50m | £50m |
| **Maturity Structure of fixed interest rate borrowing 2019/20** | | | |
| | | **Lower Limit** | **Upper Limit** |
| Under 12 months | | 0% | 40% |
| 12 months to 2 years | | 0% | 50% |
| 2 years to 5 years | | 0% | 60% |
| 5 years to 10 years | | 0% | 80% |
| 10 years and above | | 0% | 100% |

**Training**

26. The CIPFA code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. Training was undertaken by a number of Members during 2 sessions held in March 2018 and further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

**Treasury Management Consultants**

27. The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors. The Council recognises that responsibility for treasury decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors.

28. 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 officers of 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 subject to regular review.

**The Capital Prudential Indicators 2019/20– 2021/22**

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

## Capital Expenditure

30. This Prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

**Table 3 Capital Expenditure**

| | 2018/19 Revised £m | 2019/20 Estimate £m | 2020/21 Estimate £m | 2021/22 Estimate £m |
|---|---|---|---|---|
| General Fund | 18.507 | 7.615 | 5.512 | 3.999 |
| HRA | 12.370 | 22.534 | 9.634 | 9.134 |
| **Estimated Capital Expenditure** | **30.877** | **30.149** | **15.146** | **13.133** |
| Loans Facility to Registered Social Landlords (RSL's) | 0.000 | 0.000 | 0.000 | 0.000 |
| Loans to Joint Ventures | 5.000 | 4.000 | 0.000 | 0.000 |
| **Total** | **35.877** | **34.149** | **15.146** | **13.133** |

31. The financing need above excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

32. The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a financing need (borrowing).

**Table 4 Financing of the Capital Programme**

| | 2018/19 Revised £m | 2019/20 Estimate £m | 2020/21 Estimate £m | 2021/22 Estimate £m |
|---|---|---|---|---|
| General Fund | 18.507 | 7.615 | 5.512 | 3.999 |
| HRA | 12.370 | 22.534 | 9.634 | 9.134 |
| Loans to RSL's | 0.000 | 0.000 | 0.000 | 0.000 |
| Loans to Joint Ventures | 5.000 | 4.000 | 0.000 | 0.000 |
| **Total Capital** | **35.877** | **34.149** | **15.146** | **13.133** |
| **Financed by:** | | | | |
| Capital receipts-General Fund | 5.678 | 1.686 | 1.863 | 0.350 |
| Capital receipts Housing | 0.198 | 0.200 | 0.222 | 0.234 |
| Capital grants | 7.863 | 5.929 | 3.649 | 3.649 |
| Revenue Contributions - GF | 1.600 | 0.000 | 0.000 | 0.000 |
| Revenue Contributions (Housing) | 12.172 | 10.634 | 9.412 | 8.900 |
| **Total excluding borrowing** | **27.511** | **18.449** | **15.146** | **13.133** |
| **Borrowing need** | **8.366** | **15.700** | **0.000** | **0.000** |

**The Council's Borrowing Need (the Capital Financing Requirement)**

33. 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 indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

34. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset life, and so changes the economic consumption of capital assets as they are used.

35. The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the PFI or lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £12.653m of such schemes within the CFR.

36. The Council is asked to approve the CFR projections below:

**Table 5 – CFR Projections**

| | 2018/19 Revised £m | 2019/20 Estimate £m | 2020/21 Estimate £m | 2021/22 Estimate £m |
|---|---|---|---|---|
| CFR – General Fund | 132.238 | 137.238 | 137.238 | 137.238 |
| CFR – PFI and Finance leases | 12.653 | 11.498 | 10.358 | 9.232 |
| CFR - housing | 69.596 | 68.967 | 68.338 | 67.709 |
| CFR Loans to RSL's | 100.000 | 100.000 | 100.000 | 100.000 |
| CFR Loans to Joint Ventures | 5.000 | 9.000 | 9.000 | 9.000 |
| **Total CFR** | **319.487** | **326.703** | **324.934** | **323.179** |
| **Movement in CFR** | **20.297** | **7.216** | **(1.769)** | **(1.755)** |

**MRP Policy Statement**

37. The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP). It is also allowed to undertake additional voluntary payments if desired (voluntary revenue provision - VRP).

38. MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

39. It is proposed that Darlington Borough Council's MRP policy statement for 2019/20 will be:

(a) For Capital expenditure incurred before 1 April 2008 and expenditure which was granted through credit approvals since that date MRP will be calculated on an annuity basis (2%) over 50 years or the useful life of the asset.

(b) Capital Expenditure from 1 April 2008 for all unsupported borrowing MRP will be based on the estimated life of the assets, repayments will be on an annuity basis (2%)

(c) Repayments relating to the PFI scheme will be based on the life of the asset of 60 years from 1st April 2008 on an annuity basis (2%).

(d) Where MRP has been overcharged in previous years, the recovery of the overcharge will be affected by reducing the MRP charges, due in full or in part for 2019/20 and in future years, which would otherwise have been made. The MRP adjustment for 2019/20 and in future years charge will be done in such a way as to ensure that:-

(i) the total MRP after applying the adjustment will not be less than zero in any financial year,

(ii) the cumulative amount adjusted for will never exceed the amount over-charged,

(iii) the extent of the adjustment will be reviewed on an annual basis.

40. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

41. Repayments included in annual PFI or finance leases are applied as MRP.

**Affordability Prudential Indicators**

42. The previous sections cover the overall capital and control of borrowing prudential indicators, but 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.

**Estimates of the ratio of financing costs to net revenue stream.**

43. 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.

