Supplementary Agenda

Meeting of West Dunbartonshire Council

Date:	Wednesday, 22 February 2017
Time:	17:00
Venue:	Council Chamber, Council Offices, Garshake Road, Dumbarton
Contact:	Craig Stewart Tel: 01389 737251– craig.stewart@west-dunbarton.gov.uk

Dear Member

ITEMS TO FOLLOW

I refer to the agenda for the above meeting which was issued on 10 February 2017 and now enclose copies of **Items 10 and 12** which were not available for issue at that time.

Yours faithfully

JOYCE WHITE

Chief Executive

Note referred to:- /

10 GENERAL SERVICES REVENUE ESTIMATES AND COUNCIL TAX **315 - 340**

Submit report by the Strategic Lead – Resources providing the Council with sufficient information to allow them to agree the General Services Revenue Estimates from 2017/18 to 2019/20 and to set the Council Tax for 2017/18.

PLEASE NOTE: Members are encouraged to contact officers in advance of the meeting if they have any questions or require any further information or clarification in respect of any issues contained in the report.

12 PRUDENTIAL INDICATORS 2016/17 TO 2025/26 AND TREASURY MANAGEMENT STRATEGY 2017/18 TO 2025/26 **341 - 373**

Submit report by the Strategic Lead – Resources seeking approval of the proposed Prudential Indicators for 2016/17 to 2019/20 and Treasury Management Strategy (including the Investment Strategy) for 2017/18 to 2019/20.

Distribution:-

Provost Douglas McAllister
Councillor Denis Agnew
Councillor George Black
Councillor Jim Bollan
Councillor Jim Brown
Councillor Gail Casey
Councillor Jim Finn
Councillor William Hendrie
Councillor David McBride
Councillor Jonathan McColl
Councillor Michelle McGinty
Councillor Patrick McGlinchey
Councillor Marie McNair
Councillor John Millar
Councillor John Mooney
Councillor Ian Murray
Councillor Lawrence O'Neill
Councillor Tommy Rainey
Councillor Gail Robertson
Councillor Martin Rooney
Councillor Kath Ryall
Councillor Hazel Sorrell

Chief Executive
Strategic Director of Transformation & Public Service Reform
Strategic Director of Regeneration, Environment & Growth
Chief Officer of West Dunbartonshire Health & Social Care Partnership

Date of issue: 16 February 2017

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Council: 22 February 2017

Subject: General Services Revenue Estimates and Council Tax – Financial Years 2017/18 to 2019/20

1. Purpose

1.1 The purpose of this report is to provide Council with sufficient information to allow them to consider the General Services Revenue Estimates from 2017/18 to 2019/20 and to set the Council Tax for 2017/18.

1.2 The report also provides Council with information in relation to the capital plan and its relationship with the revenue budget, seeking approval of an update to the plan.

1.3 The report also provides information and recommendations in relation to changes arising from changed legislation in regard to Council Tax for second homes and discretionary relief on Non-Domestic Rates, with potential effect on the revenue budget.

2. Recommendation

2.1 Following consideration of the information provided, Council is recommended to:

- Note and agree the budget updates as detailed at 4.1 of this report:

- Note the changes to the assumptions on the Scottish Government settlement as detailed at 4.2 in this report;

- Note the projected outturn position for capital for the current financial year as detailed in Appendix 1 including information in relation to the re-profiling of a number of projects and resources into future years;

- Note the proposed updated capital plan from 2017/18 as detailed in Appendices 2 and 3 to this report and approve projects within the capital plan which commence in years up to and including 2019/20, noting that those identified as new projects are approved subject to approval of appropriate business cases to a relevant future Committee or Council unless this has already been secured;

- Agree the recommended capital growth bids as detailed at section 4.5.2 of this report;

- Consider the information provided and agree the recommendation made at 4.6 in the report regarding Council Tax on second homes;

- Consider the information provided and agree the recommendation made at 4.7 in the report regarding further discretionary powers for Councils in relation to Non-Domestic Rates;

- Note the updated position regarding projections for the revenue budget in 2016/17 as identified at 4.10;

- Note the updated provisions and reserves position of the Council as identified at 4.11 in the report;

- Agree the General Services Revenue Estimates for 2017/18 following consideration of savings options which Council may wish to use to balance the updated budget gap of £0.421m as identified at 4.12 in the report, including any growth to be incorporated into the budget for 2017/18, to produce a balanced budget which does not breech the Council's Prudential Reserve level of £4.104m;

- Agree a budget which includes provision to deliver across all the commitments as within the letter from the Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy on 16 December 2016;

- Set the band D council tax level for 2017/18 at £1,198 which represents a 3% increase and assumes a collection rate of 97.25% thereby generating £43.486m, inclusive of CTRS; and

- Note the financial gaps identified for 2018/19 and 2019/20 and consider options to close these gaps.

3. Background

3.1 Members received a copy of the draft revenue estimates for 2017/18 along with a report providing an update of the Council's Long Term Finance Strategy at the Council meeting held on 26 October 2016.

3.2 Members also received a report to Council on 21 December 2016 which updated the projected financial position between 2017/18 to 2019/20 following the announcement of the Scottish Government's Finance Settlement on 15 December 2016. This report provides Members with information as to the terms of the Scottish Government settlement offer.

3.3 In the October 2016 report, it was reported that a 3% increase in Council Tax, as had been assumed within the Long Term Finance Strategy, would generate a council tax yield based on a Band D product of 34,837 at 97.25% of £42.236m. This was updated at December Council with an additional £0.150m of yield anticipated based on

2016/17 performance. The figure above includes funding to support CTRS.

3.4 The Council tax position was updated at the December 2016 Council meeting, when it became clear, following the Scottish Government settlement position that the legislative increase to Council Tax multipliers for Council Tax Bands E to H would generate an additional £1.1m. This gives a total Council Tax yield of £43.486m. This total figure includes CTRS funding.

3.5 Therefore after applying this sum and a number of further budget adjustments there was remaining funding gaps of:

- 2017/18 £2.196m;
- 2018/19 £5.298m; and
- 2019/20 £8.965m.

3.6 These gaps would require to be met from implementation of savings options and/or from reserves.

3.7 As part of the budget process and as reported to Council in October 2016 and December 2016, the Corporate Management Team (CMT) has identified a number of savings options which Council could use to close the gap or part of the gap. The full list of savings options available was provided to Council in December and provides options valued as follows:

- 2017/18 £2.621m;
- 2018/19 £2.893m; and
- 2019/20 £2.919m.

3.8 The report in October 2016 also listed the following funds available to the Council as at 31 March 2016:

	£m
Reserves	**11.203**
Of which:	
Earmarked	6.515
Unearmarked	4.688
Prudential Target	**4.195**
Provisions	**4.643**
Of which:	
Equal Pay	2.243
Voluntary severance/ early retirement	2.400

3.9 The budget is based on the approved activity levels of 2016/17 plus a number of additional burdens, except where growth has been specifically approved by the Council or included in the funding to be received from the Scottish Government.

3.10 Members may wish to consider options to add growth expenditure to the budget. However, in order to do so, Members will require to identify funding to be applied to the draft budget for any growth agreed. In considering possible budget growth, Members will wish to consider the longer term effects on future years' budgets should any additional growth options result in a recurring expenditure commitment.

4. Main Issues

4.1 Since the report was provided to the Council on 21 December 2016 a number of adjustments to the draft budget position have been identified by the CMT as follows:

Change	**Value 17/18 (£m)**	**Value 18/19 (£m)**	**Value 19/20 (£m)**
Audit Scotland fee: reduction	-0.023	-0.023	-0.023
Council decision: Your Community	0.060	0.060	0.060
Council decision: Food Share	0.017	0.017	0.017
Nightzone West: previously funded through the ADP however funding ceased in 2016	0.012	0.012	0.012
ICT: Systems maintenance costs updated	0.005	0.010	0.010
Planning and Building Standards: part-time post due to increased planning workload	0.020	0.020	0.020
Strathclyde Passenger Transport: requisition	-0.022	-0.058	-0.058
Local Elections: update	0.042	0	0
Homelessness: review of impact of welfare reform	0.256	0.256	0.256
Total	**0.367**	**0.294**	**0.294**

4.2 Scottish Government Settlement Update

4.2.1 Since the settlement was announced a number of clarifications have been provided by the Scottish Government. One of the clarifications relates to the condition applied in the settlement that Councils should not reduce their funding to their Health and Social Care Partnership (HSCP) by more than their share of £80m across Scotland. This clarification as it applies to the Council funding to the HSCP is described later in the report, at 4.3 below.

4.2.2 The settlement letter of 15 December 2016 from the Cabinet Secretary for Finance and the Constitution stated that:

"any individual authority not intending to agree the offer and accept the full package of measures and benefits should write to me by no later than Friday 13 January 2017. For those authorities not agreeing the offer a revised, and inevitably less favourable, offer will be made."

A further letter was received from the Cabinet Secretary on 23 December 2016 extending the deadline for such a response to 20 January 2016.

4.2.3 The above figures are based on the provisional allocations announced in the Scottish Government Finance Circular No. 9/2016 (issued on 15 December 2016) but which will not be formally confirmed until the Local Government Finance (Scotland) Order 2017 being presented to the Scottish Parliament in late February 2017.

4.2.4 On 2 February 2017 the Cabinet Secretary for Finance and the Constitution made an announcement which provided additional funding to Councils for both revenue and capital funding, to be spent at the discretion of Councils. The effect of this for the Council is an additional £2.294m in revenue funding and £0.425m capital funding. At present it is not clear if this funding is recurrent or for 2017/18.

4.2.5 The letter from the Cabinet Secretary for Finance and the Constitution states that this funding is being made available in 2017/18. As this year's settlement is a one-year position at this stage it has been assumed to be a one-off provision of additional funds.

4.2.6 During the settlement checking process two further clarifications were provided which made the following issues clear:

- Scottish Government Tobacco Control Strategy: clarified that this funding was included in the settlement, so require to increase costs to match the spend required to implement the strategy – valued at £0.040m; and

- Council Tax Reduction Scheme (CTRS): Following the increase to Council Tax bands E to H multipliers, it was clarified that Councils are required to fund CTRS claims relating to these property bands – valued at £0.030m.

4.2.7 The following table provides a summary of these changes:

Change	Value 17/18 (£m)	Value 18/19 (£m)	Value 19/20 (£m)
Funding for tobacco and e-cigarettes - SG Tobacco Control Strategy	0.040	0.040	0.040
Councils to fund CTRS on bands E to H due to increase in council tax multiplier	0.030	0.030	0.030
Update on position on Council funding following letter from SG on 2/2/17	-2.294	0	0
Total	**-2.224**	**0.070**	**0.070**

4.3 Council Contribution to HSCP

4.3.1 As noted above, the clarification provided by the Scottish Government has advised that the maximum that the Council contribution to the HSCP can be reduced by in 2017/18 is by no more than £1.560m, this being the share of the £80m as advised to the Council by the Scottish Government. In the report to Council in December 2016 this was estimated to reduce the level of funding reduction to the HSCP that had been assumed in the October 2016 report by £0.620m in 2017/18.

4.3.2 On cross-checking budget figures used in compiling the December Council budget report it has been identified that the Council contribution to the HSCP was overstated by £1.572m.

4.3.3 In addition the Chief Officer of the HSCP has identified a further additional burden within the draft budget of the HSCP which is anticipated to increase its costs by around £0.430m.

4.3.4 The net effect of the above issues of the Council budget for the contribution to the HSCP is a reduction of £1.142m. As reported in the report to Council on 26 October 2016 the HSCP has sufficient ongoing uncommitted funds which will be used to manage this reduction in contribution with no cuts required to services. This position has been agreed with the Chief Officer and Section 95 Officer of the HSCP.

4.4 Council Tax Projection

4.4.1 As stated at 3.4, above, the budgeted level of council tax funding equates to a Band D equivalent tax level for 2017/18 at £1,198 which represents a 3% increase from £1,163 per house. This excludes water and sewerage charges. The Council has no control over these charges although they are collected along with council tax. Information regarding the combined annual charge for water and sewerage for a band D property in 2017/18 is set at £430.56 (£423.90 in 2016/17).

4.4.2 Based on current performance the budgeted council tax collection rate is retained at 97.25% for 2017/18.

4.5 Capital Plan

4.5.1 At Council on 24 February 2016 a full refresh of the 10 year capital plan was reported and approved. As was reported in February 2016 full refresh of the plan will happen every 3 years, however the plan has been updated to recognise progress made and any re-phasings of projects and anticipated funding that have been necessary, as detailed in Appendix 1. The result of this update is shown as Appendix 2 (spend) and Appendix 3 (resourcing) to this report and has had the following cumulative effect on the loan charges estimates included within the draft budget:

- 2017/18 £0.257m;
- 2018/19 £0.351m; and
- 2019/20 £0.190m.

