

## **EPHING FOREST DISTRICT COUNCIL COMMITTEE MINUTES**

**Committee:** Finance and Performance Management Cabinet Committee      **Date:** Thursday, 17 September 2015

**Place:** Committee Room 1, Civic Offices, High Street, Epping      **Time:** 7.30 - 9.25 pm

**Members Present:** Councillors S Stavrou (Chairman), A Lion, D Stallan, C Whitbread and G Waller

**Other Councillors:** Councillors J M Whitehouse

**Apologies:** J Philip

**Officers Present:** R Palmer (Director of Resources), D Macnab (Deputy Chief Executive and Director of Neighbourhoods), A Hall (Director of Communities), P Maddock (Assistant Director (Accountancy)), S Alford (Principal Accountant) and R Perrin (Democratic Services Officer)  
S Smith (CIH Consultant)

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### **16. Declarations of Interest**

There were no declarations of interest pursuant to the Council's Code of Member Conduct.

### **17. Substitute Members (Council Minute 39 - 23.7.02)**

The Cabinet Committee noted that Councillor G Waller substituted for Councillor J Philip.

### **18. Minutes**

#### **Resolved:**

(1) That the minutes of the meeting held on 20 July be taken as read and signed by the Chairman as a correct record.

### **19. HRA Financial Plan**

The Director of Communities presented a report on the Housing Revenue Account (HRA) Financial Plan and future options resulting from the Government's required rent reductions of 1% per annum by all social landlords for the next four years, as an alternative to the previous guidance of CPI+ 1% for rent increases. This had resulted in an estimated loss in rental income to the Council's HRA of around £14million over the next four year period and around £228million over the next 30 years. In view of the significant reduction, the Director of Communities commissioned Simon Smith, the Council's HRA Business Planning Consultant from CIH Consultancy to provide a

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report on the options available to the Council, to ensure that the HRA did not fall into deficit.

Mr Smith gave a presentation on the estimated loss in rental income to the Council's HRA compared to the Council's current HRA Financial Plan expectations and options available to the Council to consider, which were;

- Ceasing all or some of the funding currently available within the Financial Plan for future housing improvements and service enhancements for HRA services;
- Reducing investment in improvements to the Council's housing stock (and reducing the Council's Modern Home Standard accordingly);
- Reducing/ceasing the Council's own Housebuilding Programme;
- Further borrowing for the HRA, repaid by the end of the Financial Plan period;
- Combinations of the above.

Mr Smith advised that no immediate corrective action was required at present but that a further review of the HRA Financial Plan should be undertaken again in 2016, when further details were available and information about the Government's requirements for local authorities to sell their "high value" void properties was known. It was also advised that with a few exceptions, most of the uncommitted funding within the HRA's Housing Improvements and Service Enhancements Fund for 2016/17 was not spent at present.

The Cabinet Committee agreed with CIH Consultancy's view that the details of the Housing Bill were required before decisions could be made on the future direction of the Financial Plan, because of the unknown details surrounding the Government's "High Value" void policy, which could result in a high proportion of the Council's housing stock having to be sold on the open market. The Director of Communities advised that he understood that the CLG was currently considering the possibility of a financial levy being placed on local authorities rather than requiring them to sell specific "high value" voids. He commented that, if this was the outcome, it may be a better one for the Council, bearing in mind the high property values in the District, compared to the rest of the Region.

There was a discussion on whether or not the Council should continue with its Housebuilding Programme, in order to reduce, or avoid the need for additional borrowing. Mr Smith advised that if the Programme was reduced in the early years, not only would the Council have to pass money to the Government (estimated to be in the region of £7.329million), in addition, the return of such receipts would attract interest at a rate of 4% above base rate (0.5%), compounded from when they were originally received, estimated to be in the region of £1.034million. Councillor Stellan advised that a measured view would be required and that the Council should proceed with the Housebuilding Programme, as the details of the Government's policy were still unknown. Councillor Whitbread stated that perhaps the Council should review its HRA's programme, to reduce the borrowing requirements in future as well.

The Cabinet Committee discussed the options put forward to them and considered that the Council had a good standard of housing stock.

Councillor Whitbread pointed out that the Government's requirement for social landlords to decrease their rents by 1% per annum was good for residents, even though it would require tough decisions for the Council in the future.

With regard to the exceptions to the proposed 1 year moratorium on spending from the Housing Improvements and Service Enhancements Fund, Councillor Stellan

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asked a that further exception be included within Recommendation 4, for £42,000 to be utilised, to enable the continued support of two Citizen Advice Bureau (CAB) Debt Advisors for one year, to provide support for residents to respond to the introduction of Universal Credit.

The Cabinet Committee commented on the previous requests made to the CAB, to provide information on the clarification of how the funding provided by the Council was being spent, together with the recent invitation given to the CAB to provide a detailed presentation on its work to Overview and Scrutiny. With regards to the CAB Debt Advisors, the Director of Communities advised that that CAB had provided advice in April 2015 to July 2015 to 209 people and that 164 people had received face to face advice.

Nevertheless the Cabinet Committee felt that it would be helpful if the CAB could attend and give a presentation to the appropriate body of Overview and Scrutiny, together with details of how the funding that the Council had given had been spent, before further funding was given to extend the employment of the two Debt Advisors.

**Resolved:**

(1) That the Government's requirement that all social landlords reduce their rents by 1% per annum for the next four years and the estimated loss in rental income to the Council's Housing Revenue Account (HRA) of around £14million over the next four years and around £228million over the next 30 years (compared to the Council's current HRA Financial Plan expectations) be noted;

(2) That the resultant report from the Council's HRA Business Planning Consultants, CIH Consultancy, on the options available to the Council to ensure that its HRA does not fall into deficit be noted;

(3) That no immediate corrective action be taken at present and no decisions be made to re-cast the HRA Financial Plan until further information becomes available on the effect of the Government's separate proposal to require local authorities to sell "high value" void properties;

(4) That the £702,000 uncommitted funding within the HRA's Housing Improvements and Service Enhancements Fund for 2016/17 not be spent at present, with the exception of:

(a) £20,000 per annum being made available for a further 2 years (2016/17 and 2017/18) to fund Voluntary Action Epping Forest (VAEF) to continue to provide the successful Mow and Grow Scheme for older and disabled Council tenants;

(b) £50,000 per annum continuing to be made available for the Housing Improvements and Service Enhancements In-Year Fund, to fund small improvements and enhancements identified during 2016/17, with the current approval arrangements applying; and

(c) In principle, £42,000 to be used in 2016/17 to fund the Citizens Advice Bureau (CAB) to extend the employment of its two existing Debt Advisors for a further year, subject to:

(i) The CAB Manager attending an appropriate meeting of the Overview and Scrutiny, as previously requested by the Council, in order to explain the use and outcomes of all the Council's grant funding to the CAB; and

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(ii) The Cabinet Committee receive a further report, after the Overview and Scrutiny meeting, to consider whether or not the request for this additional grant funding should be approved.

(5) That the £384,000 already accumulated and held within the Housing Improvements and Service Enhancement Fund's Major Capital Projects Reserve be retained and made available for future HRA capital projects;

(6) That the Cabinet Committee reviews the HRA Financial Plan again in 2016, and makes decisions for the future at that time, once the financial implications for the Council of the Government's requirement for local authorities to sell "high value" void properties are known; and

(7) That, in order to inform the review in 2016, a further Options Report be provided by the Council's HRA Business Planning Consultants at that time, and that the Housing Select Committee and the Tenants and Leaseholders Federation be consulted for their views on the options, prior to consideration by the Cabinet Committee.