**Table 6 - Ratio of financing costs to net revenue stream**

| | 2018/19 Revised £m | 2019/20 Estimate £m | 2020/21 Estimate £m | 2021/22 Estimate £m |
|---|---|---|---|---|
| General Fund | 3.03% | 2.74% | 2.98% | 3.03% |
| HRA | 15.03% | 17.48% | 16.72% | 18.15% |

44. The estimates of financing costs include current commitments and the proposals in this year's MTFP report.

**Treasury Management Strategy**

**Borrowing**

45. The capital expenditure plans set out in the previous paragraphs provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

**Under Borrowing position**

46. Over the last ten years the Council had maintained an underborrowed position i.e. the amount of our gross external borrowing has been less than our balance sheet Capital Financing Requirement. This strategy has served the Council well in a period where returns on investment have been low and borrowing costs have been relatively high. This has also meant that we have had less in the form of investments and so reduced counterparty risk. To support the MTFP for 2017/18 and onwards it was agreed that longer term investments would be pursued. These would give a return over and above the cost of any additional borrowing that would be taken. Following due diligence the Council has now invested in 3 Property Funds, £10 million in each fund and these are expected to bring a net return of around 2.5% over the life of the MTFP. Additional borrowing of £25m has been undertaken which has resulted in the underborrowed position being reduced.

**Current Portfolio Position**

47. The Council's expected treasury portfolio position at 31 March 2019, with forward projections are summarised below at Table 7. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

**Table 7 - Gross Borrowing to CFR**

| | 2018/19 Revised £m | 2019/20 Estimate £m | 2020/21 Estimate £m | 2021/22 Estimate £m |
|---|---|---|---|---|
| Debt at 31 March | 183.000 | 188.000 | 188.000 | 188.000 |
| Loans to RSL's | 100.000 | 100.000 | 100.000 | 100.000 |
| Loans to Joint Ventures | 5.000 | 9.000 | 9.000 | 9.000 |
| Other long-term liabilities (OLTL) | 12.653 | 11.498 | 10.358 | 9.232 |
| **Gross Actual debt at 31 March** | **300.653** | **308.498** | **307.358** | **306.232** |
| **The Capital Financing Requirement from Table 5** | **319.487** | **326.703** | **324.934** | **323.179** |
| **Under / (over) borrowing** | **18.834** | **18.205** | **17.576** | **16.947** |

48. 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 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that the borrowing is not undertaken for revenue purposes.

49. The Assistant Director Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This takes into account current commitments, existing plans, and proposals in this budget report.

**Treasury Indicators: Limits to Borrowing Activity**

**The Operational Boundary**

50. This 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 and the ability to fund under-borrowing by other cash resources.

**Table 8 - Operational Boundary**

| | 2018/19 Revised £m | 2019/20 Estimate £m | 2020/21 Estimate £m | 2021/22 Estimate £m |
|---|---|---|---|---|
| Debt from Table 7 | 288.000 | 297.000 | 297.000 | 297.000 |
| Other long term liabilities | 12.653 | 11.498 | 10.358 | 9.232 |
| Prudential Borrowing for leasable assets | 0.000 | 1.000 | 1.000 | 1.000 |
| Prudential Borrowing under Directors Delegated Powers | 0.000 | 1.000 | 1.000 | 1.000 |
| **Operational Boundary** | **300.653** | **310.498** | **309.358** | **308.232** |

**The Authorised Limit for external debt**

51. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal 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:

52. This is the 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 councils' plans, or those of a specific council, although this power has not yet been exercised.

53. The Council is asked to approve the following Authorised Limit:

**Table 9 – Authorised Limit**

| | 2018/19 Revised £m | 2019/20 Estimate £m | 2020/21 Estimate £m | 2021/22 Estimate £m |
|---|---|---|---|---|
| Operational Boundary | 300.653 | 310.498 | 309.358 | 308.232 |
| Additional Headroom 5% | 15.033 | 15.525 | 15.468 | 15.412 |
| **Authorised Limit** | **315.686** | **326.023** | **324.826** | **323.644** |

54. It is proposed that the additional headroom for years 2019/20 to 2021/22 is 5% above the operational boundary this would allow for any additional cashflow needs throughout the years.

55. Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently £74.394m and is included within both the Operational Boundary and the Authorised Limit:

**Table 10 – HRA Debt Limit**

| | 2018/19 Revised £m | 2019/20 Estimate £m | 2020/21 Estimate £m | 2021/22 Estimate £m |
|---|---|---|---|---|
| HRA debt cap * | 74.394 | 74.394 | 74.394 | 74.394 |
| HRA CFR | 69.596 | 68.967 | 68.338 | 67.709 |
| HRA Headroom | 4.798 | 5.427 | 6.056 | 6.685 |

***Note - Abolition of HRA debt cap**. In October 2018, the Prime Minister anounced a policy change of abolition of the HRA debt cap and the applicable date was 29.10.2018.

**Prospects for Interest Rates**

56. The Council has appointed Link 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 Link Asset Services's central view for future interest rates and the economic background to that view is shown at Appendix 1.