4.5.2 In addition to the above, during the budget preparation process a number of growth bids were received from officers and have been agreed by the SMT to be recommended for approval by Council. These are in the table listed below and will have the following cumulative effect on the draft revenue budget of £0.009m from 2018/19, if approved:

DESCRIPTION	**Value 17/18 (£m)**
Upgrade or replacement of equipment to meet H&S requirements in relation to Hand and Arm Vibration risk.	0.050
Upgrade ICT systems	0.057
Purchase and installation of new PT5 enclosure for air quality monitoring equipment	0.008
Capital requisition from Valuation Joint Board - ICT upgrade	0.003
Total	**0.118**
Annual revenue impact from 2018/19	**0.009**

4.5.3 As is noted at 4.2.5 above the Scottish Government has provided an additional £0.425m of capital funding support for 2017/18. At this point it is assumed that this is applied to the resources side of the capital plan – thereby reducing the value of prudential borrowing required for 2017/18. If Council decides to use this funding in a different way e.g. identifying a capital spend for 2017/18 then this would require the capital plan to be amended to recognise this decision.

4.5.4 As a result of the above the capital funding requirement has been adjusted for re-phasings and the anticipation of approval of the new bids listed at 4.8.2. This is reflected in the Treasury Strategy which is subject of another report to this meeting. The above changes also change the expected level of loan charges to the following from 2017/18 to 2025/26:

2017/18	£11.337m
2018/19	£11.417m
2019/20	£11.638m
2020/21	£12.286m
2021/22	£12.093m
2022/23	£11.804m
2023/24	£11.810m
2024/25	£11.588m
2025/26	£10.880m

4.5.5 In considering capital investment Council requires to consider how affordable planned capital investment is to the Council both in the shorter/medium term and in the longer term. The Council's external auditors have raised concerns around the level of borrowing which the Council currently holds, however analysis (which indicates that the Council is amongst the highest levels of borrowing in Scotland) includes the significant HRA investment in achieving SHQS. When considering the General Fund alone (excluding PPP) the latest available Scottish Government figures show West Dunbartonshire as having the 9th lowest debt per head of population in Scotland.

4.5.6 As was reported to Council on 24 February 2016, in the years leading up to the development of the longer term approach to capital planning the Council's level of investment in its General Fund assets was low as evidenced, for example, in the spend required to bring the schools estate to an acceptable standard. The current capital plan shows a cluster of planned spend concentrated from 2016/17 to 2021/22 and then reducing significantly thereafter. In addition to the required capital investment in "backlog" projects the Council has taken a pro-active approach to regeneration with two significant projects valued at over £40m over the next few years.

4.5.7 As was reported to Council on 24 February 2016, in considering affordability it is suggested that a key measure is not the value of borrowing, but the impact of the borrowing on future revenue streams. This aspect of borrowing is identified in the Council's Treasury Strategy and is considered when setting this strategy each year. The Strategy (which is a separate paper to be reported to this council) covers the period 2017/18 to 2025/26 and shows the ratio of cost of borrowing : net revenue stream ranging between 9.36% in 2017/18 and 10.41% in 2020/21.

4.5.8 The above reflects the current to medium-term picture and we must consider the impact of new borrowing into future years. Projections of this indicator for the Council show that at its peak (based on the attached draft refreshed capital plan) the PI will be 11.91% in 2037/38. Clearly there are numerous variables between now and that future date, such as future levels of investment; future levels of Scottish Government capital funding support; rates of interest at which borrowing is secured; and whether Councils will have the ability to vary their own revenue streams (i.e.

unfreezing of Council Tax or any successor). The current model assumes revenue streams as at current levels; interest rates for ongoing borrowing at current low levels; and government capital support remaining at current levels (taking into account re-profiling of grant from 2016/17 to future years).

4.5.9 In terms of affordability of the proposed plan it is the view of the CMT that the plan is affordable, though clearly will have revenue implications for future years, these will require to be planned for in the normal manner through long term financial strategies and budget planning processes.

4.6 Council Tax on Second Homes

4.6.1 Currently a 10% discount from council tax is available to properties classed as the owners second home**.** However, the Scottish Government has introduced legislation (The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016) comes into force on 1 April 2017; whereby the Council can remove the 10% discount from council tax and for the additional monies to be retained by the Council.

4.6.2 In terms of the legislation, a second home is a property which is not the owner's sole or main residence, but is furnished and lived in by them for at least 25 days during any 12 month period. Within West Dunbartonshire there are currently 74 properties which are classed as a second home where the owners receive a 10% discount on the council tax.

4.6.3 Based on this number of properties, removing the 10% discount would generate an income of approximately £0.013m per year. It is recommended that Council approves the removal of this discount.

4.7 Non-Domestic Rates – Extension of Local Discretionary Relief

4.7.1 Section 140 of the Community Empowerment (Scotland) Act 2015 inserted a new section into the Local Government (Financial Provisions etc.) (Scotland) Act 1962 and provides Councils with the power to implement a scheme to reduce or remit any rates levied for the year 2015/16 onwards until the Council determines that the scheme should end. Though the legislation had been previously approved, the Scottish Government did not issue guidance on it until 15 July 2016 which advised that the scheme came into force in October 2015 and could be back-dated to April 2015.

4.7.2 The stated purpose of this legislative change is to generate more economic activity in Council areas, however as the extension option is discretionary any such policy agreed would require to be 100% funded by the Council.

4.7.3 If agreeing such a scheme, Members would need to consider the terms on which any new scheme should be established, namely:

(1) on a Sector specific basis – for example, a relief scheme aimed at attracting new businesses in to the area or aimed at a particular type of business such as engineering, tourism or life sciences etc; and/or

(2) on a geographical basis – relief targeted at locations, such as specified areas within town centres where the impact of increased retail or other activity can make most difference.

4.7.4 As stated above any such additional discretion requires to be 100% funded by the Council and in agreeing to such a scheme the Council must take into account financial circumstances and the interests of persons liable to pay council tax.

4.7.5 State Aid rules could be an issue in relation to any extension of the discretionary reliefs that we provide. Currently we require businesses to declare other public sector assistance in excess of €200,000 over a rolling 3 year period (the de minimis limit for State Aid) and confirm exactly how much aid has been received on certain relief applications.

4.7.6 Economic Regeneration considerations of such a scheme have been discussed with Strategic Lead – Regeneration, Environment and Growth and the general view is that whilst there could be advantages in introducing such a scheme, it is not clear that such a sectoral approach would be appropriate within the wider West Dunbartonshire economy without some detailed consideration as to the potential impacts, both intended and unintended.

4.7.7 A rates revaluation is currently underway – to be implemented from 1 April 2017 and it is very likely that rateable values in shopping centres and high streets are likely to fall, possibly significantly. On this basis it is suggested that this option should be considered at a later date. In addition, it is not clear as to what the full impact of the revaluation will be and therefore what the possible cost of such discretionary relief to the Council might be following this change.

4.7.8 At this stage, due to the issues noted above, it is recommended that this option to extend discretionary rates relief is not approved at this time, and that a full report be provided to a future meeting of the Infrastructure, Regeneration and Economic Development Committee which considers all issues in greater detail.

4.8 Pay Position

The draft budget position reported at 3.5 above includes an assumption that the pay award over the next three financial years will be at 1%. Recent discussions between the Trades Unions and Council negotiators have indicated that the actual cost may be around 1.2%. If this is the case then this has an additional cost to the Council of around £0.300m in 2017/18 and increases the gaps over the next three years. It is recommended that the budget is increased to take account of this potential increase in assumption; with the following effect over the next three years:

- 2017/18 £0.300;
- 2018/19 £0.306m; and
- 2019/20 £0.312m.

4.9 Apprenticeship Levy

The draft budget presented in October 2016 assumed that the net effect on the Council of the implementation of the Apprenticeship Levy was nil. In the budgetary assumptions made in the report to Council on 26 October 2016 the assumption was made that the Scottish Government would return the same value of levy to Councils as was paid to Councils to allow Councils to continue with work to support apprenticeship programmes. Since then the Scottish Government has stated that there would be no direct funding allocated back to Councils. It is therefore not clear as to what level of funding the Council will be able to gain access to, and at this stage the prudent assumption is that none of the levy will be returned. The estimated value of levy for 2017/18 is around £0.680m.

4.10 Update of Budgetary Control Position 2016/17

Since the last Council meeting in December 2016 officers have produced an updated budgetary control position for 2016/17. A separate report on this subject is submitted to this meeting and shows a projected year-end favourable position of £2.023m.

4.11 Review of Provisions and Reserves

4.11.1 Officers have reviewed the required Equal Pay provision and have identified, following a settlement with the Trades Unions, that the provision can be reduced from the position held within the accounts at 31 March 2016 by £0.900m. This can be added to the unearmarked reserves of the Council.

4.11.2 The provision for the costs of voluntary severance/early retirement are held to assist the Council finance ongoing downsizing of the workforce with a view to ongoing anticipated reductions in Scottish Government funding in future years, as is reflected in the projections to 2019/20. The figure held at the end of 2015/16 was £2.400m. This has been reviewed and of the £2.400m, it is anticipated that £1.500m will be used in 2016/17 leaving £0.900m. In order to meet expected costs arising from planned changes in staffing levels then the provision required going forward has been assessed as £1.800m and therefore a top-up of this provision of £0.900m is required from reserves.

4.11.3 A revised Prudential Target of £4.054m for 2017/18 was reported to Members at the Council meeting on 26 October 2016. Following the various changes to funding, etc noted in this report the Prudential Target has now been calculated as £4.104m. The target is calculated based upon anticipated levels of Council spend, net of requisitions.

In considering the target and the policy and reserves of the WDC HSCP, as the Council's contribution to the HSCP is seen as a requisition, then at the end of 2015/16 the HSCP had insufficient reserves to have a material impact on the Council's consideration. However, at the end of 2016/17 it is anticipated that the HSCP will have a significant reserve in excess of the prudential target set by the HSCP's reserves policy. As a result of this the Council's prudential target could be adjusted to take account of the HSCP expected position at 31 March 2017. However in terms of future risk and financial pressures that are anticipated within the HSCP and seeking to ensure a stable position for the Council it is considered to be prudent at this time to retain the Council's prudential target at £4.104m. This position will be reviewed each year to ensure risk to the Council is considered and taken into account in considering the level of prudential target.

4.11.4 Should Members identify additional growth options to be funded from reserves, then the Prudential Reserve level should be considered. This level of free reserves is considered to be the free reserve level which the Council should not plan to be below.

4.11.5 In addition, our external auditors in their annual report following the audit of the Council's accounts for 2015/16, identified that the Council has low levels of reserves compared to other Councils in Scotland, and suggested that Members would wish to consider this position. It would be possible to increase the level of reserve in the Council's prudential policy to be higher than 2%. In order to do so would require additional savings to be made.

4.11.6 Officers have revised the reserves and provisions since October 2016 and the updated position is as follows:

Reserves	**£m**
Reserves as at 31/03/16	11.203
Earmarked Reserves at 31/03/16	6.515
Unearmarked Reserves at 31/03/16	**4.688**
Budgetary control projection 2016/17	2.023
Council Decisions: Use of reserves 2016/17	-0.087
Top-up of Voluntary Service Provision	-0.900
Release of funds from Equal Pay Provision	0.900
Projected Unearmarked Reserves at 31/03/17	**6.624**
Projected Earmarked at 31/03/17	**1.494**
Prudential Target for 2017/18	4.104
Revised Free Unearmarked Reserves	**2.520**

Provisions – Projection for 31/03/17

Equal Pay	1.185
Voluntary Severance/ Early Retirement	1.800
	2.985

4.12 Summary of Changes to Budget Gap and Net Council Budget
The following table provides a summary of the updated budget gaps for 20/17/18 to 2019/20 based on the various issues identified in this report.

Description and report reference	**17/18 (£m)**	**18/19 (£m)**	**19/20 (£m)**
Gaps per December 2016 report (3.5)	2.196	5.298	8.965
Budget updates (4.1)	0.367	0.294	0.294
Settlement Updates (4.2)	-2.224	0.070	0.070
HSCP Funding assumption adjustment (4.3)	-1.142	-1.142	-1.142
Capital Plan Update (4.8.1)	0.257	0.351	0.190
Capital Growth bids (4.8.2)	0.000	0.009	0.009
Council Tax on Second Homes recommendation (4.9)	-0.013	-0.013	-0.013
Pay Position (4.11)	0.300	0.306	0.312
Apprenticeship Levy (4.12)	0.680	0.680	0.680
Updated Gaps	**0.421**	**5.853**	**9.365**
Gaps if no savings in 2017/18	**n/a**	**6.274**	**9.786**

As a result of all changes since the draft budget for 2017/18 was presented to Council in October 2016 the net budget position changes to £211.764m with total funding of £211.343m, leaving a gap of £0.421m.

Revenue Estimates 2018/19 and 2019/20

4.13 In order to continue to meet the Council's desire to identify and plan for medium term budgets and issues, indicative budgets for the following two years have been prepared which assume the same level of service as implicit within the 2017/18 budget along with further appropriate burdens.