**Reasons for Decisions:**

The estimated rental loss to the HRA was significant, and the future strategy for the Council's HRA Financial Plan needed to be reviewed, but this could wait for a further year, until more information was available on other external financial risks.

**Other Options Considered and Rejected:**

The main alternative options appeared to be:

- To select one of the options set out in the CIH Consultancy Report (or another option), re-cast the HRA Financial Plan now and action the resultant decisions required;
- To not place a moratorium on the use of the Housing Improvements and Service Enhancements Fund in 2016/17 and continue to invite the Housing Select Committee to propose how the resources currently allocated to the Fund within the HRA Financial Plan could be best utilised for 2016/17;
- To not utilise the Fund to make funding available for the Mow and Grow Scheme for the next two years and/or the In-Year Fund;
- To not retain the resources accumulated within the Fund for the Major Capital Projects Reserve; or
- To not consult the Housing Select Committee and/or the Tenants and Leaseholders Federation on the available options for the HRA Financial Plan, prior to reviewing them in 2016.

**20. Key Performance Indicators 2015/16 Q1 Performance**

The Director of Resources presented a report on the Key Performance Indicators 2015/16 for Quarter 1's Performance.

The Council was required to make arrangements to secure continuous improvement in the way in which its functions and services were exercised, having regard to a combination of economy, efficiency and effectiveness. As part of the duty to secure continuous improvement, thirty-six Key Performance Indicators (KPI) relevant to the Council's service priorities and key objectives, had been adopted. Performance against all of the KPIs was reviewed on a quarterly basis by the relevant Select

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Committees.

The overall position with regard to the achievement of the target performance for KPIs at the end of the first quarter (30 June 2015) was that 22 (61%) indicators had achieved their targets, 14 (39%) had not achieved their targets, although 3 (8%) were within agreed tolerance and 27 (75%) of the indicators were anticipated to achieve the cumulative year-end target.

**Resolved:**

(1) That the Outturn Performance for Key Performance Indicators Quarter 1 for 2015/16 be noted.

**Reasons for Decision:**

The KPIs provide an opportunity for the Council to focus attention on how specific areas for improvement would be addressed, and how opportunities would be exploited and better outcomes delivered.

It was important that relevant performance management processes were in place to review and monitor performance against the key objectives, to ensure their continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of slippage or under performance.

**Other Options Considered and Rejected:**

No other options were appropriate in this respect. Failure to review and monitor performance could mean that opportunities for improvement were lost and might of had negative implications for judgements made about the progress of the Council.

**21. Annual Outturn Report on the Treasury Management and Prudential Indicators 2014/15**

The Principal Accountant presented a report on the Annual Outturn Report on the Treasury Management and Prudential Indicators 2014/15.

The Principal Accountant reported that the annual treasury report was a requirement of the Council's reporting procedures, covered the treasury activity for 2014/15 and the actual Prudential Indicators for 2014/15. During the year the Council had financed all of its capital activity through capital receipts, capital grants and revenue contributions and there had been no additional borrowing in the year to add to the £185.456m taken out previously through the Public Works Loan Board (PWL) to finance the payment in relation to the self-financing of the HRA. The Council had achieved its targets for its treasury and prudential indicators and the report and the appendices would be considered by the Audit and Governance Committee on 21 September 2015.

**Resolved:**

(1) That the 2014/15 outturn for Prudential Indicators shown within the appendices be noted; and

(2) That the Treasury Management Outturn Report for 2014/15 be noted.

**Reasons for Decision:**

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The report was presented for noting as scrutiny was provided by the Audit and Governance Committee who make recommendations on amending the documents, if necessary.

**Other Options Considered and Rejected:**

Members could ask for additional information about the CIPFA Codes or the Prudential Indicators.

**22. Invest to Save Proposals**

The Director of Resources presented report on Invest to Save Proposals for additional grass cutting equipment, LED lighting in car parks and the consideration of other proposals being developed.

The Director of Resources reported that in setting the budget for 2015/16, the Cabinet had decided that as the balance on the General Fund Reserve exceeded the minimum requirement and further savings were required, a £0.5 million should be transferred from the General Fund Reserve into an Invest to Save earmarked reserve. It was intended that this earmarked reserve would be used to finance schemes that would reduce the Continuing Services Budget (CSB) in future years. Management Board had received two proposals, so far and business cases were being developed for several other suggestions. It had been appropriate at this stage to seek Member approval for the proposals and give the Members an opportunity to put forward additional or alternative proposals.

The Cabinet Committee were pleased with the proactive approach of Officers coming forward with ideas and the evaluation process of Management Board considering items before they were presented to the Cabinet Committee.

Councillor Stavrou suggested that a pool of hybrid vans could be considered for the Housing department.

Councillor Stallan praised the proposal for Hill house, Waltham Abbey and how this could be regenerated for the benefit of the residents with partners working together on the site, if the proposal stacked up.

The Director of Neighbourhoods advised that after market testing the external specialists for the off street parking was approximately £15,000, which would provide the expertise, capacity and resources to progress the business case and provide further detail on the costs and benefits.

Councillor J M Whitehouse suggested that when the carpark at St John's Primary School was acquired by the Council, that cars with business permits for Bakers Street Carpark could be moved to this site, whilst the development was being progressed.

The Director of Communities advised that officers were currently working up a business case for additional funding being provided for rental loans to homeless single people, to avoid the use of bed and breakfast accommodation, thereby saving the significant loss in housing benefit subsidy as a result.

The Cabinet Committee concluded that they would look to receive all suggestions with enthusiasm.

**Recommended:**

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- (1) That the proposals to invest in additional grass cutting equipment and LED lighting in the car parks be recommended to Cabinet;
- (2) That the proposals currently being developed be supported in principle, which included;
  - (i) Replacement of the cash taking facilities with Cash Kiosks within the District;
  - (ii) Taking Off Street Parking back in house;
  - (iii) Master Planning exercise for the redevelopment of Hill House Site, Waltham Abbey for co-location of services; and
  - (iv) Provision of additional rental loans to homeless single people, to avoid the use of bed and breakfast accommodation.
- (3) That the proposals suggested for a pool of hybrid vans for the Housing department be investigated; and
- (4) That when the carpark at St John's Primary School was acquired by the Council, the use of the site be used for business permits users from Bakers Street Carpark for the interim of the development on the site be considered.

**Reasons for Proposed Decisions:**

To seek Member approval for Invest to Save proposals before they were implemented.

**Other Options for Action:**

Members may decide not to support the proposals and suggest additional or alternative uses for the Invest to Save Fund.

**23. Corporate Risk Update**

The Director of Resources advised the Cabinet Committee that the Corporate Risk Register had recently been reviewed by both the Risk Management Group on 27 August 2015 and Management Board on 2 September 2015 and a number of amendments had been identified and incorporated into the register which included;

1. Risk 1 Local Plan

Key dates within the Action Plan had been updated to advise the current status, which included the confirmation that the new staffing structure had been implemented.

2. Risk 2 Strategic Sites

The Effectiveness of controls/actions had been amended to advise the updated position for the key sites.

3. Risk 4 Finance Income

The Key date had been amended to Autumn, when the outcome of the Comprehensive Spending Review would be available.