**Table 11**

| Annual Average % | Bank Rate % | PWLB Borrowing Rates % (including *certainty rate adjustment) | | | |
|---|---|---|---|---|---|
| | | **5 year** | **10 year** | **25 year** | **50 year** |
| Mar 2019 | 0.75 | 1.90 | 2.30 | 2.70 | 2.50 |
| Jun 2019 | 1.00 | 2.00 | 2.40 | 2.80 | 2.60 |
| Sep 2019 | 1.00 | 2.00 | 2.40 | 2.90 | 2.70 |
| Dec 2019 | 1.00 | 2.10 | 2.50 | 2.90 | 2.70 |
| Mar 2020 | 1.25 | 2.10 | 2.60 | 3.00 | 2.80 |
| Jun 2020 | 1.25 | 2.20 | 2.70 | 3.10 | 2.90 |
| Sep 2020 | 1.25 | 2.30 | 2.70 | 3.10 | 2.90 |
| Dec 2020 | 1.50 | 2.30 | 2.80 | 3.20 | 3.00 |
| Mar 2021 | 1.50 | 2.40 | 2.80 | 3.20 | 3.00 |
| Jun 2021 | 1.75 | 2.40 | 2.90 | 3.30 | 3.10 |
| Sep 2021 | 1.75 | 2.50 | 2.90 | 3.30 | 3.10 |
| Dec 2021 | 1.75 | 2.60 | 3.00 | 3.40 | 3.20 |
| Mar 2022 | 2.00 | 2.60 | 3.00 | 3.40 | 3.20 |

** The certainty rate adjustment is a reduced rate by 0.20% for those councils like Darlington Borough Council who have submitted more detail on future borrowing requirement to the Treasury*

**Investment and borrowing rates**

57. Investment returns are likely to remain low during 2019/20 but on a gently rising trend over the next few years.

58. Borrowing interest rates have been volatile so far in 2018/19 and whilst they were on a rising trend during the first half of the year, they have back tracked since then until early January. 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 the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

59. There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

**Borrowing Strategy**

60. The Council is currently maintaining an under-borrowed position although this has reduced from previous years. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue to be considered.

61. Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Assistant Director Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

(a) If it was felt that there was a significant risk of a sharp FALL in long and short term rates (eg due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

(b) If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world econonmic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

**Treasury Management Limits on Activity**

62. 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 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:

(a) Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments

(b) Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;

(c) 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. The Council is asked to approve the following treasury indicators and limits:

**Table 12 Interest Rate Exposure**

| | **2019/20** | **2020/21** | **2021/22** |
|---|---|---|---|
| | **Upper** | **Upper** | **Upper** |
| **Limits on fixed interest rates based on net debt** | 100% | 100% | 100% |
| **Limits on variable interest rates based on net debt** | 40% | 40% | 40% |
| **Maturity Structure of fixed interest rate borrowing 2019/20** | | | |
| | | **Lower** | **Upper** |
| Under 12 months | | 0% | 40% |
| 12 months to 2 years | | 0% | 50% |
| 2 years to 5 years | | 0% | 60% |

| | | |
|---|---|---|
| 5 years to 10 years | 0% | 80% |
| 10 years and above | 0% | 100% |

**Policy on Borrowing in Advance of Need**

63. The CFR Determines the Council's need to borrow. Any decision to borrow in advance of need will be within forward 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 through its investment strategy.

64. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

**Debt Rescheduling**

65. As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

66. The reasons for any rescheduling to take place will include:

    (a) the generation of cash savings and/or discounted cash flow savings;

    (b) helping to fulfil the treasury strategy;

    (c) enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

67. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

68. All rescheduling will be reported to Committee at the earliest meeting following its action.

69. An opportunity arose in December 2018 to repay 2 of the Council's Lender Option Borrower Options (LOBO's) loans early and even taking account of the associated premium for early settlement the savings to the Council in cash terms are £26.740m over the remaining 42 years and £12.658m at discounted rates.

**Municipal Bond Agency**

70. It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works loans Board (PWLB). This Council may make use of this new source of borrowing as and when appropriate.

**Annual Investment Strategy**

**Investment and Creditworthiness Policy**

71. The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals soley with financial investments, and non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

72. The Council’s investment policy has regard to the following:

    (a) MHCLG’s Guidance on Local Government Investments (“the Guidance”)

    (b) CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the CIPFA TM Code”)

    (c) CIPFA Treasury Management Guidance Notes 2018

73. The Council’s investment priorities will be security first, liquidity second and then yield (return).

74. In accordance with the above guidance from MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

75. Further, the Council’s officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this the Council will engage with its advisors to maintain a monitor on market pricing such as “Credit Default Swaps” and overlay that information on top of the credit ratings. This is encapsulated within the credit methodology provided by the advisors, Link Asset Services.

76. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

77. The intention of the strategy is to provide security of investment and minimisation of risk.

78. Investment instruments identified for use in the financial year are listed in **Appendix 2** under the ‘Specified’ and ‘Non-Specified’ Investments categories. Counterparty limits will be as set through the Council’s Treasury Management Practices – Schedules.

    (a) Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.
    (b) Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which

require greater consideration by Members and officers before being authorised for use.

**Investment Counterparty Selection Criteria**

79. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure that:

(a) It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below; and

(b) It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

80. The Assistant Director Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either Specified or Non-Specified (See appendix 2 for definitions) as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

81. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

82. Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating Outlooks (notification of a longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

83. Any investment in Property Funds/ Corporate Bond Funds/ Asset Backed Investment Products will be subject to due diligence for each and every fund considered. The maximum amount invested in any one fund will be £20million with a maximum of £50million total for all funds.

84. The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:

(a) Banks 1 - good credit quality – the Council will only use banks which:

   (i) are UK banks; and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
   (ii) Fitch Short Term equivalent – F1
   (iii) Fitch Long term equivalent – A-

(b) Banks 2 - Non UK banks based on the following very high quality criteria using a lowest common denominator approach and only where sovereign ratings are AAA.

   (i) Fitch Short Term equivalent – F1+
   (ii) Fitch Long Term equivalent – AA-

(c) Banks 3 – Part nationalised UK banks – Royal Bank of Scotland. This bank can be included if it continues to be part nationalised or it meets the ratings in Banks 1 above.

(d) Banks 4 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

(e) Building societies -The Council will use all societies which meet the ratings for the bank outlined above and have assets in excess of £1,000m.