4.14 It should be noted that the Scottish Government has provided a one-year settlement covering 2017/18 only and assumptions have been updated for settlement levels in 2018/19 and 2019/20. These assumptions reflect the view that the impact of ongoing austerity measures and current Scottish Government policies in, for example, protecting other areas of public services will result in ongoing reductions to the settlement for the Council.

4.15 Members are required to agree a balanced budget for the next financial year and may wish to consider and agree on options which will reduce the forecast gaps for 2018/19 and 2019/20.

4.16 It is recognized by officers that Members, at the December 2016 Council meeting, expressed a desire to balance the budget for 2017/18 by utilizing reserves. If such a decision is reached and no savings are agreed by Council then the gaps for 2018/219 and 2019/20 will be £5.914m and £9.426m.

5. People Implications

5.1 The potential staffing implications may relate to:

- the management adjustments which were reported to Council on 26 October 2016 and 21 December 2016; and
- any of the savings options identified by the CMT which Council decides to implement.

5.2 Any staffing implications as a result of the implementation of the management adjustments and any savings options agreed are subject to ongoing consultation in conjunction with the Trade Unions and in line with the Council's Switch Policy (Organisational Change).

6. Financial and Procurement Implications

6.1 The financial implications are as detailed within the report and Appendices. There are no direct procurement implications from this report.

7. Risk Analysis

7.1 The Council, in setting this budget, is required to give due regard to the significant financial pressures facing the Council in the medium term. By setting a budget for 2017/18 with no savings applied will put significant pressure on Council to find cost reductions to balance the budget in 2018/19.

7.2 In terms of the capital plan the main financial risks relate to:

i) whether inflation increases construction costs resulting in plans requiring to be reviewed upwards;
ii) site investigations results potentially impacting on the realisation of anticipated capital receipts;
iii) ensuring that savings identified and to be used to fund prudential borrowing are achieved; and
iv) longer-term affordability requires to be considered in determining appropriate levels of capital funding.

Ongoing budgetary control processes will monitor the above issues and any problems will be reported to a future Council meeting for consideration.

8. Equalities Impact Assessment

8.1 Equality impact assessments (or screenings, where appropriate) of each management adjustment and savings option referred to has been carried out within the relevant department (with action noted where necessary), detail of which is available as background papers.

9. Consultation

9.1 All services have been fully involved in the process to build up the budget projections. Colleagues in both legal and finance teams have also been consulted in respect of the report and its appendices. The Chief Officer and s95 Officer of the HSCP have been consulted in relation to the position of the Council's contribution to the HSCP in 2017/18.

9.2 Consultation has taken place at an organisational level with the Trades Unions through the Employee Liaison Group and at a Departmental level through the Departmental JCCs.

10. Strategic Assessment

10.1 Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan.

10.2 The General Services revenue budget contributes to all categories by providing funding in specific areas to help the Council achieve and develop these priorities.

Stephen West
Strategic Lead - Resources
Date: 15 February 2017

Person to Contact: Stephen West, Strategic Lead - Resources
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Tel: (01389) 737191.
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Appendices:
1: Capital Plan 2016/17 – Projection of spend
2: Capital Plan Update – Spend
3: Capital Plan Update – Resources

Background Papers: Report to Council: 26 October 2016 – Long Term Financial Strategy Refresh and General Services and

Housing Revenue Account Revenue Estimates Update 2017/18 to 2019/20;

Report to Council: 21 December 2016: General Services Budget Preparation 2017/18 to 2019/320 – Budget Update

Letter from Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy dated 16 December 2016;

Letter from Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy dated 27 December 2016;

Letter from Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy dated 2 February 2017; and

Equalities Impact Assessment/ Screening.

Wards Affected: All

Capital Projects Forecast Outturn and Slippage 2016/17

Resources	**Budget £000's**	**Forecast Outturn £000's**	**Slippage £000's**	**Over / (Under) Recovery £000's**
Resources Carried Forward - non cash	529	177	354	2
General Services Capital Grant	7,500	7,492	0	(8)
Ring Fenced Government Grant Funding	1,578	1,948	1,222	1,592
Match-funding/other grants & contributions	4,589	824	3,810	45
Anticipated Capital Receipts	6,914	604	5,079	(1,231)
Prudential Borrowing	85,453	65,486	20,191	224
CFCR	414	414	0	0
TOTAL	**106,977**	**76,945**	**30,656**	**624**

Expenditure

Transformation and Public Service Reform

Strategic Lead - Resources

Agresso	14	6	8	0
Electronic Insurance System	13	13	0	0
Valuation Joint Board	25	25	0	0

Strategic Lead - Regulatory

Antonine Wall	43	34	9	0
E Building Standards	15	15	0	0

Strategic Lead - People and Transformation

ICT Modernisation / Infrastructure - ICT	1,722	1,722	0	0
Workforce Management System	15	1	14	0
ICT Security and DR	156	156	0	0
Free wi-fi in libraries, new care homes and one stop shops	18	18	0	0

Strategic Lead - Communications, Culture and Technology

New Intranet CMS (Content Management System.)	4	4	0	0
CCS ICT Upgrade	11	11	0	0
Upgrade of Clydebank Library	500	400	100	0
Civic Heart Works	63	63	0	0
Automated Switchboard Technology	40	40	0	0

Strategic Lead - Education, Learning and Attainment

Bonhill and Goldenhill New Builds	88	91	0	3
Kilpatrick School - New Build	5,654	5,654	0	0
OLSP - New Build	250	780	200	730
Aitkenbar PS, St Peters PS, Andrew Cameron EE&CC co-location	3,405	3,373	32	0
New Balloch Campus	8,091	4,488	3,603	0
Lennox PS and St Ronans' PS	306	306	0	0
Schools Estate Refubishment	4,619	4,619	0	0
Children and young persons / Early Years	1,989	507	1,482	0
Choices Programme	750	2	748	0
Invest in Chromebooks for Schools	250	256	0	6

Regeneration, Environment and Growth

Strategic Lead - Environment and Neighbourhood

Flood Study Funding - Knowles, Gruggies & Leven	124	124	0	0
Clydebank Crematorium	94	141	0	47
Auld Street Clydebank - Bond	287	50	237	0
Infrastructure - Flooding	100	100	0	0
Infrastructure - Roads	2,172	2,172	0	0
Vehicle Replacement	2,225	1,295	930	0
WD Leisure Trust	6	6	0	0
Gruggies Burn Flood Prevention Scheme	524	55	469	0

New Clydebank Leisure Centre	15,222	15,222	0	0
New Dumbarton Cemetery	140	140	0	0
Kilmaronock Cemetery Extension	225	30	195	0
Vale of Leven Cemetery Extension	561	100	461	0
North Dalnottar Cemetery Extension	18	21	0	3
Cycling, Walking and Safer Streets	68	68	0	0
Energy efficient street lighting apparatus	500	500	0	0
A814 Castle Street Junction Phase 2	14	14	0	0
Levengrove Park	3,411	50	3,361	0
SPT	145	145	0	0
Footways/Cycle Path upgrades	114	114	0	0
Turnberry Homes	7	7	0	0
John Muir Trail	30	30	0	0
Sports Facilities Upgrades	186	186	0	0
Posties Park Hub	1,677	40	1,637	0
Clydebank Community Sports Hub	1,192	97	1,095	0
Flood Risk Management	350	350	0	0
Strathleven Park and Ride Car Park	425	140	145	(140)
Community Sports Facilities - Holm Park	500	30	470	0
Community Sports Fund	1,029	529	500	0
Introduction of Staff Pool Cars at Aurora House	140	120	0	(20)
Public non adopted paths and roads	157	157	0	0
Bereavement Services Office Conversion	130	30	100	0
Street Lighting and asssociated electrical infrastructure	500	500	0	0
Environmental Improvement Fund	675	510	165	0
Allotment Development	400	0	400	0
Community Capital Fund	2,490	963	1,527	0
Free School Meals	200	200	0	0
Cashless Catering	55	55	0	0
Strategic Lead - Housing and Communities				
Integrated Housing Management System	604	229	375	0
Working4U Client Tracking System	25	25	0	0
Invest in "Your Community Initiative"	500	250	250	0
Strategic Lead - Regeneration				
Building Upgrades and H&S	3,848	3,648	200	0
Regeneration/Local Economic Development	2,087	846	1,241	0
Exxon City Deal	508	300	208	0
Queens Quay	9,378	2,329	7,049	0
Regeneration Fund	1,000	0	1,000	0
Office Rationalisation	11,239	9,278	1,961	0
Pappert Woodland Wind Farm	294	50	244	0
New Dalmonach Community Centre and Nursery	50	50	0	0
121/125 Main Street Alexandria Restatement	72	88	0	16
Energy projects	8	16	0	8
Change of heating fuel- schools	198	190	0	(8)
Leisure Energy projects	277	37	240	0
Oil to gas- 16/17	93	93	0	0
Solar panel installation 16/17	125	125	0	0
36-38 Bank Street, Alexandria	25	25	0	0
Medical Centre, Alexandria	56	56	0	0
Health and Social Care Partnership				
Service Redesign Bruce Street	11	0	0	(11)
Aids & Adaptations	678	678	0	0
Replace Elderly Care Homes and Day Care Centres	9,245	9,245	0	0
Direct Project Support				
Direct Project Support	2,512	2,512	0	0
Capital Contingency Fund	10	0	0	(10)
TOTAL	**106,977**	**76,945**	**30,656**	**624**

Capital Plan - Identification of Anticipated Resources

	Actual	Forecast				Budget							
	2013/14 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000's	Project Life Financials £000's
Resources Carried Forward - non cash	**2,191**	**177**	**354**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**531**	**2,835**
General Services Capital Grant	**6,480**	**7,492**	**9,824**	**10,233**	**10,233**	**8,773**	**8,388**	**8,388**	**8,388**	**8,388**	**8,388**	**88,495**	**115,204**
Ring-fenced Government Grant funding	**1,708**	**1,948**	**1,162**	**7,611**	**6,966**	**5,498**	**7,433**	**5,283**	**2,436**	**123**	**123**	**38,584**	**41,621**
Scottish Government													
Dumbarton Academy	1,528	0	0	0	0	0	0	0	0	0	0	0	1,528
Gruggies Burn Flood Prevention Scheme	0	0	0	6,000	6,000	0	0	0	0	0	0	12,000	12,000
Cycling, Walking, Safer Streets	97	98	123	106	106	123	123	123	123	123	123	1,172	1,536
Clydebank Community Sports Hub	0	1,000	0	0	0	0	0	0	0	0	0	1,000	1,000
Exxon City Deal - grant allocation applied to city deal project	0	258	802	540	481	0	0	0	0	0	0	2,081	2,246
Exxon City Deal - accrued grant	0	0	237	965	379	5,375	7,310	5,160	2,313	0	0	21,739	21,739
Exxon City Deal - grant applied to non city deal projects	0	0	0	0	0	0	0	0	0	0	0	0	55
Hub West													
Bellsmyre Schools Project	0	0	0	0	0	0	0	0	0	0	0	0	592
Leisure Centre	0	0	0	0	0	0	0	0	0	0	0	0	250
Scottish Futures Trust													
Pilot re 4th Floor Office	83	0	0	0	0	0	0	0	0	0	0	0	83
Balloch Campus	0	592	0	0	0	0	0	0	0	0	0	592	592
Match-funding/other grants & contributions	**1,068**	**824**	**4,705**	**80**	**30**	**30**	**330**	**330**	**30**	**480**	**930**	**7,769**	**13,833**
Scottish Government													
Vale of Leven Workshops	0	0	0	0	0	0	0	0	0	0	0	0	900
River Leven	0	0	0	0	0	0	300	300	0	0	0	600	600
Sustrans													
Footways/Cycle Path upgrades	114	44	30	30	30	30	30	30	30	30	30	314	634
SPT													
Recurring	693	145	0	0	0	0	0	0	0	0	0	145	2,359
Strathleven	0	70	0	0	0	0	0	0	0	0	0	70	70
A813 Road Improvement Phase 1	0	0	0	0	0	0	0	0	0	450	450	900	900
A813 Road Improvement Phase 2	0	0	0	0	0	0	0	0	0	0	450	450	450
Historic Scotland													
New Dumbarton Offices	0	250	200	50	0	0	0	0	0	0	0	500	500
Heritage Lottery Fund													
Levengrove Park	0	0	2,800	0	0	0	0	0	0	0	0	2,800	2,863
Antonine Wall	0	0	0	0	0	0	0	0	0	0	0	0	0
Dalmuir Park	20	0	0	0	0	0	0	0	0	0	0	0	195
Sports Scotland													
Argyll Park	0	0	0	0	0	0	0	0	0	0	0	0	250
Gartocharan MUGA	0	0	0	0	0	0	0	0	0	0	0	0	55
Posties Park Sports Hub	0	0	500	0	0	0	0	0	0	0	0	500	500
Clydebank Community Sports Hub	0	0	500	0	0	0	0	0	0	0	0	500	500
Recurring	127	0	0	0	0	0	0	0	0	0	0	0	127