4. Risk 5 Economic Development

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Recruitment of experienced staff had been removed from the required further management action as staff were now in post. The key date had been revised to January 2016 for the completion of the Economic Development Strategy.

5. Risk 6 Data / Information

The required further management action had been amended to advise the required implementation of a new system for handling Freedom of Information requests. The suitability to extend the use of the system for Data Protection would be considered after a further six months.

6. Risk 7 Business Continuity

The required further management action had been amended to include the need to arrange periodic testing and exercises.

7. Risk 8 Partnerships

The Existing Control had been updated to advise the structured reporting was to Select Committee rather than Scrutiny Panels.

8. Risk 9 Safeguarding

An additional Existing Control and required further management action had been added to advise the establishment of a Nursery Worker Accommodation Task Group and the need for an action plan for the group. Also within the existing Controls it was noted that the Safeguarding Strategy and Action Plan was adopted by Cabinet. An additional required further management action had been added to reflect the Cabinet decision to support a growth bid to make the Safeguarding posts permanent.

9. Risk 10 Housing Capital Finance

An additional Vulnerability and Trigger had been added should there be any legislative change which reduced income to the Housing Revenue Account (HRA).

**Resolved:**

- (1) That the Key dates within the Action Plan for Risk 1, Local Plan be updated;
- (2) That the Effectiveness of controls/actions for Risk 2, Strategic Sites be updated;
- (3) That the Key date for Risk 4, Finance Income be amended;
- (4) That the Required further management action and updated Key Date for Risk 5, Economic Development be amended;
- (5) That the Required further management action for Risk 6, Data/Information be amended;
- (6) That the Required further management action for Risk 7, Business Continuity be amended;
- (7) That the Existing Control within Risk 8, Partnerships be amended;



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(8) That the Existing Control and Required Further Management Action for Risk 9, Safeguarding be updated;

(9) That the Vulnerability and Trigger within Risk 10, Housing Capital Finance be added;

(10) That no new risks were identified by the Cabinet committee for inclusion in the Corporate Risk Register; and

**Recommended:**

(11) That the amended Corporate Risk Register be recommended to Cabinet for approval.

**Reasons for Decisions:**

It was essential that the Corporate Risk Register was regularly reviewed and kept up to date.

**Other Options Considered and Rejected:**

Members may suggest new risks for inclusion or changes to the scoring of existing risks.

**24. Q1 Financial Monitoring**

The Assistant Director, Accountancy presented the quarterly financial monitoring report for 1 April 2015 to 30 June 2015, which provided a comparison between the original profiled budgets for the quarter and actual expenditure or income. The report provided details of the revenue budgets, the Continuing Services Budget and District Development Fund as well as the capital budgets which included the Major capital Schemes.

The Cabinet Committee were advised that all directorates were either in line with the budget at the end of the first quarter, or were underspent. The Assistant Director, Accountancy reported that several of the Council's key income streams, including Development Control, Building Control, Licensing, MOT's carried out by Fleet Operations, had all performed particularly well in the first quarter of the year. The Car Parking Income and Local Land charges were both below estimates and would be monitored. The Business rates had increased but were only expected to be temporary because of the outstanding appeals and cash collection was going well.

Councillor Stallan advised that an issue had been raised about turning away vehicles for MOT's. The Director of Neighbourhoods advised that it would be looked into, as nothing had been reported directly to himself.

**Recommendations/Decisions Required:**

(1) That the revenue and capital financial monitoring report for the first quarter of 2015/16, be noted.

**Reasons for Decisions:**

To note the first quarter financial monitoring report for 2015/16.

**Other Options Considered and Rejected:**

No other options available.

## **25. Annual Governance Report**

The Director of Resources presented a report regarding the key issues arising from the annual Governance Report for 2014/15. The International Standard on Auditing 260 required the External Auditor to report to those charged with governance on certain matters before giving an opinion on the Statutory Statement of Accounts. The External Auditor had indicated that their audit of the Council's Statutory Statement of Accounts for 2014/15 would be presented to the Audit and Governance Committee on 21 September 2015.

The report highlighted the significant findings of the audit of the financial statements of the Council for the year ending 31 March 2015, and the Director of Resources advised the Cabinet Committee of the following key findings arising from the audit:

(a) A material misstatement relating to incorrect data input into the Asset Management System, which the balance on the Revaluation Reserve was overstated by £6,554,747 and the balance on the Capital Adjustment Account understated by the same amount;

(b) There was one unadjusted audit difference which increased the draft surplus on the provision of services in the comprehensive income and expenditure account by £88,000 to £15.863 million (from £15.775);

(c) Subject to satisfactory completion of the outstanding work, it was anticipated that an unqualified true and fair opinion would be issued on the financial statement for the year;

(d) No significant deficiencies in internal controls had been identified;

(e) The Annual Governance statement was not misleading or inconsistent with other information and complied with the 'Delivering Good Governance in Local Government' criteria;

(f) The Whole of Government Accounts (WGA) element was below the threshold for a full assurance review and no further work was required other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure; and

(g) The auditors were satisfied in all significant respects that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in the Council's use of resources, and proposed to issue an unqualified value for money conclusion.

The Director of Resources advised that valuations of the Council's leisure centres, which had been performed by the Council's internal valuer, had been significantly higher than expected and the working papers that supported the valuation had not been located. Therefore the auditors had requested that the Council revisited the valuations and include supported working papers. The Council's Estates and Valuation team had provided an indicative opinion on the value of the assets but were unable to provide a formal valuation because of a lack of experience valuing this type of asset. The valuation had been received and reduced from approximately £27 million to £12.5 million, although this would not effect the level of Council Tax or

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make any changes to the Medium Term Finance Strategy and accounts should be signed off shortly.

**Resolved:**

- (1) That the External Auditor's Annual Governance Report be noted.

**Reasons for Proposed Decisions:**

To ensure that Members were informed of any significant issues arising from the audit of the Statutory Statement of Accounts.

**Other Options considered and Rejected:**

The report was for noting, no specific actions were proposed.

**26. Any Other Business**

It was noted that there was no other urgent business for consideration by the Cabinet Committee.

**27. Exclusion of Public and Press**

The Cabinet Committee noted that there were no item of business on the agenda that necessitated the exclusion of the public and press from the meeting.

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# HRA Business Plan Update and Options Paper

Simon Smith

Director – CIH Financial Consultancy



# History of Rent Regime



- Under rent convergence:
  - Convergence to Formula Rent by 2015 – Self-Financing
  - RPI+0.5%+'negligible' (cap of £2)
  - April 2017 adopted by Epping Forest due to gaps/affordability
- Then:
  - RPI + 0.5% to CPI + 1% from 2015/16 (for ten years)
  - End of rent convergence (but new tenancies to formula)
  - Loss of estimated £1.2bn (30 years Nationally)
- Now (Welfare Reform & Work Bill):
  - -1% Rent Reduction for 4 years (then CPI plus 1%) all tenures except S/O
  - Impact National £2.53bn (4 Years) £42.7bn (30 Years)
  - Impact Epping Forest £13.9m (4 Years) £225.8m (30 Years)
  - Why? To make savings of £4.28bn on Housing Benefit
- New tenancies to Formula Rents?
  - Section 5 of Paper – being considered (not modelled / Treasury Approval)