(f) Money Market Funds (MMFs) CNAV AAA

(g) Money Market Funds (MMF's) LNVAV AAA

(h) Money Market Funds (MMF's) VNAV AAA

(i) Ultra-Short Dated Bond Funds AAA

(j) UK Government (including gilts, Treasury Bills and the Debt Management Office)

(k) Local authorities, parish councils etc

(l) Supranational institutions

(m) Housing associations

(n) Property Funds, Corporate Bond Funds and Asset Backed Investment Products.

85. A limit of £50m will be applied to the use of Non-Specified investments.

**Use of additional information other than credit ratings**

86. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

**Time and monetary limits applying to investments.**

87. The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both Specified and Non-Specified Investments).

88. In order to determine time limits for investments the Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utlilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

    (a) credit watches and credit outlooks from credit rating agencies;

    (b) Credit Default Swap price spreads to give early warning of likely changes in credit ratings;

    (c) sovereign ratings to select counterparties from only the most creditworthy countries.

89. The Council will therefore use the following durational bands when applying time limits to investments

    (a) Yellow Maximum 2 years *This only relates to AAA rated government debt or its equivalent
    (b) Purple Maximum 2 years
    (c) Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
    (d) Orange 1 year
    (e) Red 6 months
    (f) Green 3 months

**Table 13 – Time and monetary limits applying to investments**

| | Fitch Long term Rating (or equivalent) | Money Limit | Time Limit |
|---|---|---|---|
| Banks 1 category high quality | AA- | £5m | Maximum of 2 years Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override) |
| Banks 1 category medium quality | A | £4m | Maximum of 1 year Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override) |
| Banks 1 category lower quality | A- | £3m | Maximum of 1 year Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override) |
| Banks 2 Non UK (Only where sovereign ratings are AAA) | AA- | £3m | Maximum of 1 year Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override) |
| Banks 3 category – part nationalised | N/A | £5m | Maximum of 1 years |
| Banks 4 category – Council's banker (not meeting Banks 1, 2 and 3) | | £3m | 1 day |
| DMADF (Debt Management Office) | AAA | unlimited | 6 months |
| UK Government Treasury Bills | UK sovereign rating | unlimited | Maximum of 1 year |
| Local authorities | N/A | £5m per Local Authority | Up to 2 years |
| Money market Funds (CNAV, LVNAV & VNAV) and Ultra Short Dated Bond Funds | AAA | £5m per Fund | liquid |
| Property Funds, Corporate Bond Funds and other Asset backed Investment products | Non Rated Due Diligence required | £20m per Fund | 10 years |

90. In addition to sterling deposits either on a fixed term call or notice basis deposits in banks or Building Societies which meet our criteria, may be made via certificates of deposits where appropriate.

91. The proposed criteria for Specified and Non-Specified investments are shown in Appendix 2 for approval.

92. All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services creditworthiness service.

(a) 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.

(b) in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap 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.

93. 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 government support for banks and the credit ratings of that government support.

**Investment Strategy**

**In-house funds**

94. 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). Greater returns are usually obtainable by investing for longer periods. While most balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

(a) If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping the most investments as being short term or variable.

(b) Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

**Investment returns expectations**

95. On the assumption that the UK and EU agree a Brexit deal in spring 2019, then Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

(a) 2018/19 0.75%
(b) 2019/20 1.25%
(c) 2020/21 1.50%
(d) 2021/22 2.00%

96. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about 3 months during each financial year are as follows:-

(a) 2018/19 0.75%
(b) 2019/20 1.00%
(c) 2020/21 1.50%
(d) 2021/22 1.75%
(e) 2022/23 1.75%
(f) 2023/24 2.00%
(g) Later years 2.50%

97. The overall balance of risks to economic growth in the UK is probably neutral.

98. The balance of risks to increases in Bank Rate and shorter term PWLB rates are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

**Investment treasury indicator and limit**

99. Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

100. The Council is asked to approve the treasury indicator and limit: -

**Table 14 – Maximum Principal sums invested**

| | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|
| Principal sums invested greater than 365 days | £50m | £50m | £50m |

101. For its cash flow generated balances, the Council will seek to utilise its instant access accounts, 15 and 30 day notice accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

**Investment Risk Benchmarking**

102. These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. They relate to Investments that are not Property Funds. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

103. Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

0.077% historic risk of default when compared to the whole portfolio.

104. Liquidity – in respect of this area the Council seeks to maintain:

(a) Bank overdraft - £0.100m

(b) Liquid short term deposits of at least £3.000m available with a week's notice

(c) Weighted Average Life benchmark is expected to be 1 year.

105. Yield - local measures of yield benchmarks are:

(a) Investments – Short Term- cashflow investment rate returned against comparative interest rates

(b) Investments – Longer term – capital investment rates returned against comparative average rates

106. And in addition that the security benchmark for each individual year is:

**Table 15 - Security Benchmark**

| | 1 year | 2 years |
|---|---|---|
| **Maximum** | 0.077% | 0.077% |

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

107. The above reported benchmarks for Security Liquidity and Yield all relate to Deposits with Banks and Money Market Funds but would not relate to Property Funds.

108. It is proposed that property funds will be benchmarked for performance against the IPD All Balanced Fund index which is the universe of all property funds, data for this can be provided by our Treasury Management advisors Link Asset Services.

**End of year investment report**

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

**Policy on the use of external service providers**

110. The Council uses Link Asset Services as its external treasury management advisors. The company provides a range of services which include:

(a) Technical support on treasury matters, capital finance issues and the drafting of Member reports;

(b) Economic and interest rate analysis;

(c) Debt services which includes advice on the timing of borrowing;

(d) Debt rescheduling advice surrounding the existing portfolio;

(e) Generic investment advice on interest rates, timing and investment instruments;

(f) Credit ratings from the three main rating agencies and other market information on counterparties.

111. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

112. 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.

**Outcome of Consultation**

113. No consultation was undertaken in the production of this report.

**Economic Background provided by Link Asset Services**

1. **GLOBAL OUTLOOK. World growth** has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and together with weakening economic activity in China and the eurozone, overall world growth is likely to weaken.

2. **Inflation** has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.

3. **KEY RISKS - central bank monetary policy measures**
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

4. The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we have indeed, seen a sharp fall in equity values in the last quarter of 2018. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.** At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and was likely to cause a recession in the US economy

5. The world economy also needs to adjust to a sharp change in liquidity creation over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt, (currently about $50bn per month). In addition, the European Central Bank ended QE purchases in December 2018.

6. **UK**. The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

7. At their November quarterly inflation meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years time but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also raise Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

8. It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019 (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

9. **Inflation**. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.3% in November 2018. In the November Bank of England quarterly inflation report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

10. As for the labour market figures in October 2018, unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.0%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

11. In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

12. **USA**. President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in November, however, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the rate and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles, of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world plunging under the weight of fears around the Fed's actions, the trade war between the US and China, an expectation that world growth will slow, Brexit etc.

13. The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation if an agreement is not reached soon between the US and China. The results of the mid-term elections are not expected to have a material effect on the economy.

14. **Eurozone**. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may find it difficult to warrant a start on raising rates by the end of 2019 if the growth rate of the EU economy is on a weakening trend.

15. **China**. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower

economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

16. **Japan -** has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

17. **Emerging countries.** Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

**INTEREST RATE FORECASTS**

18. The interest rate forecasts provided by Link Asset Services in paragraph 3.2 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

19. The balance of risks to the UK
    - The overall balance of risks to economic growth in the UK is probably neutral.
    - The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

20. One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

21. **Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:**
    - Brexit – if it were to cause significant economic disruption and a major downturn in the rate of growth.
    - Bank of England monetary policy takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- A resurgence of the Eurozone sovereign debt crisis, possibly in Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. The EU rejected the initial proposed Italian budget and demanded cuts in government spending which the Italian government has refused. However, a fudge was subsequently agreed but only by delaying the planned increases in expenditure to a later year. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the words and actions of the Italian government and consequently, Italian bond yields have risen – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some European banks. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- **Other minority eurozone governments**. Spain, Portugal, Ireland, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with. The Belgian coalition collapsed in December 2018 but a minority caretaker government has been appointed until May EU wide general elections.
- **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while Italy, this year, has also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in interest rates in the US could spark a sudden flight of investment funds from more risky assets e.g. shares, into bonds yielding a much improved yield. Throughout the last quarter of 2018, we saw a sharp fall in equity markets but this has been limited, as yet. Emerging countries which have borrowed heavily in dollar denominated debt, could

be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.

- There are concerns around the level of US corporate debt which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows**.**

22. **Upside risks to current forecasts for UK gilt yields and PWLB rates**

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

**Appendix 2**

**Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management**

1. The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

2. The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 21st March 2002 and will apply its principles to all investment activity. In accordance with the Code, the Assistant Director Resources has produced its Treasury Management Practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

**Annual Investment Strategy**

3. The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:

   a) The strategy guidelines for choosing and placing investments, particularly non-specified investments.

   b) The principles to be used to determine the maximum periods for which funds can be committed.

   c) Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.

   d) Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

4. The investment policy proposed for the Council is:

**Strategy Guidelines**

5. The main strategy guidelines are contained in the body of the treasury strategy statement.

**All Investments**

6. The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:

   (a) Banks 1 - good credit quality – the Council will only use banks which:

      i. are UK banks; and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
         a. Fitch Short Term equivalent – F1
         *b.* Fitch Long term equivalent – A-

   (b) Banks 2 Non UK banks based on the following very high quality criteria using a lowest common denominator approach and only where sovereign ratings are AAA.

         a. Fitch Short Term equivalent – F1+
         b. Fitch Long Term equivalent – AA-

   (c) Banks 3 – Part nationalised UK banks – Lloyds Bank Group and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.

   (d) Banks 4 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

   (e) Building societies The Council will use all societies which:

      i. meet the ratings for banks outlined above and have assets in excess of £1,000m

   (f) Money Market Funds (CNAV, LVNAV & VNAV) AAA

   (g) Ultra Short Dated Bond Funds AAA

   (h) UK Government (including gilts Treasury Bills and the Debt Management Office)

   (i) Local authorities, parish councils etc

   (j) Supranational institutions

   (k) Property Funds ,Corporate Bond Funds and Asset Backed Investment Products

7. A limit of £50M will be applied to the use of Non-Specified investments.

**Specified Investments**

8. These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

   (a) The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
   (b) Supranational bonds of less than one year's duration.
   (c) A local authority, housing association, parish council or community council.
   (d) Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category f. above, this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's and/or Fitch rating agencies.
   (e) A body that is considered of a high credit quality (such as a bank or building society). For category a and b this covers bodies with a minimum short term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's and/or Fitch rating agencies.

9. Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are:

| | Fitch Long term Rating (or equivalent) | Money Limit | Time Limit |
|---|---|---|---|
| **Banks 1 category high quality** | **AA-** | **£5M** | **Maximum of 2 years Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override)** |
| **Banks 1 category medium quality** | **A** | **£4M** | **Maximum of 1 year Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override)** |
| **Banks 1 category lower quality** | **A-** | **£3M** | **Maximum of 1 year Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override)** |
| **Banks 2 Non UK (only where sovereign ratings are AAA)** | **AA-** | **£3M** | **Maximum of 1 year Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override)** |
| **Banks 3 category – part nationalised** | **N/A** | **£5M** | **Maximum of 1 year** |
| **Banks 4 category – Council's banker (not meeting Banks 1,2 and3)** | | **£3M** | **1 day** |
| **DMADF (Debt Management Office)** | **AAA** | **unlimited** | **6 months** |
| **Local authorities** | **N/A** | **£5M per Local Authority** | **Up to 1 years** |
| **Money market Funds (CNAV, LVNAV & VNAV) and Ultra Short Dated Bond Funds** | **AAA** | **£5M per Fund** | **liquid** |

10. The Council will therefore use the following durational bands supplied by Link Asset Service's creditworthiness service when applying time limits to investments

    a. Yellow Maximum 2 years *This only relates to AAA rated government debt or its equivalent
    b. Purple Maximum 2 years
    c. Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
    d. Orange 1 year
    e. Red 6 months
    f. Green 3 months

**Non-Specified Investments**

11. Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

| | **Non Specified Investment Category** | **Limit (£ or %)** |
|---|---|---|
| a. | **Supranational Bonds greater than 1 year to maturity**<br>**(a) Multilateral development bank bonds -** These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.).<br>**(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. National Rail, The Guaranteed Export Finance Company {GEFCO})<br><br>The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity. | AAA long term ratings |
| b. | **Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity. | |
| c. | **The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible. | £3m |
| d. | **Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. | £5m |
| e. | Any **bank or building society** that has a minimum long term credit rating of AA-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment). | £5m |
| f. | **Local Authorities** | £5m per authority |
| g. | **Property Funds, Corporate Bond Funds and Other Asset backed Investment products**<br>The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using | £20m per Fund |

12. Within categories c and d, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies. Time limits will be applied to banks using the

creditworthiness service provided by Link Asset Services. And for part-nationalised banks will be up to 2 years.

13. Time limits for Property Funds, Corporate Bond Funds and Asset Backed Investment Products will be up to 10 Years, Local Authorities up to 2 years.

**The Monitoring of Investment Counterparties**

14. The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Assistant Director Resources, and if required new counterparties which meet the criteria will be added to the list.

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**SPECIAL CABINET**
**12 FEBRUARY 2019**

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# DARLINGTON CAPITAL STRATEGY

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**Responsible Cabinet Member - Councillor Stephen Harker**
**Leader of the Council and Efficiency and Resources Portfolio**

**Responsible Director – Paul Wildsmith**
**Managing Director**

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## SUMMARY REPORT

### Purpose of the Report

1. This report sets out the Council's proposed Capital Strategy for 2019/20.

### Summary

2. The Capital Strategy attached at **Appendix 1** is a new requirement for Council's to produce from April 2019 following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2017.

3. The Strategy provides an overview of how capital expenditure and financing plans are decided upon and provides the framework for the development, management and monitoring of the council capital investment plans. It focuses on core principles that underpin the Council's four year capital programme and the governance framework which is in place.

4. The Strategy also highlights the resource streams available in terms of funding to the council and the risk management approach taken.

5. The Strategy maintains a strong and current link to the Council's priorities and to its key strategy documents such as the Treasury Management Strategy, Medium Term Financial Plan and the Corporate Plan.

### Recommendation

6. It is recommended that Cabinet :-

   (a) Approves the Capital Strategy for 2019/20 – 2022/23 at **Appendix 1** of this report.

   (b) Forward the report to Council with any comments from this Committee to enable the strategy to be approved.

**Reasons**

7. The recommendations are supported by the following reasons:-

    (a) To ensure the Council adopts the Prudential Code for Capital Finance 2017.
    (b) The Strategy is approved by Council.

**Paul Wildsmith**
**Managing Director**

**Background Papers**
No background papers were used in the preparation of this report.

Peter Carrick: extension 5401

| | |
|---|---|
| S17 Crime and Disorder | This report has no implications for crime and disorder |
| Health and Well Being | This report has no implications for the Council's Health and wellbeing Programme |
| Carbon Impact | There are no carbon impact implications in this report. |
| Diversity | There are no specific implications on the Council's diversity agenda. |
| Wards Affected | All wards |
| Groups Affected | All groups |
| Budget and Policy Framework | This report does not affect the budget or policy framework. |
| Key Decision | This is not an executive decision |
| Urgent Decision | This is not an executive decision |
| One Darlington: Perfectly Placed | There are no issues adversely affecting the Community Strategy |
| Efficiency | Having a clear view on Capital investments and financing plans ensures value for money and subsequent efficiencies. |
| Impact on Looked After Children and Care Leavers | This report has no impact on Looked After Children or Care Leavers |

Appendix 1

# DARLINGTON BOROUGH COUNCIL

# CAPITAL STRATEGY

# 2019/20 – 2022/23

# Darlington Borough Council

# Capital Strategy

## Introduction

1. The Capital Strategy has been developed in line with the CIPFA Prudential Code for Capital Finance in Local Authorities 2017. This Capital Strategy is intended to give a high level overview of how capital expenditure and financing plans are decided upon and provides the framework for the development, management and monitoring of the councils capital investment plans.

2. The Strategy aligns with the priorities in the Corporate Plan and focuses on core principles that underpin the Council's approach to capital investments; the governance framework required to ensure the capital programme is delivered and provides value for money for the residents of Darlington.

3. The strategy is integrated with the Medium Term Financial Plan (MTFP) and Treasury Management Strategy and will be reviewed as such on an annual basis.