Capital Plan - Identification of Anticipated Resources

	Actual	Forecast					Budget						
	2013/14 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000's	Project Life Financials £000's
Others													
OLSP - SFT	0	63	0	0	0	0	0	0	0	0	0	63	1,654
Gaelic Athletic Association - CCSH	0	0	300	0	0	0	0	0	0	0	0	300	300
The Robertson Trust - CCSH	0	0	20	0	0	0	0	0	0	0	0	20	20
Scottish Rugby Union - CCSH	0	0	40	0	0	0	0	0	0	0	0	40	40
Cashback for Communities Fund -CCSH	0	0	150	0	0	0	0	0	0	0	0	150	150
EB Scotland (Landhill) - CCSH	0	0	20	0	0	0	0	0	0	0	0	20	20
Clydebank Community Sports Hub	0	0	100	0	0	0	0	0	0	0	0	100	100
Clydebank A814 Queens Quay	0	8	0	0	0	0	0	0	0	0	0	8	8
Dumbarton Castle Walkway	0	10	0	0	0	0	0	0	0	0	0	10	10
Contribution towards footway works, Garshake Rd	0	0	0	0	0	0	0	0	0	0	0	0	50
Electric Vehicle Charging	48	0	0	0	0	0	0	0	0	0	0	0	74
Income - Dumbarton Rock & Castle Design Charette	0	0	0	0	0	0	0	0	0	0	0	0	15
Income Clydebank Design Charette	0	0	0	0	0	0	0	0	0	0	0	0	15
ICT Modernisation Fund Flexible Working Income	3	0	0	0	0	0	0	0	0	0	0	0	3
Alexandria Shopfronts Improvements	7	0	0	0	0	0	0	0	0	0	0	0	9
Insurance Receipts	0	83	0	0	0	0	0	0	0	0	0	83	142
HRA Contribution re Dalmuir Works		125										125	125
West Thompson Playpark Developer Contribution		24										24	24
Match funding re Community Capital Fund - Crown Ave/Second Ave			30									30	30
Match funding re Community Capital Fund - Community Park HCI			15									15	15
Overtoun Estates	0	0	0	0	0	0	0	0	0	0	0	0	123
Cashback for Communities Fund - East End Park	0	0	0	0	0	0	0	0	0	0	0	0	150
Keil School Planning Gain	0	0	0	0	0	0	0	0	0	0	0	0	23
SFA - East End Park	0	0	0	0	0	0	0	0	0	0	0	0	25
Glasgow Airport Flightpath Fund - Antonine Wall	0	0	0	0	0	0	0	0	0	0	0	0	0
SANDS Contrubution Towards New Dumbarton Cemetary	0	0	0	0	0	0	0	0	0	0	0	0	2
Fine Art Conservation Programme	4	0	0	0	0	0	0	0	0	0	0	0	109
Balloch Library Upgrade - Wheatley Group	0	0	0	0	0	0	0	0	0	0	0	0	0
Contribution Towards Fencing at Gavinburn PS	0	0	0	0	0	0	0	0	0	0	0	0	1
Save the Children - Faifley Play Area	10	0	0	0	0	0	0	0	0	0	0	0	10
ICT Modernisation Fund Flexible Working Income	0	0	0	0	0	0	0	0	0	0	0	0	4
John Muir Trail	0	2	0	0	0	0	0	0	0	0	0	2	9
East Thompson Play Park	28	0	0	0	0	0	0	0	0	0	0	0	28
Bowling Basin	15	0	0	0	0	0	0	0	0	0	0	0	15
Balloch Charette Income	0	0	0	0	0	0	0	0	0	0	0	0	21
Civic Heart Income	0	0	0	0	0	0	0	0	0	0	0	0	-353
Forestry Commission WIAT	-1	0	0	0	0	0	0	0	0	0	0	0	-41
Capital Receipts excluding from proposed projects	**323**	**604**	**10,863**	**1,960**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**20,427**	**21,789**
Specific Capital Receipts on proposed projects	**0**	**0**	**4,519**	**3,860**	**2,430**	**1,500**	**1,900**	**1,875**	**2,125**	**2,000**	**2,400**	**22,609**	**22,609**

Capital Plan - Identification of Anticipated Resources

	Actual	Forecast					Budget						
	2013/14 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000's	Project Life Financials £000's
Prudential Borrowing	**13,203**	**100,271**	**36,071**	**17,701**	**11,157**	**9,754**	**10,366**	**10,688**	**65**	**65**	**65**	**196,202**	**257,269**
Previously Approved Borrowing	10,290	0	0	0	0	0	0	0	0	0	0	0	11,415
Prudential Borrowing Identifed from Project Savings	206	36,381	20,210	8,812	5,538	4,035	826	285	65	65	65	76,281	101,953
Additional Prudential Borrowing Agreed February 2013	2,275	9,942	5,015	17,928	17,198	13,780	11,641	10,228	0	0	0	85,732	102,161
Community Capital Fund Agreed February 2013	432	425	0	0	0	0	0	0	0	0	0	425	1,500
Community Leisure Fund Agreed February 2014	0	634	0	0	0	0	0	0	0	0	0	634	1,000
Roads Upgrades Agreed February 2014	0	0	0	0	0	0	0	0	0	0	0	0	1,000
Additional Prudential Borrowing Agreed February 2014	0	-2,502	10,110	-1,811	-9,655	0	0	0	0	0	0	-3,858	13,954
Additional Prudential Borrowing Agreed February 2015	0	55,391	736	-7,228	-1,924	-8,061	-2,101	175	0	0	0	36,988	24,286
Funded from Revenue	**3,633**	**414**	**242**	**242**	**242**	**242**	**242**	**242**	**242**	**242**	**242**	**2,592**	**8,652**
Total - all	**28,606**	**111,730**	**67,740**	**41,687**	**32,058**	**26,797**	**29,659**	**27,806**	**14,286**	**12,298**	**13,148**	**377,208**	**483,812**
Summary of Detail Above													
Resources held on Balance Sheet	2,191	177	354	0	0	0	0	0	0	0	0	531	2,835
General Capital Grant	6,480	7,492	9,824	10,233	10,233	8,773	8,388	8,388	8,388	8,388	8,388	88,495	115,204
Ring Fenced Capital Grant	1,708	1,948	1,162	7,611	6,966	5,498	7,433	5,283	2,436	123	123	38,584	41,621
Match-funding	1,068	824	4,705	80	30	30	330	330	30	480	930	7,769	13,833
Capital Receipts not related to proposed projects	323	604	10,863	1,960	1,000	1,000	1,000	1,000	1,000	1,000	1,000	20,427	21,789
Capital Receipts on proposed projects	0	0	4,519	3,860	2,430	1,500	1,900	1,875	2,125	2,000	2,400	22,609	22,609
Previously Approved Borrowing	10,290	0	0	0	0	0	0	0	0	0	0	0	11,415
Prudential Borrowing - funded from project savings	206	36,381	20,210	8,812	5,538	4,035	826	285	65	65	65	76,281	101,953
Prudential Borrowing Agreed February 2013	2,275	9,942	5,015	17,928	17,198	13,780	11,641	10,228	0	0	0	85,732	102,161
Community Capital Fund Agreed February 2013	432	425	0	0	0	0	0	0	0	0	0	425	1,500
Community Leisure Fund Agreed February 2014	0	634	0	0	0	0	0	0	0	0	0	634	1,000
Roads Upgrades Agreed February 2014	0	0	0	0	0	0	0	0	0	0	0	0	1,000
Prudential Borrowing Agreed February 2014	0	-2,502	10,110	-1,811	-9,655	0	0	0	0	0	0	-3,858	13,954
Prudential Borrowing Agreed February 2015	0	55,391	736	-7,228	-1,924	-8,061	-2,101	175	0	0	0	36,988	24,286
Revenue contributions	3,633	414	242	242	242	242	242	242	242	242	242	2,592	8,652
	28,606	**111,730**	**67,740**	**41,687**	**32,058**	**26,797**	**29,659**	**27,806**	**14,286**	**12,298**	**13,148**	**377,208**	**483,812**
Prudential Borrowing - funded from revenue efficiencies	0	-34,785	11,845	4,331	7,750	9,373	-7,077	-8,867	762	1,073	3,103	-12,491	-12,491
Total Resource required to fund recommendations	**28,606**	**76,945**	**79,585**	**46,018**	**39,808**	**36,170**	**22,582**	**18,939**	**15,048**	**13,371**	**16,251**	**364,718**	**471,321**

General Services Capital Plan

	Forecast					Budget						
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000	Project Life Financials £000
Recurring Budgets												
Aids & Adaptations	678	655	655	655	655	655	655	655	655	655	6,573	8,638
Building Upgrades and H&S	3,648	3,190	3,090	3,090	3,090	3,090	3,090	3,090	3,090	3,090	31,558	37,656
ICT Modernisation / Infrastructure - ICT	1,722	613	922	575	625	625	625	625	625	625	7,582	12,950
ICT Core Infrastructure/ ICT Security & DR	0	0	200	200	482	500	1,000	0	0	0	2,382	2,382
Infrastructure - Flooding	100	100	100	100	100	100	100	100	100	100	1,000	1,753
Infrastructure - Roads	2,172	2,580	2,580	3,180	3,180	3,180	3,180	3,180	3,180	3,180	29,592	37,111
Vehicle Replacement	1,295	1,033	3,831	493	1,363	631	218	1,300	1,300	1,300	12,764	17,736
Regeneration/Local Economic Development	846	2,241	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	11,087	14,360
Direct Project Support	2,512	2,682	2,682	2,562	2,512	1,308	1,308	1,308	1,308	1,308	19,490	25,846
Transformation and Public Service Reform												
Strategic Lead - Resources												
Northgate	0	0	0	0	0	0	0	0	0	0	0	21
CIVICA Upgrade	0	0	0	0	0	0	0	0	0	0	0	19
Civiva Corporate Fraud Module Upgrades	0	0	0	0	0	0	0	0	0	0	0	14
Agresso Upgrade	6	8	0	0	0	0	0	0	0	0	14	21
Valuation Joint Board	25	0	0	0	0	0	0	0	0	0	25	25
Electronic Insurance System	13	0	0	0	0	0	0	0	0	0	13	50
Strategic Lead - Regulatory												
Contaminated Land	0	0	0	0	0	0	0	0	0	0	0	68
Securing Comms with un-trusted 3rd Parties	0	0	0	0	0	0	0	0	0	0	0	13
Contaminated Land Prioritisation Software	0	0	0	0	0	0	0	0	0	0	0	15
Environmental Monitoring Equipment	0	0	0	0	0	0	0	0	0	0	0	2
E Building Standards	15	0	0	0	0	0	0	0	0	0	15	101
Noise Monitoring Equipment	0	10	0	0	0	0	0	0	0	0	10	16
Air Quality Monitoring	0	0	30	0	0	0	0	0	0	0	30	53
Strategic Lead - People and Transformation												
ICT Helpdesk	0	0	0	0	0	0	0	0	0	0	0	81
Replace/Renew Internet Filtering Product	0	0	0	0	0	0	0	0	0	0	0	26
Security System Upgrade	0	0	0	0	0	0	0	0	0	0	0	16
ICT Security/PSN Compliance	0	0	0	0	0	0	0	0	0	0	0	146
Upgrade of Information Systems	0	0	0	0	0	0	0	0	0	0	0	54
Workforce Management System	1	14	0	0	0	0	0	0	0	0	15	99
ICT Security and DR	156	180	0	0	0	0	0	0	0	0	336	540
Free wi-fi in libraries, new care homes and one stop shops	18	0	0	0	0	0	0	0	0	0	18	18