# Main Factors within Existing Plan



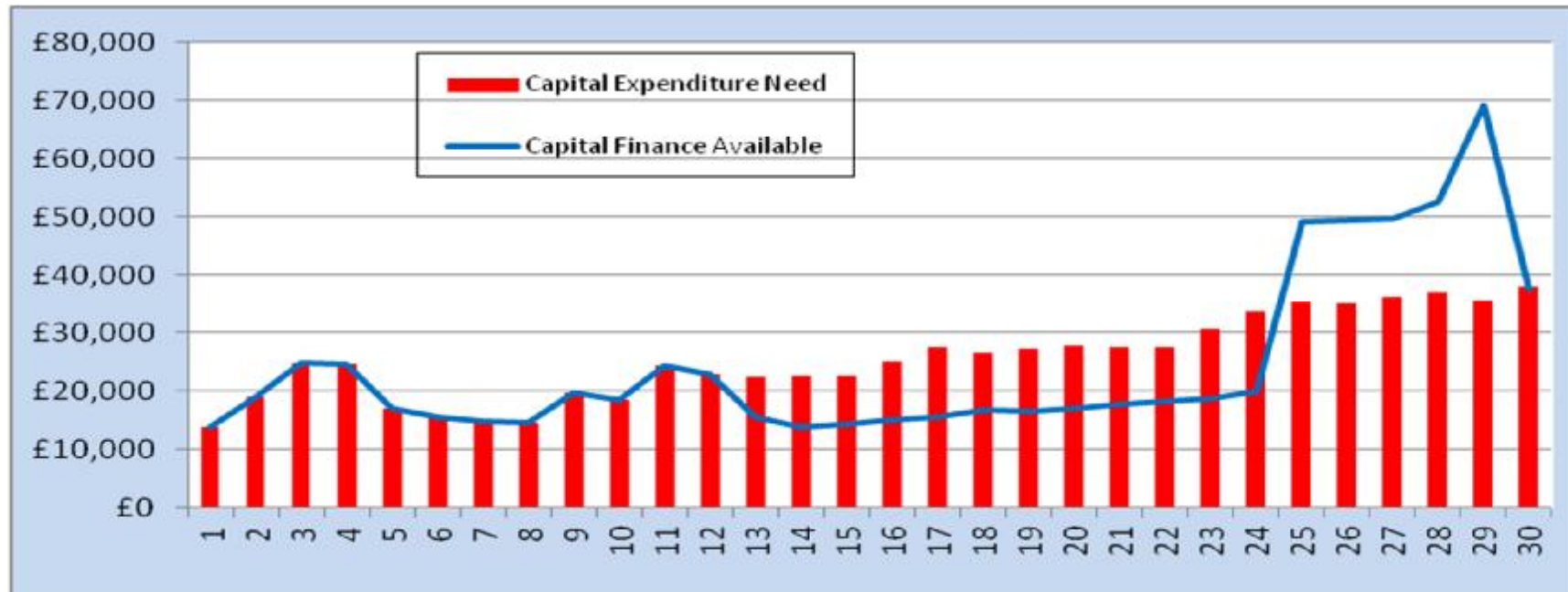
## Loan Portfolio

Loan £m	Interest Basis	Interest Rate	Maturity
31.800	Variable	0.62%	Mar 2022
30.000	Fixed	3.46%	Mar 2038
30.000	Fixed	3.47%	Mar 2039
30.000	Fixed	3.48%	Mar 2040
30.000	Fixed	3.49%	Mar 2041
33.656	Fixed	3.50%	Mar 2042

## Service Enhancements

Ongoing Service Enhancements	In addition to £570k Revenue Provision
April 2015 - 4 Years	£370,000
April 2019 - 3 Years	£560,000
April 2022 - 2 Years	£4,950,000
April 2024 - 5 Years	£7,200,000
April 2029 - 5 Years	£8,900,000
April 2034 - 11 Years	£8,700,000
<b>TOTAL</b>	<b>£180,560,000</b>

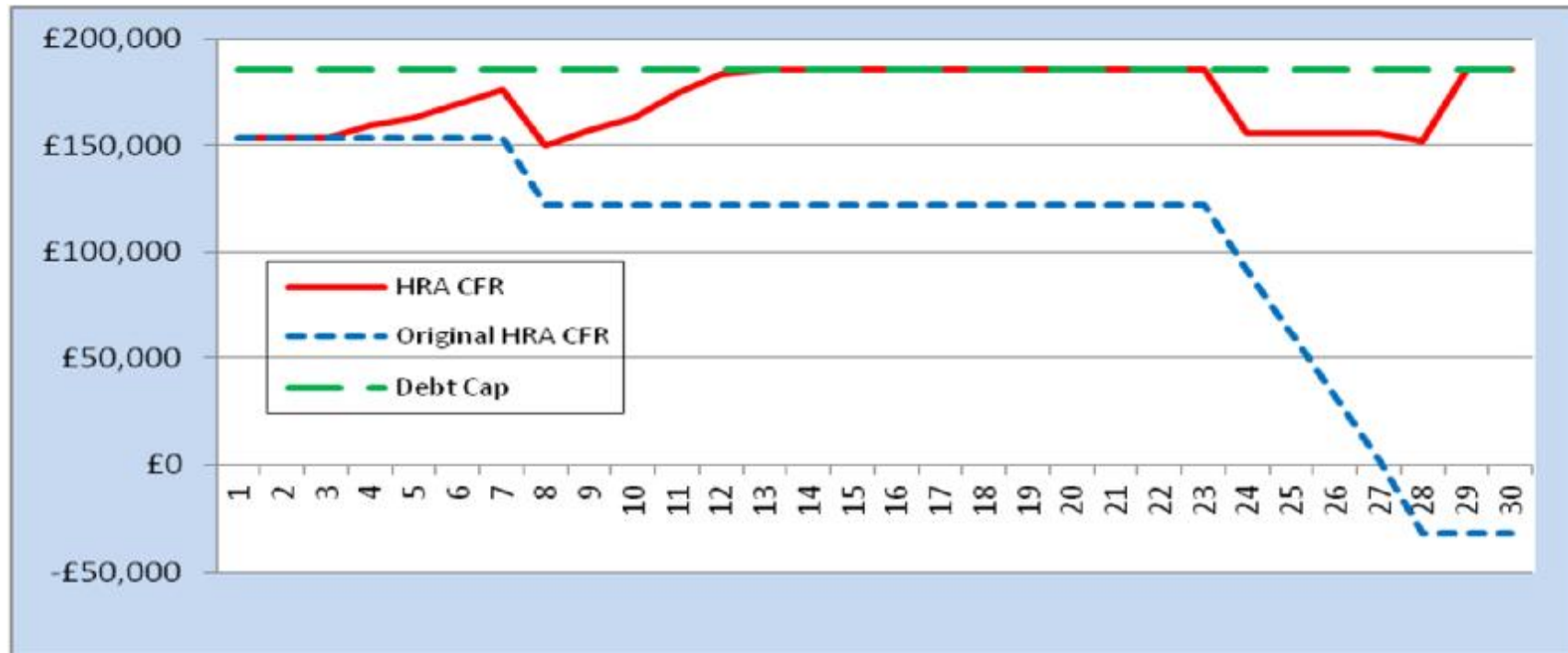
# Impact to the Business Plan 1



- Based on March 2015 Plan with amendments to new build spend profile, opening balances and capital receipts
- Continuing contribution to Self-Financing Reserve to repay loan portfolio