## The Key objective of Darlington's Capital Strategy

4. The Capital Programme is the Council's plan of capital works for future years and includes details on the funding of schemes. The programme includes projects such as the purchase of land and buildings, construction of new buildings or roads, and the enhancement of existing assets. The capital strategy defines and outlines the approach to capital investments and is fundamental to the Council's financial planning process. The key objective of the capital strategy is to deliver a capital programme that;

   (a) Ensures capital expenditure and investment decisions are used to support the delivery of the services according to the priorities within the corporate plan and supporting strategies.
   (b) Is affordable, financially prudent and sustainable
   (c) The most cost effective use is made of existing assets and new capital investment.
   (d) Provides Value for Money
   (e) Encourages Invest to Save initiatives to make efficiencies within the Council's revenue budget.
   (f) Ensures the appraisal and prioritisation process for new schemes is robust and captures risks and mitigating factors.

## The Council's Corporate Objectives and Priorities

5. Capital expenditure should support the Council's continuing commitment to the goals and ambitions set our within the Sustainable Community Strategy, One Darlington Perfectly Placed, which articulates the Council's determination to work with our partners to narrow the inequalities gap and capitalise on our assets to grow and share wealth. All capital expenditure proposals should be considered alongside the following three conditions which the council is committed to in order to achieve the vision;

   (a) Growing the Economy to create conditions for business existing and new to succeed and grow creating more jobs and wealth in the borough and a vibrant economy.
   (b) Building Strong Communities to help our communities work together investing in the social infrastructure of Darlington.
   (c) Spending Every Pound Wisely, investing in creative and innovative solutions to make sure we provide value for money.

6. Meeting these conditions will allow the council to achieve the following desired outcomes;

   (a) More people healthy and independent
   (b) A safe and caring community
   (c) More businesses and more jobs
   (d) Enough support for people when needed
   (e) Children with the best start in life
   (f) More people active and involved
   (g) More people caring for our environment; and
   (h) A place designed to thrive.

## Governance Arrangements

7. The capital programme is the Council's plan of capital works for future years, including details on the funding of the schemes. Included are the projects such as the purchase of land and buildings, the construction of new buildings or roads and the enhancement of existing assets.

8. The programme is determined by the need to incur capital expenditure, capital resources available; and the revenue implications flowing from the capital expenditure.

9. The Council's Constitution and financial regulations govern the capital programme process and require Full Council to agree the programme annually. The reports of the Chief Finance Officer will consider the compliance of the proposed schemes in the programme with the medium term financial plan, the capital resources available, the revenue implications of the proposed capital expenditure and any other relevant information.

10. All schemes are formally approved into the capital programme by following a process as set out in the financial regulations and approved by Council. The inclusion of a scheme in the programme does not constitute authority to incur expenditure. Each capital scheme shall be the subject of a written report by the responsible Director to Cabinet and this report shall include the need for the proposed expenditure, its place in the Council's strategic plans, the estimated capital cost analysed as appropriate, the estimated revenue implications (if applicable) and the methods of financing.

11. Reports for all proposed schemes with a value of more than £1 million shall also contain whole-life-cost evaluations, setting out the cost of the proposed scheme over its expected life, including any cost implications at the expiry of the life of the proposed scheme.

12. Cabinet receive regular capital monitoring reports and approve variations to the programme within Cabinets delegated authority limits.

13. Cabinet also considers new bids that fall outside the annual budget process

14. Schemes with a final outturn level over £1m are reported to Cabinet comparing actual cost, timeliness and quality with the original and amended approvals.

15. Scrutiny Committees can call in Cabinet reports, receive and scrutinise reports.

16. All projects progressing to the capital programme follow the constitution and financial regulations.

17. The capital programme is subject to internal and external audit.

**Investment evaluation and prioritisation**

18. As part of the budget planning process services are required to submit capital proposals for consideration to the Asset Management Group (AMG) for investment decisions. The capital investment appraisal process focuses on:

    (a) Policy and strategic fit
    (b) Affordability and resources
    (c) VFM, cost/benefit
    (d) Options appraisal
    (e) Risk assessment and
    (f) Capability and capacity within the Council to manage and deliver the project

19. Where capital expenditure requirements exceed external funding availability bids for internal resources are prepared and assessment by the AMG using a scoring

model which has regard to the capital strategy, asset management plan, sustainable community strategy and the corporate plan. AMG submit to Chief Officers Executive (COE) a list of assessed bids. COE then develop proposals for inclusion in the MTFP-C, Cabinet consider these proposals and make recommendations to Council for final approval.

20. The AMG is chaired by the Managing Director and including representation from all departments, maintain a continuous review of capital planning, management and reporting, with regard to best practice, experience and opportunities for improving the Council's capital and asset management.

21. The AMG oversee implementation of standards and procedures and make recommendations by other parties (Chief Officers Executive, Cabinet, Full Council) as appropriate. In developing their proposals, AMG shall, in addition to departmental capital expenditure plans, have due regard to:

    (a) the various funding streams available from government and other grants
    (b) developer contributions towards capital expenditure under section 106 agreements and any other similar arrangements
    (c) internal resources available from capital receipts, non-supported borrowing and revenue contributions to capital expenditure.

**Invest to save projects**

22. Departments are encouraged to consider innovation in service provision that can drive efficiency and deliver cashable savings. Invest to save bids will be considered on the same basis as other capital proposals, and need to demonstrate what savings and benefits will be achieved as a result of the proposed initiative. However, as the benefits of these schemes should outweigh the costs it is likely these bids will be prioritised.

**Approvals outside the normal budget setting process**

23. Any additional capital proposals required within year and outside the annual budget process must be submitted to the AMG for consideration. The group will then appraise the scheme and it will be reported to Cabinet for approval.

**Capital Investment Fund**

24. At its meeting of 24 November 2016 the Council established a Capital Investment Fund of £10m which due to its success has subsequently been increased to £50m.