Appendix 3

General Services Capital Plan

	Forecast					Budget						
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000	Project Life Financials £000
Strategic Lead - Communications, Culture and Technology												
CMIS upgrade	0	0	0	0	0	0	0	0	0	0	0	5
Faifley Library and EDSU upgrades	0	0	0	0	0	0	0	0	0	0	0	28
Capital Spend - Pool Cars	0	0	0	0	0	0	0	0	0	0	0	57
Civic Heart Works	63	0	0	0	0	0	0	0	0	0	63	271
Antonine Wall	34	19	10	0	0	0	0	0	0	0	63	63
New Intranet CMS (Content Management System.)	4	0	0	0	0	0	0	0	0	0	4	33
Customer & Community Services ICT Upgrade	11	0	0	0	0	0	0	0	0	0	11	24
Upgrade of Clydebank Library	400	100	0	0	0	0	0	0	0	0	500	500
Automated Switchboard Technology	40	0	0	0	0	0	0	0	0	0	40	40
Strategic Lead - Education, Learning and Attainment												
Dumbarton Academy - New Build	0	0	0	0	0	0	0	0	0	0	0	9,115
Schools Estate Management	0	0	0	0	0	0	0	0	0	0	0	291
OHR PS Extension	0	0	0	0	0	0	0	0	0	0	0	384
Brock Bowling Club	0	0	0	0	0	0	0	0	0	0	0	39
Kilbowie Primary School - Dining Room and Playground	0	0	0	0	0	0	0	0	0	0	0	78
Pre 5 Establishments	0	0	0	0	0	0	0	0	0	0	0	25
Kilpatrick School - Internal Alterations	0	0	0	0	0	0	0	0	0	0	0	11
St Michael's PS - Upgrade Playing Fields	0	0	0	0	0	0	0	0	0	0	0	8
St Patricks Primary - Extension & Adaptations	0	0	0	0	0	0	0	0	0	0	0	7
Fine Art Conservation Programme	0	0	0	0	0	0	0	0	0	0	0	201
Education ICT	0	0	0	0	0	0	0	0	0	0	0	854
Bonhill and Goldenhill New Builds	91	0	0	0	0	0	0	0	0	0	91	110
Lennox and St Ronan's	306	0	0	0	0	0	0	0	0	0	306	1,581
Schools Estate Improvement Plan	4,619	5,000	8,000	7,000	0	0	0	0	0	0	24,619	25,500
Kilpatrick School - New Build	5,654	870	20	0	0	0	0	0	0	0	6,544	10,487
OLSP - New Build	780	490	10	0	0	0	0	0	0	0	1,280	3,677
Aitkenbar PS, St Peters PS, Andrew Cameron EE&CC	3,373	488	10	0	0	0	0	0	0	0	3,871	10,646
Haldane PS, St Kessog's PS, Jamestown PS & EECC	4,488	10,000	913	0	0	0	0	0	0	0	15,401	16,464
Children and Young Persons / Early Years	507	1,482	0	0	0	0	0	0	0	0	1,989	2,646
Choices Programme	2	748	0	0	0	0	0	0	0	0	750	750
Invest in Chromebooks for Schools	256	0	0	0	0	0	0	0	0	0	256	256
Regeneration, Environment and Growth												
Strategic Lead - Environment and Neighbourhood												
Artizan Bridge - Joint Replacement	0	0	0	0	0	0	0	0	0	0	0	210
Flood Study Funding - Knowles, Gruggies & Leven	124	0	0	0	0	0	0	0	0	0	124	3,907
River Leven Flood Prevention Scheme	0	0	0	0	0	400	400	0	0	0	800	800

General Services Capital Plan

	Forecast					Budget						
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**	**Project Life Financials**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Protective overcoating to 4 over bridges, River Leven	0	0	270	0	270	0	270	0	270	0	1,080	1,080
Gruggies Burn Flood Prevention Scheme	55	469	6,900	7,500	0	0	0	0	0	0	14,924	15,000
Flood Risk Management	350	350	350	350	350	350	350	350	350	350	3,500	3,586
Traffic Signal Upgrading	0	0	0	0	0	0	0	0	0	0	0	138
Energy efficient street lighting apparatus	500	0	0	0	0	0	0	0	0	0	500	5,695
Auld Street Clydebank - Bond	50	237	0	0	0	0	0	0	0	0	287	392
Cycling, Walking and Safer Streets	68	76	76	76	93	93	93	93	93	93	855	1,198
Footways/Cycle Path upgrades	114	100	100	100	100	100	100	100	100	100	1,014	1,555
A814 Castle Street Junction Phase 2	14	0	0	0	0	0	0	0	0	0	14	1,221
SPT	145	0	0	0	0	0	0	0	0	0	145	1,991
Turnberry Homes	7	0	0	0	0	0	0	0	0	0	7	60
Strathleven Park and Ride Car Park	140	145	0	0	0	0	0	0	0	0	285	285
Street Lighting and asssociated electrical infrastructure	500	100	100	100	100	100	100	100	100	100	1,400	2,336
A813 Road Improvement Phase 1	0	0	0	0	0	0	0	0	750	1,575	2,325	2,325
A813 Road Improvement Phase 2	0	0	0	0	0	0	0	0	0	2,325	2,325	2,325
Overtoun Estate Restoration	0	0	0	0	0	0	0	0	0	0	0	124
Dalmuir Park Restoration	0	0	0	0	0	0	0	0	0	0	0	325
Argyll Park	0	0	0	0	0	0	0	0	0	0	0	25
Woodland in and Around Town	0	0	0	0	0	0	0	0	0	0	0	10
Levengrove Park	50	3,361	0	0	0	0	0	0	0	0	3,411	3,623
Zero Waste Fund	0	0	0	0	0	0	0	0	0	0	0	54
Wood Chippers	0	0	0	0	0	0	0	0	0	0	0	38
Skips	0	0	0	0	0	0	0	0	0	0	0	18
Stand-on Mowers	0	0	0	0	0	0	0	0	0	0	0	40
Free School Meals	200	0	0	0	0	0	0	0	0	0	200	200
Electrical Vehicle Charging Infrastructure	0	0	0	0	0	0	0	0	0	0	0	73
Introduction of Staff Pool Cars at Aurora House	120	0	0	0	0	0	0	0	0	0	120	120
WD Leisure Trust	6	0	0	0	0	0	0	0	0	0	6	757
New Clydebank Leisure Centre	15,222	664	0	0	0	0	0	0	0	0	15,886	23,811
New Dalmonach Community Centre and Nursery	50	1,085	15	0	0	0	0	0	0	0	1,150	1,150
Memorial Walls	0	0	0	0	0	0	0	0	0	0	0	10
Cemetery Path Upgrades	0	0	0	0	0	0	0	0	0	0	0	193
Clydebank Crematorium	141	0	0	0	0	0	0	0	0	0	141	1,617
New Dumbarton Cemetery	140	0	0	0	0	0	0	0	0	0	140	1,325
Kilmaronock Cemetery Extension	30	195	0	0	0	0	0	0	0	0	225	225
Vale of Leven Cemetery Extension	100	461	0	0	0	0	0	0	0	0	561	650
North Dalnottar Cemetery Extension	21	0	0	0	0	0	0	0	0	0	21	303
Bereavement Services Office Conversion	30	100	0	0	0	0	0	0	0	0	130	130
East Thompson Playpark	0	0	0	0	0	0	0	0	0	0	0	28
John Muir Trail	30	0	0	0	0	0	0	0	0	0	30	98

General Services Capital Plan

	Forecast					Budget						
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000	Project Life Financials £000
Posties Park Sports Hub	40	1,637	0	0	0	0	0	0	0	0	1,677	1,700
Clydebank Community Sports Hub	97	2,646	224	0	0	0	0	0	0	0	2,967	2,992
Sports Pitch Upgrades	186	220	50	450	50	0	0	0	0	0	956	2,142
Community Capital Fund	963	1,527	0	0	0	0	0	0	0	0	2,490	3,545
Community Sports Fund	529	500	0	0	0	0	0	0	0	0	1,029	1,130
Holm Park	30	470	0	0	0	0	0	0	0	0	500	500
Public non adopted paths and roads	157	150	150	450	450	450	450	450	450	450	3,607	3,750
Invest in creating an Environmental Improvement Fund	510	1,130	0	0	0	0	0	0	0	0	1,640	1,640
Allotment Development	0	400	0	0	0	0	0	0	0	0	400	400
Strategic Lead - Housing and Communities												
Integrated Housing Management System	229	375	0	0	0	0	0	0	0	0	604	624
Invest in "Your Community Initiative"	250	750	0	0	0	0	0	0	0	0	1,000	1,000
Working4U Client Tracking System	25	0	0	0	0	0	0	0	0	0	25	40
Strategic Lead - Regeneration												
Mitchell Way Enhancements	0	0	0	0	0	0	0	0	0	0	0	697
Re-discovering Dumbarton	0	0	0	0	0	0	0	0	0	0	0	69
Alexandria Heart of the Vale	0	0	0	0	0	0	0	0	0	0	0	7
Queens Quay	2,329	12,630	324	0	0	0	0	0	0	0	15,283	15,620
Exxon City Deal	300	1,208	1,750	1,000	6,250	8,500	6,000	2,697	0	0	27,705	27,897
Regeneration Fund	0	800	3,500	2,700	5,400	0	0	0	0	0	12,400	12,400
Asset Management Strategic Priorities	0	0	0	0	0	0	0	0	0	0	0	589
Fire Risk Physical & Remedial Works	0	0	0	0	0	0	0	0	0	0	0	19
Milton Community Facility	0	0	0	0	0	0	0	0	0	0	0	9
Heating Upgrades	0	0	0	0	0	0	0	0	0	0	0	288
Window Replacements	0	0	0	0	0	0	0	0	0	0	0	74
External Upgrades Slippage	0	0	0	0	0	0	0	0	0	0	0	47
Internal Upgrades - Slippage	0	0	0	0	0	0	0	0	0	0	0	40
Health & Safety Reactive	0	0	0	0	0	0	0	0	0	0	0	13
Roof Upgrades	0	0	0	0	0	0	0	0	0	0	0	19
Cashless Catering	55	0	0	0	0	0	0	0	0	0	55	146
Depot Rationalisation	0	0	500	6,000	10,000	1,500	0	0	0	0	18,000	18,035
Depot Urgent Spend	0	55	82	0	0	0	0	0	0	0	137	137
Pappert Woodland Wind Farm	50	100	1,500	1,949	100	0	0	0	0	0	3,699	3,699
Office Rationalisation	9,278	8,525	1,500	0	0	0	0	0	0	0	19,303	21,427
Decontamination works to St Eunan's site	0	0	0	0	0	0	0	0	0	0	0	1
121 Main Street, Alexandria - Fire Re- Instatement Works	88	0	0	0	0	0	0	0	0	0	88	89
Energy projects	16	0	0	0	0	0	0	0	0	0	16	121
Change of heating fuel- schools	190	0	0	0	0	0	0	0	0	0	190	446

General Services Capital Plan

	Forecast					Budget						
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**	**Project Life Financials**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Leisure Energy projects	37	240	0	0	0	0	0	0	0	0	277	277
Oil to gas- 16/17	93	0	0	0	0	0	0	0	0	0	93	95
Solar panel installation 16/17	125	0	0	0	0	0	0	0	0	0	125	125
36-38 Bank Street, Alexandria	25	0	0	0	0	0	0	0	0	0	25	25
Medical Centre, Alexandria	56	0	0	0	0	0	0	0	0	0	56	72
Health and Social Care Partnership												
Care Home Development 12/13	0	0	0	0	0	0	0	0	0	0	0	332
Service Redesign Bruce Street	0	0	0	0	0	0	0	0	0	0	0	756
Upgrades to Residential Homes/Day Care Facilities	0	0	0	0	0	0	0	0	0	0	0	119
Upgrades to Residential Units Young People	0	0	0	0	0	0	0	0	0	0	0	55
Alternatives to Care	0	0	0	0	0	0	0	0	0	0	0	19
Replace Elderly Care Homes and Day Care Centres	9,245	6,376	4,574	278	0	0	0	0	0	0	20,473	25,062
Total General Services Capital Programme	**76,945**	**79,585**	**46,018**	**39,808**	**36,170**	**22,582**	**18,939**	**15,048**	**13,371**	**16,251**	**364,718**	**471,321**
Anticipated Resources from Appendix 2	**76,945**	**79,585**	**46,018**	**39,808**	**36,170**	**22,582**	**18,939**	**15,048**	**13,371**	**16,251**	**364,718**	**471,321**

WEST DUNBARTONSHIRE COUNCIL

Report by the Strategic Lead – Resources

Council: 22 February 2017

Subject: Prudential Indicators 2016/17 to 2025/26 and Treasury Management Strategy 2017/18 to 2025/26

1. Purpose

1.1 The purpose of this report is to seek Council approval of the proposed Prudential Indicators for 2016/17 to 2019/20 and Treasury Management Strategy (including the Investment Strategy) for 2017/18 to 2019/20.

1.2 The report also advises Council of the indicative prudential indicators for the period from 2020/21 to 2025/26.

2. Recommendations

2.1 Council is requested to:

(a) Agree the following Prudential Indicators and Limits discussed in Appendix 1 and set out within Appendix 6 for the period 2017/18 to 2019/20:

- Capital Expenditure and Capital Financing Requirements (Tables A and B);
- Forecast and estimates of the ratio of financing costs to Net Revenue Stream (Table C);
- Incremental impact of capital investment decisions on the Band D Council Tax (Table D); and
- Incremental impact of capital investment decisions Housing Rent levels (Table E).

(b) Approve the Treasury Management Strategy for 2017/18 to 2019/20 (including the Investment Strategy) contained within Appendices 2 to 6.

(c) Agree the following Treasury Prudential Indicators and Limits discussed in Appendix 2 and set out within Appendix 6 for the period 2017/18 to 2019/20:

- Operational Boundaries (Table G);
- Authorised Limits (Table H);
- Counterparty Limits (Table K); and
- Treasury Management Limits on Activity (Table M).

(d) Note the draft Prudential and Treasury Management Indicators for the period 2020/21 to 2025/26 discussed in Appendices 1 and 2 and set out within Appendix 6.