# Impact to the Business Plan 2



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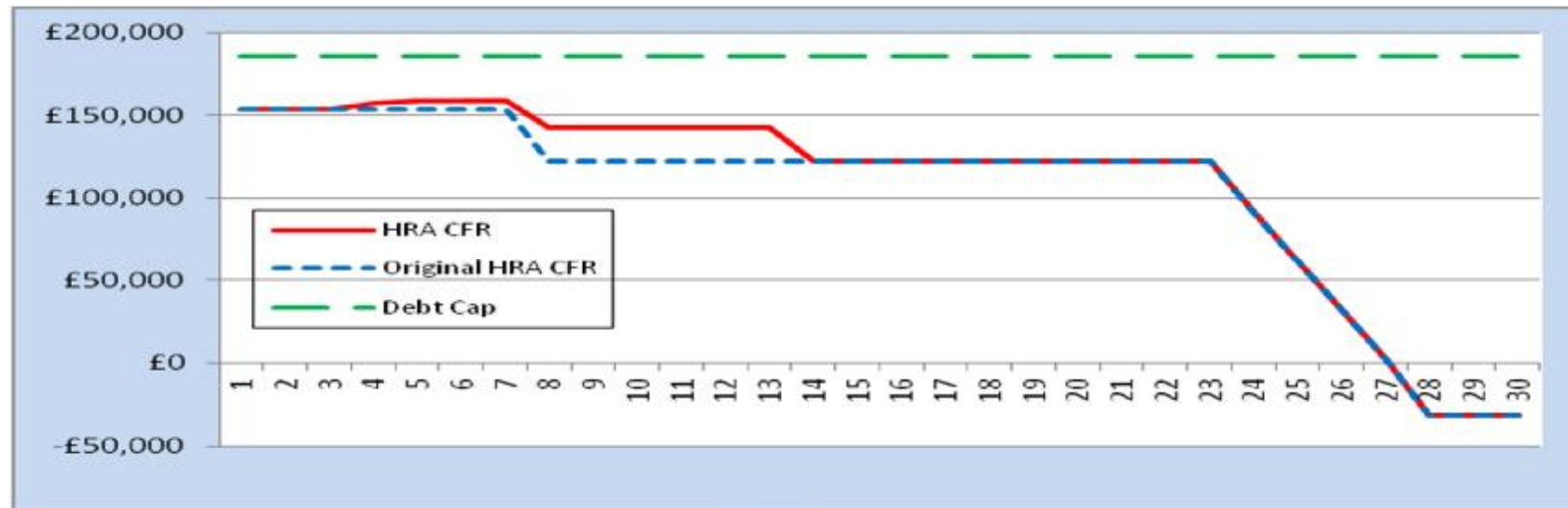
- Based on keeping HRA at £2m minimum balance and Self-Financing Reserve Repaying existing loan portfolio

# Options Considered



- Key Aim: To repay the Loan Portfolio as it matures and maximise the use of the right to buy '1-4-1' reserve (April 2015 £4.56million)
  1. Complete Withdrawal of ALL Service Enhancements
  2. Service Enhancements Affordable with no borrowing
  3. £1m Minimum per annum Service Enhancements
  4. Reduce Levels of New Build in Phases 3 to 6
  5. Full New Build Programme with no borrowing at expense of reducing Capital Investment on Existing Stock

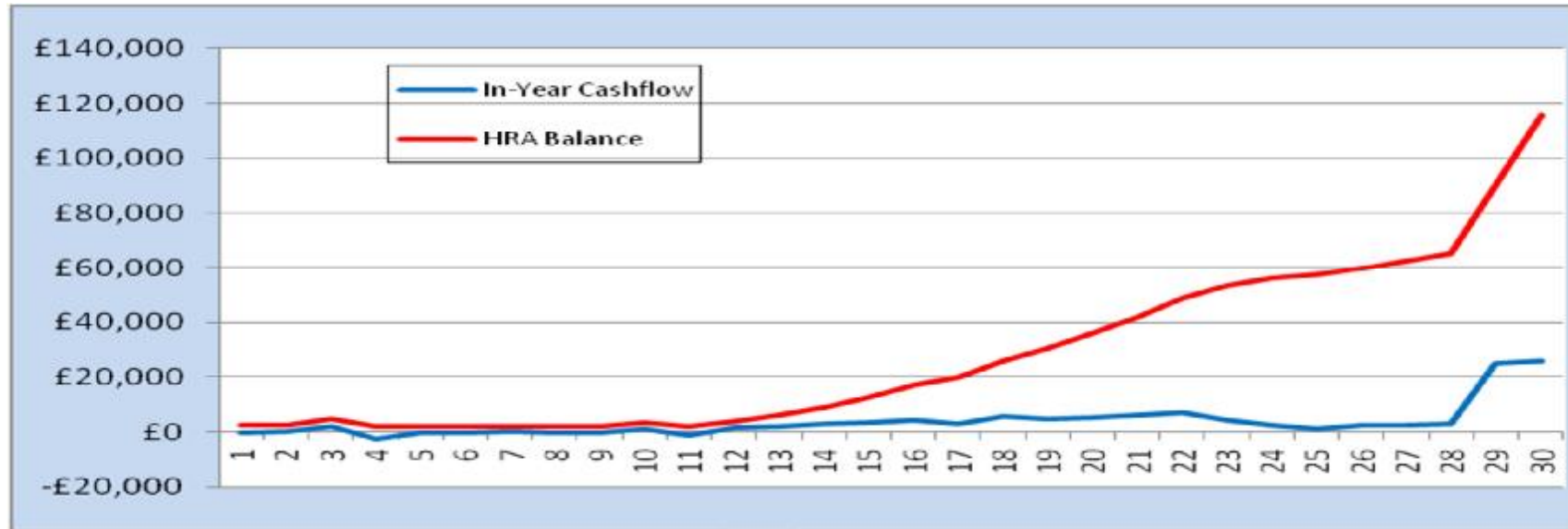
# 1. No Service Enhancements



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- Even by reducing ALL service enhancements a total of £20.837million (allowing for the repayment of the £31.8million loan) of additional borrowing is required – which could be repaid by year 14 and provides for Phases 1 to 6 of New Build
- The early borrowing could be re-profiled slightly with the Self-Financing Reserve but would not affect the overall position

# 1. No Service Enhancements



- This graph shows that after year 14 (2027.28) HRA balances would increase (after making sufficient contributions to the Self-Financing Reserve) that could be used for future service enhancements

## 2. Affordable Levels of Service Enhancements



- As demonstrated in Option 1 – £20.837million needs to be borrowed with ALL Service Enhancements removed
- Key Factor – the £31.8million loan repayment in year 7
- Option 5 considers the scenario for reducing capital expenditure to finance this option without the need to borrow

## 2. Affordable Levels of Service Enhancements



Ongoing Service Enhancements	2015.16 Business Plan (Pre-rent adjustment)*1,2	2015.16 Business Plan Option 2 (Post-rent adjustment)*1,3
April 2015 (1 year)	£370,000	£370,000
April 2016 (3 years)	£370,000	£-
April 2019 (3 years)	£560,000	£-
April 2022 (2 years)	£4,950,000	£-
April 2024 (1 year)	£7,200,000	£-
April 2025 (4 years)	£7,200,000	£1,300,000
April 2029 (5 years)	£8,900,000	£3,100,000
April 2034 (8 years)	£8,700,000	£1,450,000
April 2042 (3 years)	£8,700,000	£10,000,000
<b>Total over 30 Years</b>	<b>£180,560,000</b>	<b>£52,670,000</b>
<b>Inclusive of Inflation</b>	<b>£284,537,000</b>	<b>£89,998,000</b>