25. Council approved the principle and establishment of the Capital Investment Fund to be used for innovative investment opportunities beyond the traditional Treasury

Management Strategy in order to achieve greater returns given the low returns on investment due to the current economic climate.

26. To achieve greater returns, the Council is exploring more innovative approaches whilst at the same time being willing to take on a greater level of risk. Such approaches include loans to other organisations, joint venture house building, property investment or developing sites for sale.

27. The Investment fund also provides for wider benefits which extend further than direct reward and assist with economic regeneration and job opportunities.

28. An update on all investments agreed will be provided to Cabinet on an annual basis.

**Economic Growth Investment Fund (EGIF)**

29. Growing the Economy is a priority for the Council and aligns with the Perfectly Placed vision to capitalise on our assets to grow and share wealth. The capital programme includes the EGIF which sets out the programme of investments that are either required or desired in order to deliver Darlington's ambitions for sustainable economic growth over the period 2019 and beyond.

30. The Plan has been developed as a means to implement key strategies and to set out what needs to be done in order for the Borough to accelerate sustainable, managed and planned economic growth. It has also been developed in order to provide the structured framework required to ensure that a programme of investments is created that can deliver the strategic ambitions and goals of the Council.

31. The majority of the Plan will be completed in conjunction with the Tees Valley Combined Authority, however the Council will need to pump prime and match fund some of the schemes hence the inclusion in the capital programme.

32. Any proceeds from sites which subsequently become operational and sold will be reinvested in the fund for future developments.

33. Specific scheme approvals will be subject to detailed reports to Cabinet to release each scheme as and when they are required.

**Loans to External Bodies or Organisations**

34. The Council's capital programme also includes provision to provide loan facilities to external bodies or organisations for activities that are aligned to, and support, Council service objectives and/or corporate priorities. Examples may include,

supporting economic growth such as housebuilding and improving the health and wellbeing of local communities.

35. Under statutory regulations these loans are treated as capital expenditure.

36. In making such loans the Council is exposing itself to the risk of the borrower defaulting on loan repayments. The Council, in making these loans must therefore ensure they are prudent and have fully considered the risk implications. The Loans for these purposes will be subject to a financial appraisal and a series of due diligence checks, and only be provided if the Council is fully satisfied of the borrower's ability to meet their obligations. Wherever possible, the Council will aim to mitigate its risks and exposure to default by seeking appropriate additional security from the borrower. This may often be in the form of a legal charge over the borrower's property or assets.

37. All loans are agreed by Cabinet. All loans will be subject to close, regular monitoring.

38. The rate of interest charged on these facilities will be dependent on the nature and structure of the individual loan and the assessed risks to the Council. However, loans would usually only be provided on the basis that there is no net cost to the Council.

39. In addition all loans will need to be State Aid compliant.

**Funding Sources**

40. The Council's capital programme is funded from a mix of sources including:

    (a) Prudential Borrowing – The introduction of the Prudential code in 2004 allowed the Council to undertake unsupported borrowing itself. This borrowing is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. The Council must ensure that unsupported borrowing is affordable, prudent and cost effective. This funding can also be used as an option to front fund development to stimulate growth. This has provided the Council with the flexibility to raise capital funding as demand and business need have dictated. This type of borrowing has revenue implications for the Council in the form of financing costs.

    (b) External Grants – A proportion of our capital funding comes through as external grant allocations from central government departments such as the Department for Transport and Department of Education as well as receiving direct funding from the Tees Valley Combined Authority under the new devolved arrangements. There is also external funding from the European Regional Development Fund which we have been successful in bidding on over the last few years.

(c) A significant element of the capital investment programme is funded from the Housing Revenue Account. Funding towards the Council's New Build programme is also received from the Homes and Communities Agency (HCA). All Housing Capital schemes are funded this way and are prioritised through the Housing Business Plan.

(d) Section 106 and external contributions – elements of the capital programme are funded by contributions from private sector developers and partners.

(e) Revenue Funding – The Council can use revenue resources to fund capital projects on a direct basis, however, the impact of austerity on the Council's revenue budget has reduced options in this area and the preference is for Invest to Save projects where feasible.

(f) Capital Receipts – A capital receipt is an amount of money exceeding £10,000, which is generated from the sale of an asset. The Council is able to generate capital receipts through the sale of surplus assets such as land and buildings. The Council seeks to maximise the level of these resources which will be available to support the Council's plans.

41. Mechanisms for distributing government funding continue to evolve through the Government's devolution agenda specifically through the Local Growth Fund (LGF) and the increased role of Local Enterprise Partnerships (LEP) in the strategic oversight of regional areas.

42. The LGF including devolution deals such as the Tees Valley Combined Authority now totals over £12billion of capital investment. This represents both opportunities and risks to existing levels of government service delivery and investment, as LEP's with the strongest Strategic Plans will gain the greatest share.

**Risk Management**

43. Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and to execute its strategies successfully.

44. Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and responding to them. It is both a means of minimising the costs and disruption to the Council caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all of their activities.

45. The aim is to reduce the frequency of adverse risk events occurring, minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties.

46. To manage risk effectively, an assessment of risk should be taken on every capital project, mitigated where possible and monitored.

47. It is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in capital assets held primarily for financial returns. Under the CIPFA Prudential Code these are defined as investments and so the key principle of control of risk and optimising returns consistent with the level of risk applies**.**

**Knowledge and skills**

48. The Council has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.

49. The Council establishes project teams from all the professional disciplines from across the council as and when required. External professional advice is taken where required and will always be sought in consideration of any major commercial property investment decision.

50. Internal and external training is offered to members to ensure they have up to date knowledge and expertise to understand and challenge capital and treasury decisions taken by the Assistant Director Resources.