(e) Approve the statement by the Section 95 Officer regarding the gross debt level in comparison to the Capital Financing Requirement (Appendix 2 - Point 2.3).

(f) Refer this report to the Audit and Performance Review Committee to ensure further scrutiny takes place.

3. Background

3.1 With the introduction of the Prudential Code, the Council has freedom over capital expenditure so long as it is prudent, affordable and sustainable. In order to show it is working within these limits the Council must approve, revise and monitor a range of prudential indicators covering the forthcoming three years.

3.2 The Council's treasury activities are strictly regulated by statutory requirements (*Code on the Investments of Money by Scottish Local Authorities*) and a professional code of practice (*CIPFA Treasury Management Code of Practice*). The Code requires an annual strategy to be reported to Council in advance of the forthcoming year outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. Further reports are issued as follows:

(a) Mid-year monitoring report on actual treasury activity during the year including revised indicators where appropriate; and

(b) Year-end report on actual treasury activity for the previous year.

3.3 Section 56 of the Local Government (Scotland) Act 1973 Act permits local authorities in Scotland to discharge their functions by committees. Exceptions include setting the council tax (s56 (6) (b)) and borrowing money (s56 (6) (d)), which requires the authority, that is full Council, to discharge. The Section 56 provisions were extended to require Council to approve the Annual Investment Strategy via the *Code on the Investments of Money by Scottish Local Authorities* (issued on 1 April 2010) been issued under section 40 of the Local Government in Scotland Act 2003.

3.4 As a result of Section 56, both the Prudential Indicators and the Treasury Management Strategy (including the Investment Strategy) are required to be approved by full Council before the start of the financial year.

3.5 The CIPFA Treasury Management Code of Practice requires greater Member scrutiny of the treasury polices, increased Member training and awareness and greater frequency of information.

3.6 One of the key clauses is that a responsible body is required to ensure effective scrutiny of the treasury management strategy and polices. Within West Dunbartonshire Council the body identified to fulfil this role is the Audit and Performance Review Committee.

3.7 The proposed and draft Prudential Indicators 2015/16 to 2025/26 and Treasury Management Strategy 2016/17 to 2025/26 should be referred to the Audit and Performance Review Committee once approved by Council to ensure further scrutiny takes place.

4. Main Issues

4.1 The Local Government in Scotland Act 2003 requires Council to adopt the CIPFA Prudential Code and to produce prudential indicators. Audit Scotland produced a report on borrowing during 2015 which suggested councils consider borrowing costs in the longer term. Appendix 6 of this report details the Council's expected year end indicators for 2016/17, revises the indicators for 2017/18 to 2019/20 and projects the indicators to 2025/26, with those for the period 2020/21 to 2025/26 being indicative at this time.

4.2 The calculation for the incremental impact on council tax and housing rents as detailed in Tables D and E have been updated in accordance with the Prudential Code.

4.3 Within this overall prudential framework there is a clear impact on the Council's treasury management activity, either through borrowing or investment activity. As a consequence the treasury management strategy (which includes details of both debt and investment) for 2017/18 to 2025/26 is included in Appendix 6 (with the period 2020/20 to 2025/26 being indicative at this time) to complement the prudential indicators relating to the treasury activity.

4.4 Details of the risks, mitigating controls and limits associated with each of the permitted investment categories are shown in Appendix 3. Credit rating type and definitions are attached as Appendix 4 and a list of approved sovereign countries for investments are attached as Appendix 5.

5. People Implications

5.1 There are no people implications arising from this report.

6. Financial and Procurement Implications

6.1 The prudential indicators detailed in Appendix 6 show the Council's likely and indicative capital financing for the period 2016/17 to 2025/26 while the treasury management indicators detailed in Appendix 6 show the likely borrowing requirement for the same period.

6.2 Table F in Appendix 6 indicates that in each year the gross borrowing requirement (which includes short term borrowing for cashflow purposes) is below the capital financing requirement and does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and following two financial years (Appendix 2 – section 2.1 and 2.2).

6.3 As a key indicator of prudence this illustrates that the Council only undertakes long term borrowing for capital purposes and that over the last few years investment balances have been utilised to fund capital expenditure due to the concerns over the general economic environment and restricted counterparty lists.

6.4 There are no procurement issues arising from this report.

7. Risk Analysis

7.1 There are three main risks associated with the formulation of prudential indicators and the treasury management strategy as detailed in Appendix 1 and 2:

(a) Capital receipts which affect the capital financing and borrowing requirement may not materialise and if this occurs then additional borrowing will be required in order to fund the financing requirement;

(b) The risk of Counterparties default (i.e. loss of principal sum invested) must also be taken into account; however the robust controls included within the investment strategy (Appendix 2 – section 6) will assist in mitigating this risk; and

(c) Capital inflation may increase capital expenditure levels, which in turn may affect the capital financing and borrowing requirement leading to an increase in borrowing, assuming no additional capital receipts are available.

8. Equalities Impact Assessment

8.1 No equalities impact assessment was required in relation to this report.

9. Consultation

9.1 Legal and finance have been consulted in relation to this report and appendices.

10. Strategic Assessment

10.1 Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan. This report forms part of the financial governance of the Council.

Stephen West
Strategic Lead - Resources
Date: 6 February 2017

Person to Contact: Jennifer Ogilvie, Section Head (Strategic Finance and Development), Garshake Road, Dumbarton, Telephone (01389) 737453
Email: Jennifer.ogilvie@west-dunbarton.gov.uk

Appendices:

1 Prudential Indicators 2016/17 to 2025/26
2 Treasury Management Strategy 2017/18 to 2025/26
3 West Dunbartonshire Council and Common Good Funds Permitted Investments, Associated Controls and Limits
4 Counterparty Rating Explanations
5 Approved Countries for Investment
6 Prudential and Treasury Indicators

Background Papers: Treasury Management Strategy – Council 24 February 2016

Wards Affected: All wards affected.

Appendix 1

Prudential Indicators 2016/17 to 2025/26

1. The Capital Expenditure Plans

1.1 The Council's gross capital expenditure plans are summarised in Table A within Appendix 6 and this forms the first of the prudential indicators. Total expenditure is partially funded by resources such as capital receipts, capital grants, etc. Any remaining expenditure which cannot be immediately funded from other resources will form a borrowing need.

1.2 A certain level of capital expenditure will be grant supported by the Government; anything above this level will be funded from the Council's own resources.

1.3 There are two main limiting factors which may impact on the Council's ability to undertake unsupported capital expenditure:

- Whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs; and

- The Government may use a control to limit either the total of all councils' plans nationally, or in the event of an assessment by central government that local plans are unaffordable at a specific council, it may implement a local control. No such control has been implemented since the inception of the prudential code, however, HM Treasury keep this under review.

1.4 The summary of capital expenditure as per the capital plan update reported to Council on 22 February 2017 for General Services and HRA is shown in the table A in Appendix 6. The HRA capital plan refresh extends to 2021/22 with the period from 2022/23 to 2025/26 extracted from the HRA Business Plan for the purposes of Prudential Indicator calculations.

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

2.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing need. The net capital financing need (as indicated in Table A in Appendix 6) impacts directly on the CFR.

2.2 Following accounting changes the CFR includes any other long term liabilities (i.e. PPP schemes, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £86.297m of such schemes within the CFR.

2.3 The CFR projections for both General Services and HRA are shown in table B in Appendix 6 and show that the CFR for the HRA is projected to increase each year from 2016/17 to 2025/26 with the CFR for General Services being anticipated to increase each year from 2016/17 to 2020/21 and then decreasing from 2021/22 to 2025/26 due to reduced levels of projected capital spend.

2.4 The expected impact of the capital expenditure decisions above on the Council's debt and investment position are shown in the treasury strategy (Appendix 2).

3. Affordability Prudential Indicators

3.1 The previous sections cover the overall capital and control of borrowing, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These indicate the impact of the capital investment plans on the overall Council's finances. The Council is asked to approve the following indicators:

3.1.1 Actual and Estimates of the ratio of financing costs to net revenue stream

This indicator is detailed in Table C in Appendix 6, and identifies the trend in financing cost of capital (loan charges and PPP) against the net revenue stream (funding sources e.g. Scottish Government revenue support grant and council tax).

The estimates of financing costs include current commitments and the impact of capital expenditure as per Table A and this indicator shows the percentage of total council revenue expenditure that is spent on repayment of loan charges and PPP capital and interest repayments.

3.1.2 Estimates of the incremental impact of capital investment decisions on the Council Tax

This indicator is detailed in Table D in Appendix 6, and shows the projected impact of current and forecast expenditure levels contained within the GS Capital Plan update compared to the GS Capital Plan last approved by Members.

This indicator shows the increase or decrease for every band D equivalent resulting from the proposed changes to the capital plan based on estimated loan charges.

Taking 2016/17 and 2017/18 as an example, the proposed update to the capital programme requires a lower level of prudential borrowing in 2016/17 than approved by members in September 2016 within the mid year strategy report due to further capital spend re-profiling into 2017/18.

3.1.3 Estimates of the incremental impact of capital investment decisions on Housing

This indicator is detailed in Table E in Appendix 6 and shows the projected impact of current and forecast expenditure levels contained within the HRA Capital Plan update compared to the HRA Capital Plan last approved by Members.

For prudential indicator purposes HRA capital expenditure requires to be aligned to cover the same period as the GS Capital Plan Refresh and therefore estimates for the period 2022/23 to 2025/26 have been extracted from the updated HRA Business Plan.

This indicator is expressed as a discrete impact on weekly rent levels and will invariably include some elements which are estimated in the period to 2025/26.

Appendix 2

Treasury Management Strategy 2017/18 – 2025/26

1. Background

1.1 The treasury management service is an important part of the overall financial management of the Council's affairs. Whilst the prudential indicators in Appendix 1 consider the affordability and impact of capital expenditure decisions, the treasury service covers the effective funding of these decisions. There are specific treasury prudential indicators included in this strategy which need approval.

1.2 The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised November 2011). This Council adopted the revised Code of Practice on Treasury Management on 28 March 2012.

1.3 As a requirement of the Code the Council adopted revised Treasury Management Policy Statement and four Treasury Management clauses on 28 March 2012. These form part of the Council's financial regulations and are also a requirement of one of the prudential indicators.

1.4 The policy requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years, however in line with the longer capital planning process treasury management indicators have been provided (where appropriate) covering the period to 2025/26. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. Further reports are issued as follows:

- Mid year monitoring report on actual activity during the year including revised indicators where appropriate; and
- Year-end report on actual activity for the previous year.

1.5 This strategy covers:

- The Council's debt and investment projections;
- Limits to the Council's borrowing activity;
- The economic climate and expected movement in interest rates;
- The Council's borrowing, debt and investment strategies;
- Treasury performance indicators; and
- Specific limits on treasury activities.

2. The Council's debt and investment projections

2.1 The Council's treasury portfolio position at 31 March 2016, with forward projections are summarised in Table F in Appendix 6 and shows the gross debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any under or over borrowing.

2.2 Within the prudential indicators there are a number of key indicators to ensure 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 2017/18 and following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. This is illustrated by comparing the estimated gross debt as at 31 March 2017 with the CFR as at 31 March 2020.

2.3 **The Section 95 Officer (Strategic Lead - Resources) reports that the Council has complied with this prudential indicator, and no difficulties are envisaged for the current or future years.** This view takes into account the capital plan refresh reports for General Services and HRA.

3. Limits to Borrowing Activity

3.1 The Operational Boundary is detailed in Table G in Appendix 6 and 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.

3.2 The Authorised Limit for External Borrowing – a further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is not allowed to exceed. This needs to be set or revised by Members. 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. This is the statutory limit (Affordable Capital Expenditure Limit) determined under section 35(1) of the Local Government in Scotland 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. The Council is asked to approve the authorised limit detailed in Table H in Appendix 6.

3.3 **Advance Borrowing -** This Council will not borrow more than or earlier than required purely in order to profit from the investment return of the extra sums borrowed. Any decision to borrow in advance 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.

3.3.1 Advance borrowing will only be taken for risk management purposes subject to sound justification. The Section 95 Officer may do this under delegated power where, for instance, a sharp rise in interest rates is expected and so borrowing early at fixed interest rates will be economically beneficial. A cautious approach to any such borrowing will be adopted, however where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities.

3.3.2 Full consideration will be given to balancing investment risks, such as the credit and interest risk resulting from the temporary investment of the sums, against the risk of adverse interest rate movements in addition to the existing debt maturity profile over the medium term.

3.3.3 As required by The Investment Regulations (Code on the Investments of Money by Scottish Local Authorities) which came into force on 1 April 2010 the Council will appraise all risks associated with advance borrowing activity. The Council will fully document the justification for the decision prior to the activity being undertaken, with subsequent reporting either within the mid year or annual reporting mechanism.

4. Prospect for Interest Rates

4.1 The Council has appointed Capita Asset Services (formerly Sector) as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Table I in Appendix 6 gives the Capita Asset Services central view.