- Pre-Rent Plan has £570k of Service Enhancements within existing management budgets
- Option 2: Excludes the £570k in Management Budgets
- Costs Exclude Inflation

# 3. £1m Service Enhancements



Ongoing Service Enhancements	2015.16 Business Plan (Pre-rent adjustment)*1,2	2015.16 Business Plan Option 3 (Post-rent adjustment)*1,3
April 2015 (1 year)	£370,000	£370,000
April 2016 (3 years)	£560,000	£1,000,000
April 2019 (3 years)	£4,950,000	£1,000,000
April 2022 (4 years)	£7,200,000	£1,000,000
April 2025 (4 years)	£8,900,000	£2,000,000
April 2029 (5 years)	£8,700,000	£3,000,000
April 2034 (8 years)	£8,700,000	£-
April 2042 (2 years)	£370,000	£11,500,000
<b>Total over 30 Years</b>	<b>£180,560,000</b>	<b>£55,370,000</b>
<b>Inclusive of Inflation</b>	<b>£284,537,000</b>	<b>£88,845,000</b>

- This shows the minimum of £1m enhancements from next year – then what the plan can afford

# 3. £1m Service Enhancements



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- A total £28.466million of new borrowing is required to finance the £1m per annum service enhancements – repayable by year 16 (2029.30)
- Borrowing Capacity of £22million remains



## 4. Reduce New Build Expenditure



- In order to avoid any additional borrowing only phase 1 of the new build programme could be delivered (23 out of 215 homes)
  - HCA grant returned £0.5million
  - £7.329million of potential '1-4-1' receipts returned
  - £1.034million interest on the receipts payable by HRA
- This is based with ALL service enhancements removed from year 3

# 5. Reduce Capital Expenditure



Year	Reduction Required to Capital Programme	% of Original Programme
4 - 2017.18	£3.606m	32%
5 - 2018.19	£3.813m	33%
6 - 2019.20	£3.978m	32%
7 - 2020.21	£3.991m	31%
8 - 2021.22	£4.036m	32%
<b>TOTAL</b>	<b>£19.424m</b>	<b>32%</b>

- Allows for Phases 1-6 new build programme
- Enables £31.8million loan repayment in year 7
- Less than £20.8million borrowing in Option 1 on account of no interest payable

# Sale of High Value Voids



- To fund discounts for Right to Buys for Housing Association Tenants
- Uncertain how its going to be implemented (Though Housing Bill)
- Localised Levels Set?
  - 1 Bed: £155,000+ 2 Bed: £220,000+
  - 3 Bed: £265,000+ 4 Bed: £440,000+ 5+ Bed: £635,000
- How will the contribution to Brownfield funds work?
- Will authorities keep an element of 'allowable' debt?
- How much can an authority then retain before any receipt handed to fund HA right to buy sales?
- Who pays for admin such as Estate Agent Fees?
- What about loss of rental whilst conveyance is carried out?
- Securing the property?

# Pay to Stay



- £30,000 out of London, £40,000 in London
  - Expect sliding scale of 80% to 100% of market rent
- Will push through Right to Buys
- Savills Research (35% of income on housing):
  - 60% in London will not be able to afford market or right to buy
  - 49% East, 43% South East & 27% South West
  - 14% North East
  - “Tax payer subsidy of £3,500 per year on average”

# Commentary 1



	Add Borrowing	New Homes	10 Years -Serv Enhancements	Comments
1. No Service Enhancements	£20.837m Repay Yr 14	215	-	
2. Affordable Service Enhancements	£20.837m Repay Yr14	215	£1.3m	
3. £1m Min Service Enhancements	£28.466m Repay Yr16	215	£10m	
4. Reduced New Build	-	23	-	Return of Grant £0.5m, Receipts of £7.4m, Interest £1m
5.Reduce Capital Investment	-	215	-	Reduce Investment by 32%

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- Option3 Suggested as best Option

# Commentary 2



- Main issue loan portfolio based on:
  - Rent inflation that has now been changed- twice, Existing tenants to formula/convergence lost
  - Higher Levels of Right to Buy – no full benefit
- Backdrop that if you don't build:
  - Return to Government of Receipts/Grant plus Interest on Balances
- Need to be prepared for future impact of:
  - High Value Voids, Pay to Stay
  - Welfare Reform
- Therefore Decisions Not Essential Now:
  - How the above policies may affect the plan
  - Given that borrowing not needed for 2 Years+
- Any New Build beyond Phase 6 will require Borrowing in any event

## Annual Treasury Outturn Report

### Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (the "Code") requires that Local Authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).

The Council's Treasury Management Strategy for 2014/15 was approved by Full Council on 20<sup>th</sup> February 2014 and can be accessed via the Council's website.

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

### External Context

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

Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price (which fell to \$44.35 a barrel a level not seen since March 2009) and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.

**Labour Market:** The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. January 2015 showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier. Comparing the three months to January 2015 with a year earlier, employee pay increased by 1.8% including bonuses and by 1.6% excluding bonuses.

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

Political uncertainty had a large bearing on market confidence this year. The possibility of Scottish independence was of concern to the financial markets, however this dissipated following the outcome of September's referendum. The risk of upheaval (the pledge to devolve extensive new powers to the Scottish parliament; English MPs in turn demanding separate laws for England) lingers

on. The highly politicised March Budget heralded the start of a closely contested general election campaign and markets braced for yet another hung parliament, but resulted in a small majority for the Conservatives.

On the continent, the European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05% in September and the rate paid on commercial bank balances held with it was from -0.10% to -0.20%. The much-anticipated quantitative easing, which will expand the ECB's balance sheet by €1.1 trillion was finally announced by the central bank at its January meeting in an effort to steer the euro area away from deflation and invigorate its moribund economies. The size was at the high end of market expectations and it will involve buying €60bn of sovereign bonds, asset-backed securities and covered bonds a month commencing March 2015 through to September 2016. The possibility of a Greek exit from the Eurozone has receded. In August 2015 it reached a deal with its international creditors for a third bailout that would provide aid worth up to 86 billion euros, or about \$94.4 billion, in exchange for harsh austerity terms, but substantial debt relief has been called for by the International Monetary Fund.

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

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

### Local Context

At 31/03/2015 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £184.7m, while usable reserves and working capital which are the underlying resources available for investment were £114.9m.

At 31/03/2015, the Council had £185m of borrowing and £67.4m of investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance of £10m.

The Council has an increasing CFR over the next few years due to the capital programme, but reducing investments, and will therefore be required to borrow between £20m and £50m over the forecast period, depending on the Council's decisions on the use of Capital Resources.

### Borrowing Strategy

At 31/03/2015 the Council held £185m of loans, no change from the previous year, as part of its strategy for funding Self-Financing for Housing.



The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.

Arlingclose assists the Council with this 'cost of carry' and breakeven analysis.

There have been significant items of capital expenditure approved by the Council during 2015/16 that were not contained within the original Capital Programme. For example the supplementary capital estimate approved by Council in June 2015 for £30.6m for the Langston Road Retail Development. There are also demands for capital resources from the Budget effects on the HRA Business Plan, possibly £15m, and the requirements of the Leisure Contract Procurement, possibly £11m to £15m. These two projects are still being developed and will subsequently go to Cabinet for approval.

Arlingclose are also advising on our borrowing decisions. We are likely to borrow in 2015/16 and / or 2016/17.