4.2 The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August 2016 in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth.

4.3 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The forecast detailed in Table I may be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year.

4.4 The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently, however PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

4.5 Investment and borrowing rates - Investment returns are likely to remain low during 2017/18 and beyond. Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced.

4.6 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt. There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

Borrowing and Debt Strategy 2017/18 – 2025/26

5.1 Table F in Appendix 6 indicates that the Council is currently maintaining an under-borrowed position. This indicates that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with external borrowing which is a mixture of short term and long term debt.

5.2 Against this background and the risk within the economic forecast, caution will be adopted with the 2017/18 treasury operations. The Section 95 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

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

5.4 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 a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

5.5 Any decisions will be reported to Members via the Members Bulletin at the next available opportunity.

6. Investment Strategy

6.1 The Council's investment policy has regard to the Local Government Investment (Scotland) Regulations (and accompanying finance circular). The Council has also adopted both the 2011 revised Treasury Management Code of Practice and the 2013 revised Prudential Code. The day to day investment policies and practices are contained in the Council's Treasury Management Practices, which reflect the requirements of these codes. These practices are regularly reviewed.

6.2 **Key Objectives** – Following the economic background above, the current investment climate has one over-riding risk consideration - counterparty security risk. As a result of these underlying concerns, officers are implementing an operational investment strategy which tightens the controls already in place in the approved investment strategy. The Council's investment strategy primary objectives are safeguarding the re-payment of the principal and interest of its investments on time first and ensuring adequate liquidity second – the investment return being a third objective. After this main principle the Council will ensure:

- 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; and

- 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.

6.2.1 In accordance with the above, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, outlooks and watches published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Capita Asset Services ratings service banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

6.2.2 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 this end 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 fully integrated into the credit methodology provided by the advisors, Capita Asset Services in producing its colour codings which show the varying degrees of creditworthiness.

6.2.3 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.

6.2.4 The aim of the strategy is to generate a list of highly creditworthy counterparties which will enable diversification, and thus avoidance of concentration, with the prime intention of providing security of investment and minimisation of risk.

6.3 Investment Strategy – The process for investment strategy under the regulations covers a wide range of Council investments and will be broadly managed in the following way:

- Short Term Cash – Cash relating to day to day cash flow will be maintained on a shorter term basis in cash type products with consideration to the liquidity requirements outlined above.

- Longer Term Cash – Cash relating to reserves, provisions and balances on the balance sheet may be held for longer periods of time in cash type products or in longer term bonds or funds depending on:

  - Cash flow requirements:
  - The underlying expectation for interest rates; and
  - The economic background of these investments may be held longer term.

- Service Type Investments – These types of investments will predominately be policy driven and approved by Members. Shareholdings, development opportunities, loans to third parties, equity instruments and investment properties held for rental returns) will be regularly reviewed to judge the investment performance.

- Non Service Type Investments – Investments such as Joint venture delivery companies such as Hub West Scotland and investments in regeneration partnerships and development opportunities

6.4 Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service
A development for Member reporting is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are additional new requirements to the Member reporting.

6.4.1 These benchmarks are targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

6.4.2 In the context of benchmarking, assessing security is a very subjective area to assess. Security is currently evidenced by the application of minimum quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch/ Moody's and Standard and Poors). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. Table J in Appendix 6 shows average defaults for differing periods of investment grade products for each Fitch/ Moody's Standard and Poors long term rating category.

6.4.3 The Council's minimum long term rating criteria is currently "A-", meaning the average expectation of default for a one year investment in a counterparty with a "A" long term rating would be 0.06% of the total investment (e.g. for a £1m investment the average loss would be £600). This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio.

6.4.4 As required by the CIPFA Treasury Management Code of Practice The Council will "ensure that it has adequate, though not excessive, cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives". In respect to liquidity as defined above the Council seeks to maintain:

- Bank overdraft - £1.000m; and
- Liquid short term deposits of at least £5m available on an overnight basis.

6.4.5 Local measures of yield investment benchmarks that will be used to assess returns are:

- Internal returns above the 7 day LIBID rate;
- Internal returns above the 1 month LIBID rate for fixed investments; and
- Internal returns above the Council's instant access account.

6.5 **Council Permitted Investments** – The Investments Regulations (Code on the Investment of Money by Scottish Local Authorities) requires Council approval of all the types of investment to be used and set appropriate limits for the amount that can be held for each investment type. These types of investment are termed permitted investments and any investments used which have not been approved as a permitted investment will be considered ultra vires.

6.5.1 The permitted investments which may be used in the forthcoming year are noted below. Details of the risks, mitigating controls and limits associated with each of these permitted categories are shown in Appendix 3.

- **Cash Type Instruments**

  - Deposits with the Debt Management Account Facility (UK Government);
  - Deposits with other local authorities or public bodies;
  - Money Market Funds;
  - Call accounts, deposit accounts with financial institutions (banks and building societies;
  - Term deposits with financial institutions (banks and building societies);
  - UK Government Gilts and Treasury Bills;
  - Certificates of deposits will financial institutions (banks and building societies); and
  - Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates, etc).

- **Other Investments**

  - Investment properties;
  - Loans to third parties, including soft loans;
  - Loans to a local authority company;
  - Shareholding in a local authority company;
  - Non-local authority shareholdings;
  - Joint venture delivery companies such as hub West Scotland;

- Regeneration partnerships and development opportunities;
- District Heating Schemes; and
- Local Authority Mortgage Scheme (LAMS).

6.5.2 Permitted investments related to the Common Good are also shown in Appendix 3, and where applicable the same counterparty selection criteria as noted in 6.6 below will be applied.

6.6 Investment Counterparty Selection Criteria

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:

- 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; and
- 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.

6.6.1 The Section 95 Officer 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. This criteria selects which counterparties the Council will choose from, rather than defining what its investments are.

6.6.2 The minimum rating criteria to be used uses 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. Credit rating type and definitions are attached as Appendix 6.

6.6.3 Credit rating information is supplied by our treasury consultants 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 possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance a negative rating watch applying to any counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

6.6.4 The criteria for providing a pool of high quality cash type investment counterparties is:

- **Category 1 - Good Credit Quality** – the Council will only use financial institutions (including certificates of deposit and corporate bonds) which:
  - Are UK banks; and/or
  - Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AA; The UK will be excluded from any Sovereign rating criteria.
  - And have, as a minimum, the following Fitch, Moody's and Standard and Poors (S&P) credit ratings (where rated):
    - Short Term – F1 (or equivalent from Fitch, Moody's and S&P)
    - Long Term – A- (or equivalent from Fitch, Moody's and S&P)

The difference between the ratings will be reflected in the money limits as noted in Table K in Appendix 6.

- **Category 2** – **Part nationalised UK banks** – Lloyds Bank Group and Royal Bank of Scotland Group. These banks can be included if they continue to be part nationalised or they meet the ratings in Category 1 above.

- **Category 3**- **The Council's own banker** for transactional purposes if the bank falls below the above criteria specified in category 1, although in this case balances will be minimised in both monetary size and time.

- **Category 4 - Bank Subsidiary and Treasury Operations** – the Council will use these where the parent bank has the necessary ratings outlined in category 1.

- **Category 5 - Building Societies** – the Council will use all Societies which meet the ratings for banks outlined in category 1.

- **Category 6 - Money Market Funds** – the Council will use money market funds that are AAA rated (by at least one of the 3 rating agencies).

- **Category 7 - UK Government** (including gilts, treasury bills and the DMADF)

- **Category 8 - Local Authorities, etc**

6.6.5 Due to the uncertainty in the financial markets it is recommended that the Investment Strategy is approved which will provide officers with the flexibility to deal with any unexpected occurrences. Officers can restrict the pool of available counterparties from these criteria to safer instruments and institutions.

6.6.6 The time limits for institutions on the Council's cash type counterparty list are as noted in Table K in Appendix 6.

6.6.7 The Council's bankers are currently the Clydesdale Bank Plc which falls within Category 3. It is recognised that the money limit of £5million may be breached for purely operational purposes on a temporary overnight basis only. The Strategic Lead - Resources will endeavour to avoid this scenario but this allows for circumstances that are outwith the Council's control where funds may be deposited unexpectedly or at short notice into the Council's accounts after the dealing deadline for the day has passed. In such a circumstance the funds will require to be kept on an overnight basis in the Council's bank account until appropriate arrangements can be made for investment.

6.6.8 Table K does not include a monetary limit for category 7 which are funds deposited with the UK Government namely the Debt Management Account Deposit Facility (DMADF). This facility allows local authorities to deposit surplus cash on flexible terms and receive a market related rate of interest. Funds are held by the Bank of England and the scheme carried the Government's own sovereign credit rating offering the highest available security and therefore no maximum monetary limit has been set.

6.6.9 Country and sector considerations - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above and the list of approved countries for investments are detailed in Appendix 5. In addition:

- No more than 25% will be placed with any country outside of the UK at any time;
- Limits in place above will apply to Group companies; and
- Sector limits will be monitored regularly for appropriateness.

6.6.10 Use of additional information other than credit ratings – Additional requirements under the Code of Practice now requires 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.

6.6.11 Economic Investment Considerations - Expectations on shorter-term interest rates, on which investment decisions are based, show likelihood of the current 0.5% Bank Rate remaining flat but with the possibility of a rise in March 2015. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

6.6.12 There is an operational difficulty arising from the current banking crisis. There is currently little value investing longer term unless credit quality is reduced. Whilst some selective options do provide additional yield uncertainty over counterparty creditworthiness suggests shorter dated investments would provide better security.

6.6.13 The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions the Section 95 Officer (Strategic Lead - Resources) may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.

6.6.14 Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds and strongly rated. The credit criteria have been amended to reflect these facilities.

6.7 Sensitivity to Interest Rate Movements - Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. Table L in Appendix 6 highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

7. Treasury Management Limits on Activity

7.1 There are four further treasury activity limits, which were previously prudential indicators. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs.

- *Upper limits on variable interest rate exposure* – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments

- *Upper limits on fixed interest rate exposure* – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- *Maturity structures of borrowing* – These 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.

- *Total principal funds invested for greater than 364 days* - These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The proposed indicators are shown within Table M in Appendix 6.

7.2 The upper limit applies to the maturity structure of fixed interest rate borrowing in Table M. The level has been set to take account of the way that local authorities have to record certain market loans where the maturity date is deemed to be the next call date rather than the eventual repayment date.

8. Performance Indicators

8.1 The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:

- Debt – Borrowing - Average rate of borrowing for the year compared to average available;
- Debt – Average rate movement year on year; and
- Investments – Internal returns above the 7 day LIBID rate.

8.2 The results of these indicators will be reported in the Treasury Annual Report for 2016/17.

9. Treasury Management Advisors

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

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments; and
- Credit ratings/market information service comprising the three main credit rating agencies.

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

9.3 The Council 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 is assessed are properly agreed and documented, and subjected to regular review.

9.4 Whilst the advisers provide support to the internal treasury function the final decision on treasury matters remains with the Council.

10. The Monitoring of Investment Counterparties

10.1 The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita 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 Strategic Lead - Resources and, if required, new counterparties which meet the criteria will be added to the list.

11. Legislative Changes

11.1 The Local Authority (Capital Financing and Accounting) (Scotland) Regulations 2016 – Loan Fund Accounting came into force on 1 April 2016. These regulations replace the statutory provision for local authority borrowing, lending and loans funds as set out in Schedule 3 of the Local Authority (Scotland) Act 1975.

11.2 These new regulations have implications for future capital borrowing and loan charge calculations which will provide both greater flexibility regarding borrowing and could result in higher loan charges, however the regulations allow for a 5 year transition period from 2016/17 until 2020/21.

Appendix 3

West Dunbartonshire Council and Common Good Funds Permitted Investments, Associated Controls and Limits

Type of Investment	Treasury Risks	Mitigating Controls	Council and Common Good Limits
Cash Type Instruments			
Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	As shown in Table K.
Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non- local authority deposits will follow the approved credit rating criteria.	As shown in Table K.
Money Market Funds (MMFs) **(Very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs are Constant Net Asset Value (CNAV), and the fund has a “AAA” rated status from either Fitch, Moody’s or Standard & Poors.	As shown in Table K.
Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments, but will exhibit higher risks than the first three categories above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody’s and Standard and Poors. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Table K.

Type of Investment	Treasury Risks	Mitigating Controls	Council and Common Good Limits
Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	These tend to be low risk investments, but will exhibit higher risks than the first three categories above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Table K.
Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity.	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	As shown in Table K.
Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than the first three categories above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Table K.

Type of Investment	Treasury Risks	Mitigating Controls	Council and Common Good Limits
Structured deposit facilities with banks and building societies (escalating / de-escalating rates, etc.) **(Low to medium risk depending on period & credit rating)**	These tend to be medium to low risk investments, but will exhibit higher risks than the first three categories above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Table K.
Corporate Bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. The selection defaults to the lowest available credit rating to provide additional risk control measures. Corporate bonds will be restricted to those meeting the base criteria. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Table K.
Other Types of Investments			
Investment properties	These are properties that are not used to facilitate service delivery but are held solely to earn rentals or for capital appreciation or both. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property based investment may counterbalance/compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table M of £7m.

Type of Investment	Treasury Risks	Mitigating Controls	Council and Common Good Limits
Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table M of £7m.
Loans to a local authority company	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each loan to a local authority company requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table M of £7m.
Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table M of £7m.
Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments, likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by rational behind the service the investment and the likelihood of loss.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table M of £7m.

Type of Investment	Treasury Risks	Mitigating Controls	Council and Common Good Limits
Joint venture delivery companies such as hub West Scotland	Public sector organisations across a hub territory will work in partnership with each other, and a private sector delivery partner, in a joint venture delivery company called hub West Scotland. .	Any investment in hub West Scotland requires approval from the Section 95 Officer (Strategic Lead - Resources) and the Chief Executive in consultation with the Leader of the Council and the Leader of the Opposition and each application will be supported by the service rational behind the investment and the likelihood of loss.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table M of £7m.
Regeneration partnerships and development opportunities	Investments undertaken with the prime intention of local area regeneration.	Any investment in a regeneration partnership / development opportunity requires Member approval with each application supported by rational behind the investment and the likelihood of loss.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table M of £7m.
Investment in Projects procured and managed by third parties e.g. District Heating Schemes	Investments undertaken to assist in facilitating third party projects where the Council has an interest in the successful outcome of the project. Expectation of a financial return for the Council.	Any investment in such projects requires Member approval and each application will be supported by a business case for the investment and the expectation of a financial benefit to the Council.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table M of £7m.
Local Authority Mortgage Scheme (LAMS)	These are service investments at market rates of interest. Under this scheme the Council is required to place funds for a number of years with the bank which is participating in this scheme	Any investment in the LAMS requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table M of £7m.

The Monitoring of Investment Counterparties - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Capita asset services, including rating changes; 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 Executive Director of Corporate Services, and if required new counterparties which meet the criteria will be added to the list.

Appendix 4

Type of Rating	Rating	Explanation
Fitch -Short Term	F1+	Indicates exceptionally strong capacity for timely payment of financial commitments
	F1	Indicates strong capacity for timely payment of financial commitments
Fitch - Long Term	AA-	Indicates very strong capacity for timely payment of financial commitments and this capacity is not significantly vulnerable to foreseeable events
	A-	Indicates strong capacity for timely payment of financial commitments. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings
Moody's - Short Term	P-1	Banks based Prime-1 for deposits offer superior credit quality and a very strong capacity for timely payment of short term deposit obligations
Moody's - Long Term	Aa	Offer excellent credit quality, with susceptibility to long term risks with a vulnerability to greater fluctuations within protective elements
	A	Offer excellent credit quality, but elements suggest a Susceptibility to impairment over the long term
Standard & Poors - Short Term	A-1	Indicates a strong capacity to meet institutions financial commitments. Within this category, certain obligors are design with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments is EXTREMELY STRONG
Standard & Poors - Long Term	AA-	Indicates strong capacity for timely payment of financial commitments
	A-	Indicates strong capacity for timely payment of financial commitments. This capacity may, nevertheless, be more susceptible to the adverse effects of changes in circumstances or in economic conditions than is the case for higher rated category

Appendix 5

West Dunbartonshire Council and Common Good Funds Permitted Investments, Approved Countries for Investments

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar
- U.K.

AA-

- Belgium

West Dunbartonshire Council Prudential and Treasury Indicators **Appendix 6**

Table A - Net Capital Financing Need

General Services and HRA Shown Separately

£000	Revised 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
General Services	**76,945**	**79,753**	**46,018**	**39,808**	**36,170**	**22,582**	**18,939**	**15,048**	**13,371**	**16,251**
Financed by:										
Capital receipts	604	15,382	5,820	3,430	2,500	2,900	2,875	3,125	3,000	3,400
Capital grants	10,441	16,045	17,924	17,229	14,301	16,151	14,001	10,854	8,991	9,441
Revenue	414	242	242	242	242	242	242	242	242	242
Net financing need for the year	**65,486**	**48,084**	**22,032**	**18,907**	**19,127**	**3,289**	**1,821**	**827**	**1,138**	**3,168**
£000	**Revised 2016/17**	**Forecast 2017/18**	**Forecast 2018/19**	**Forecast 2019/20**	**Forecast 2020/21**	**Forecast 2021/22**	**Forecast 2022/23**	**Forecast 2023/24**	**Forecast 2024/25**	**Forecast 2025/26**
HRA	**19,211**	**28,037**	**23,850**	**34,995**	**21,105**	**29,055**	**21,810**	**15,827**	**18,804**	**15,986**
Financed by:										
Capital receipts	2,233	14	14	14	2	-	-	-	-	-
Capital grants	1,201	3,490	7,185	7,135	1,871	5,592	-	-	-	-
Revenue	2,189	2,865	3,519	4,020	3,583	3,583	2,705	1,945	1,488	960
Net financing need for the year	**13,588**	**21,668**	**13,132**	**23,826**	**15,649**	**19,880**	**19,105**	**13,882**	**17,316**	**15,026**

General Services and HRA Combined

£000	Revised 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
General Services	76,945	79,753	46,018	39,808	36,170	22,582	18,939	15,048	13,371	16,251
HRA	19,211	28,037	23,850	34,995	21,105	29,055	21,810	15,827	18,804	15,986
Capital Expenditure	**96,156**	**107,790**	**69,868**	**74,803**	**57,275**	**51,637**	**40,749**	**30,875**	**32,175**	**32,237**
Financed by:										
Capital receipts	2,837	15,396	5,834	3,444	2,502	2,900	2,875	3,125	3,000	3,400
Capital grants	11,642	19,535	25,109	24,364	16,172	21,743	14,001	10,854	8,991	9,441
Revenue	2,603	3,107	3,761	4,262	3,825	3,825	2,947	2,187	1,730	1,202
Net financing need for the year	**79,074**	**69,752**	**35,164**	**42,733**	**34,776**	**23,169**	**20,926**	**14,709**	**18,454**	**18,194**

West Dunbartonshire Council Prudential and Treasury Indicators

Appendix 6

Table B - Capital Financing Requirement

£000	Revised 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
Capital Financing Requirement										
CFR – General Services	286,288	326,862	341,658	352,605	362,783	357,273	350,714	343,165	335,484	329,659
CFR – HRA	192,278	207,960	214,687	231,811	240,323	252,709	263,321	268,015	275,198	279,778
Total CFR	**478,566**	**534,821**	**556,346**	**584,416**	**603,106**	**609,982**	**614,034**	**611,179**	**610,682**	**609,437**
Movement in CFR	66,116	56,255	21,524	28,070	18,690	6,876	4,052	(2,855)	(497)	(1,245)

Movement in CFR represented by										
Net financing need for the year (above)	79,074	69,752	35,164	42,733	34,776	23,169	20,926	14,709	18,454	18,194
Less scheduled debt amortisation and other financing movements	(12,958)	(13,497)	(13,640)	(14,663)	(16,086)	(16,293)	(16,874)	(17,564)	(18,951)	(19,439)
Movement in CFR	**66,116**	**56,255**	**21,524**	**28,070**	**18,690**	**6,876**	**4,052**	**(2,855)**	**(497)**	**(1,245)**

Table C - Ratio of Financing Costs to Net Revenue Stream

	Revised 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
General Services	8.73%	9.36%	9.48%	9.83%	10.41%	10.38%	10.09%	10.01%	10.13%	10.10%
HRA	30.88%	28.69%	28.55%	27.91%	28.64%	29.00%	30.93%	32.14%	33.52%	33.66%

Table D - Incremental impact of Capital Investment Decisions on the Council Tax

	Revised 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
Council Tax - Band D	-£1.13	£26.57	£2.01	-£6.74	£11.23	£2.45	-£0.05	-£3.51	£0.43	£0.43

Table E - Incremental Impact of Capital Investment Decisions on Housing

	Revised 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
Weekly Housing Rent Levels	£0.61	£0.33	-£0.27	£1.09	-£0.17	£0.59	£1.10	£0.45	£0.84	£0.48

Table F - Gross Debt compared to the Underlying Need to Borrow (CFR)

£000	Revised 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
External Debt										
Debt at 1 April	321,447	389,543	447,955	471,425	501,779	523,255	533,039	539,742	539,366	541,807
Maturing Debt	(82,144)	(27,931)	(28,060)	(9,939)	(14,499)	(485)	(1,091)	(8,000)	(750)	(6,158)
New Borrowing - Maturing Debt	82,144	27,931	28,060	9,939	14,499	485	1,091	8,000	750	6,158
New Borrowing - CFR	68,096	58,411	23,471	30,354	21,475	9,785	6,702	(376)	2,441	2,381
Debt at 31 March	**389,543**	**447,955**	**471,425**	**501,779**	**523,255**	**533,039**	**539,742**	**539,366**	**541,807**	**544,188**
Long Term Liabilities at 1 April	86,297	84,316	82,160	80,214	77,930	75,145	72,236	69,586	67,106	64,168
Change in Long Term Liabilities	(1,980)	(2,156)	(1,946)	(2,284)	(2,786)	(2,909)	(2,650)	(2,480)	(2,938)	(3,626)
Long Term Liabilities at 31 March	**84,316**	**82,160**	**80,214**	**77,930**	**75,145**	**72,236**	**69,586**	**67,106**	**64,168**	**60,543**
Gross Debt at 31 March	473,860	530,115	551,639	579,710	598,400	605,275	609,328	606,473	605,976	604,731
Capital Financing Requirement	478,566	534,821	556,346	584,416	603,106	609,982	614,034	611,179	610,682	609,437
Under / (Over) Borrowing	**4,706**	**4,706**	**4,706**	**4,706**	**4,706**	**4,706**	**4,706**	**4,706**	**4,706**	**4,706**

Table G - Operational Boundary

£000	Revised 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
External Debt	521,246	583,127	606,803	604,291	634,617	655,040	662,888	667,533	663,888	662,585

Table H - Authorised Limit

£000	Revised 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
External Debt	568,632	636,138	661,967	659,227	692,309	714,589	723,151	728,218	724,241	722,820

Table I - Interest Rate Forecast

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Feb-20
Capita Asset Services View	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB Rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB Rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB Rate	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

Table J - Historic Risk of Default

Long term rating	1 year	2 years	3 years	4 years	5 years
AAA	0.04%	0.10%	0.18%	0.27%	0.37%
AA	0.01%	0.02%	0.08%	0.16%	0.23%
A	0.07%	0.19%	0.36%	0.55%	0.77%
BBB	0.15%	0.46%	0.82%	1.26%	1.73%
BB	0.70%	2.04%	3.48%	5.21%	6.71%
B	3.04%	7.14%	11.06%	14.40%	17.24%
CCC	19.73%	28.03%	33.43%	37.39%	40.41%

Note - The AAA default risk is actually higher than the AA default risk due the number of AAA rated institutions left

Table K - Counterparty Limits

Investment Category	Fitch (or equivalent)	Money Limit	Time Limit
1	F1+ / AA-	£10million	364 days
	F1 / A-	£5 million	
2	F1/A-	£10 million (per group)	364 days
3		£5 million	Overnight
4		£5 million	364 days
5	As in 1 above	£10 m and £5m	364 days
6	Sector Limit	£25 million	Very liquid no time limit applies
	Fund Limit	£5 million	
7		No limit	6 months
8	Sector Limit	£25 million	364 days
	Fund Limit	£5 million	

Table L - Sensitivity to Interest Rate Movements

£000	2017/18 Estimate	1%	-1%
Variable Rate Debt Payments	N/A	N/A	N/A
Variable Rate Investment income	75	150	(75)

Table M - Treasury Management Limits on Activity

	2016/17 Upper		2017/18 Upper		2018/19 Upper	
Limits on fixed interest rates	100%		100%		100%	
Limits on variable interest rates	50%		50%		50%	
Maturity Structure of fixed interest rate borrowing						
	Lower	**Upper**	**Lower**	**Upper**	**Lower**	**Upper**
Under 12 months	0%	50%	0%	50%	0%	50%
12 months to 2 years	0%	50%	0%	50%	0%	50%
2 years to 5 years	0%	50%	0%	50%	0%	50%
5 years to 10 years	0%	50%	0%	50%	0%	50%
10 years to 20 years	0%	50%	0%	50%	0%	50%
20 years to 30 years	0%	50%	0%	50%	0%	50%
30 years to 40 years	0%	50%	0%	50%	0%	50%
40 years to 50 years	0%	100%	0%	100%	0%	100%
50 years to 60 years	0%	100%	0%	100%	0%	100%
60 years to 70 years	0%	100%	0%	100%	0%	100%
Principal sums invested > 364 days	£nil	£7m	£nil	£7m	£nil	£7m