#### Borrowing Activity in 2014/15

	Balance on 01/04/2014 £m	Maturing Debt £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 31/03/2015 £m	Avg Rate % and Avg Life (yrs)
CFR	184.7				184.7	
Short Term Borrowing <sup>1</sup>	0	0	0	0	0	
Long Term Borrowing	185.5	0	0	0	185.5	3% - 22.5yrs
<b>TOTAL BORROWING</b>	185.5	0	0	0	185.5	
Other Long Term Liabilities	0	0	0	0	0	
<b>TOTAL EXTERNAL DEBT</b>	185.5	0	0	0	185.5	
Increase/ (Decrease) in Borrowing £m					0	

**LOBOs:** The Council holds none.

**Debt Rescheduling:** The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

<sup>1</sup> Loans with maturities less than 1 year.

**Abolition of the PWLB:** In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the Public Works Loans Board. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The Council intends to use the PWLB's replacement as a potential source of borrowing if required.

### Investment Activity

The Council has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2014/15 the Council's investment balances have ranged between £58.1 and £70.5 million.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

### Investment Activity in 2014/15

Investments	Balance on 01/04/2014 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/03/2015 £m	Avg Rate/Yield (%) and Avg Life years)
Short term Investments (call accounts, deposits) - Banks and Building Societies with ratings of A- or higher - Local Authorities	43.7	73.0	69.3	47.4	0.60%-123 days
Long term Investments - Banks and Building Societies with ratings of A+ or higher - Local Authorities	10.0	0	5.0	5	1.30%-624 days
Money Market Funds	5	26.0	16.0	15	0.45%
<b>TOTAL INVESTMENTS</b>	<b>58.7</b>	<b>99.0</b>	<b>90.3</b>	<b>67.4</b>	
Increase/ (Decrease) in Investments £m				8.7	

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

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

## Credit Risk

Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average - Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average - Credit Risk Score	Time Weighted Average - Credit Rating
31/03/2014	A+	5.16	AA-	3.95
30/06/2014	A+	5.28	AA-	4.20
30/09/2014	A+	5.07	AA-	3.87
31/12/2014	A+	5.03	AA-	3.70
31/03/2015	A+	5.10	AA-	3.98

The value weighted average reflects the credit quality of investments according to the size of the deposit. The time weighted average reflects the credit quality of investments according to the maturity of the deposit.

### Scoring:

-AAA = highest credit quality = 1

-D = lowest credit quality = 26

-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

## Counterparty Update

The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish, over 2014-15 Moody's revised the Outlook of several UK and EU banks from Stable to Negative (note, this is not the same as a rating review negative) and S&P placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries' early adoption of the bail-in regime in the BRRD.

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

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

In December the Bank's Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK's financial stability. Institutions which 'passed' the tests but would be at risk in the event of a 'severe economic downturn' were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, some of whose constituent banks are on the Council's lending list, is taking measures to augment capital and the PRA does not require the

group to submit a revised capital plan. RBS, which is not on the Council's lending list for investments, has updated plans to issue additional Tier 1 capital. The Co-operative Bank failed the test.

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

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

The outlawing of bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits rose relative to other investment options. The Council's Treasury Strategy for 2015/16 includes the ability to diversify into Treasury Bills and Certificates of Deposit. In 2014/15 we continued to rely on unsecured deposits.

### **Budgeted Income and Outturn**

The average cash balances were £22m during the year. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels (see Table 1 in Appendix B). New deposits in banks and building societies were made at an average rate of 0.60%. Investments in Money Market Funds generated an average rate of 0.45%.

The Council's original budgeted investment income for the year was £399,000. The Council's investment outturn for the year was £47,000 higher than the original budget due to investment balances being higher than anticipated.

### **Update on Investments with Icelandic Banks**

The likely dividend on Heritable is now 98 to 100 pence in the pound and this will be confirmed and paid later in 2015. So we confidently expect to recover our principal. Which makes the original decision to place the bank into administration look rather strange.

### **Compliance with Prudential Indicators**

The Council confirms compliance with its Prudential Indicators for 2014/15 (see Appendix A), which were set in February 2014 as part of the Council's Treasury Management Strategy Statement.

### **Treasury Management Indicators**

The Council measures and manages its exposures to treasury management risks using the following indicators.

**Interest Rate Exposures:** This indicator is set to control the Council’s exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the percentage of net principal borrowed or interest payable will be:

D=Debt I=Investment	2014/15 %	2015/16 %	2016/17 %
Upper limit on fixed interest rate exposure	100 D/100 I	100 D/100 I	100 D/100 I
Actual	83 D/87 I		
Upper limit on variable interest rate exposure	25 D/75 I	25 D/75 I	25 D/75 I
Actual	17 D/13 I		

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

The amount of the portfolio in Variable Rate Investments fluctuated during the year, from 8% to 21%, an average of 13%.

**Maturity Structure of Borrowing:** This indicator is set to control the Council’s exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower	Actual
Under 12 months	100%	0%	0
12 months and within 24 months	100%	0%	0
24 months and within 5 years	100%	0%	0
5 years and within 10 years	100%	0%	17%
10 years and within 20 years	100%	0%	0
20 years and within 30 years	100%	0%	83%
30 years and within 40 years	100%	0%	0
40 years and within 50 years	100%	0%	0
50 years and above	100%	0%	0

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2014/15	2015/16	2016/17
Limit on principal invested beyond year end	£30m	£30m	£30m
Actual	£5m		

**Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit risk score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual
Portfolio average credit score	A-	A+

**Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target	Actual
Total cash available within 3 months	£20m	£50m

(£50m is the cash flowing in, but is not all available.)

### **Investment Training**

EFDC Members - Training was held on 9 January 2014. An evening session from Arlingclose.  
 S Alford - Arlingclose Investment Workshop on 10 December 2014. Treasury Strategy update.  
 S Alford - Minimum Revenue Provision by Cipfa on 25 February 2015.

### Prudential Indicators 2014/15

The Local Government Act 2003 requires the Council to have regard to CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

**Estimates of Capital Expenditure:** The Council's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2014/15 Actual £000	2015/16 Estimate £000	2016/17 Estimate £000
General Fund	5,648	7,276	2,071
HRA	13,850	18,952	22,003
<b>Total Expenditure</b>	<b>19,498</b>	<b>26,228</b>	<b>24,074</b>
Capital Receipts	5,402	7,802	4,537
Government Grants	1,149	1,395	390
Reserves	7,526	11,969	11,235
Revenue	5,421	5,062	7,912
Borrowing	0	0	0
Leasing and PFI	0	0	0
<b>Total Financing</b>	<b>19,498</b>	<b>26,228</b>	<b>24,074</b>

**Estimates of Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.15 Actual £m	31.03.16 Estimate £m	31.03.17 Estimate £m
General Fund	29.6	59.6	59.6
HRA	155.1	155.1	155.1
<b>Total CFR</b>	<b>184.7</b>	<b>214.7</b>	<b>214.7</b>

The CFR is forecast to rise by £30m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

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

Debt	31.03.15 Actual £m	31.03.16 Estimate £m	31.03.17 Estimate £m
Borrowing	185.456	214.5	214.5
Finance leases	0	0	0
PFI liabilities	0	0	0
<b>Total Debt</b>	<b>185.456</b>	<b>214.5</b>	<b>214.5</b>

Total debt is not expected to remain above the CFR during the forecast period.

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

**Operational Boundary for External Debt:** The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Operational Boundary	2014/15 £m	2015/16 £m	2016/17 £m
Borrowing	204.0	225.0	225.0
Other long-term liabilities	0	0	0
<b>Total Debt</b>	<b>204.0</b>	<b>225.0</b>	<b>225.0</b>

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2014/15 £m	2015/16 £m	2016/17 £m
Borrowing	230.0	230.0	230.0
Other long-term liabilities	0	0	0
<b>Total Debt</b>	<b>230.0</b>	<b>230.0</b>	<b>230.0</b>

**Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.



Ratio of Financing Costs to Net Revenue Stream	2014/15 Actual %	2015/16 Estimate %	2016/17 Estimate %
General Fund	-0.93	-0.06	-0.83
HRA	15.78	15.81	15.03

**Incremental Impact of Capital Investment Decisions:** This is an indicator of affordability that shows the theoretical impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the previous capital programme proposed.

Incremental Impact of Capital Investment Decisions	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
General Fund - increase in annual Band D Council Tax	3.94	-0.28	0.15
HRA - increase in average weekly rents	-1.59	0.01	-16.80

**Adoption of the CIPFA Treasury Management Code:** The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in April 2002.

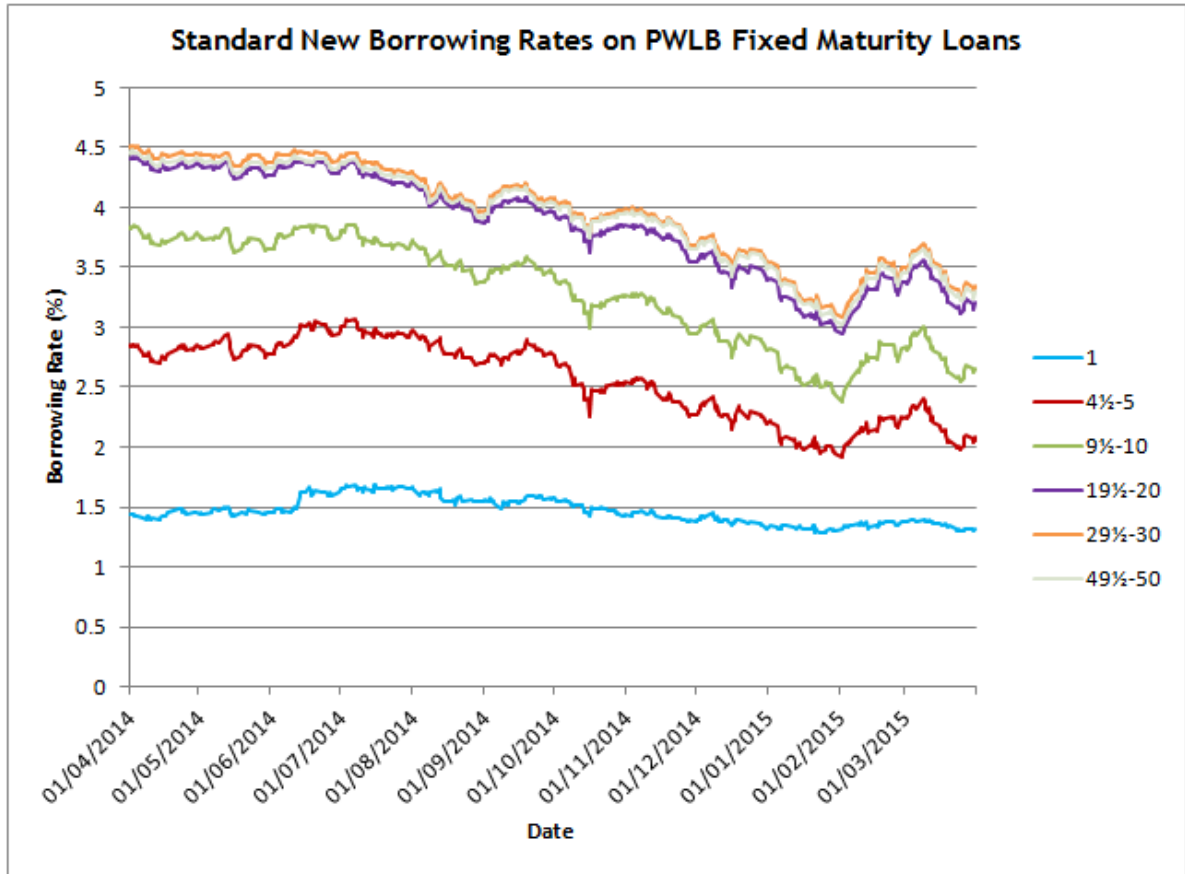
The average, low and high rates correspond to the rates during the financial year rather than those in the tables below. Please note that the PWLB rates below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at a 0.20% reduction, EFDC are eligible.

**Table 1: Bank Rate, Money Market Rates**

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2014	0.50	0.36	0.39	0.42	0.46	0.56	0.84	1.05	1.44	2.03
30/04/2014	0.50	0.36	0.40	0.42	0.47	0.57	0.85	1.09	1.47	2.02
31/05/2014	0.50	0.35	0.40	0.43	0.48	0.67	0.87	1.11	1.46	1.98
30/06/2014	0.50	0.36	0.40	0.43	0.50	0.71	0.94	1.33	1.70	2.17
31/07/2014	0.50	0.37	0.41	0.43	0.50	0.72	0.97	1.34	1.71	2.17
31/08/2014	0.50	0.36	0.42	0.43	0.50	0.77	0.98	1.22	1.53	1.93
30/09/2014	0.50	0.43	0.45	0.43	0.51	0.66	1.00	1.25	1.57	1.99
31/10/2014	0.50	0.40	0.43	0.43	0.51	0.66	0.98	1.10	1.38	1.78
30/11/2014	0.50	0.35	0.50	0.43	0.51	0.66	0.97	0.93	1.15	1.48
31/12/2014	0.50	0.43	0.48	0.42	0.51	0.66	0.97	0.92	1.12	1.44
31/01/2015	0.50	0.45	0.45	0.43	0.51	0.66	0.95	0.83	0.98	1.18
28/02/2015	0.50	0.43	0.47	0.43	0.51	0.66	0.96	0.99	1.22	1.53
31/03/2015	0.50	0.50	0.62	0.43	0.51	0.74	0.97	0.88	1.06	1.34
<b>Average</b>	<b>0.50</b>	<b>0.39</b>	<b>0.44</b>	<b>0.43</b>	<b>0.50</b>	<b>0.67</b>	<b>0.95</b>	<b>1.09</b>	<b>1.38</b>	<b>1.79</b>
<b>Maximum</b>	<b>0.50</b>	<b>0.50</b>	<b>0.62</b>	<b>0.43</b>	<b>0.51</b>	<b>0.81</b>	<b>1.00</b>	<b>1.38</b>	<b>1.77</b>	<b>2.26</b>
<b>Minimum</b>	<b>0.50</b>	<b>0.24</b>	<b>0.36</b>	<b>0.42</b>	<b>0.46</b>	<b>0.56</b>	<b>0.84</b>	<b>0.80</b>	<b>0.96</b>	<b>1.18</b>
<b>Spread</b>	<b>--</b>	<b>0.26</b>	<b>0.26</b>	<b>0.01</b>	<b>0.05</b>	<b>0.25</b>	<b>0.16</b>	<b>0.58</b>	<b>0.81</b>	<b>1.08</b>

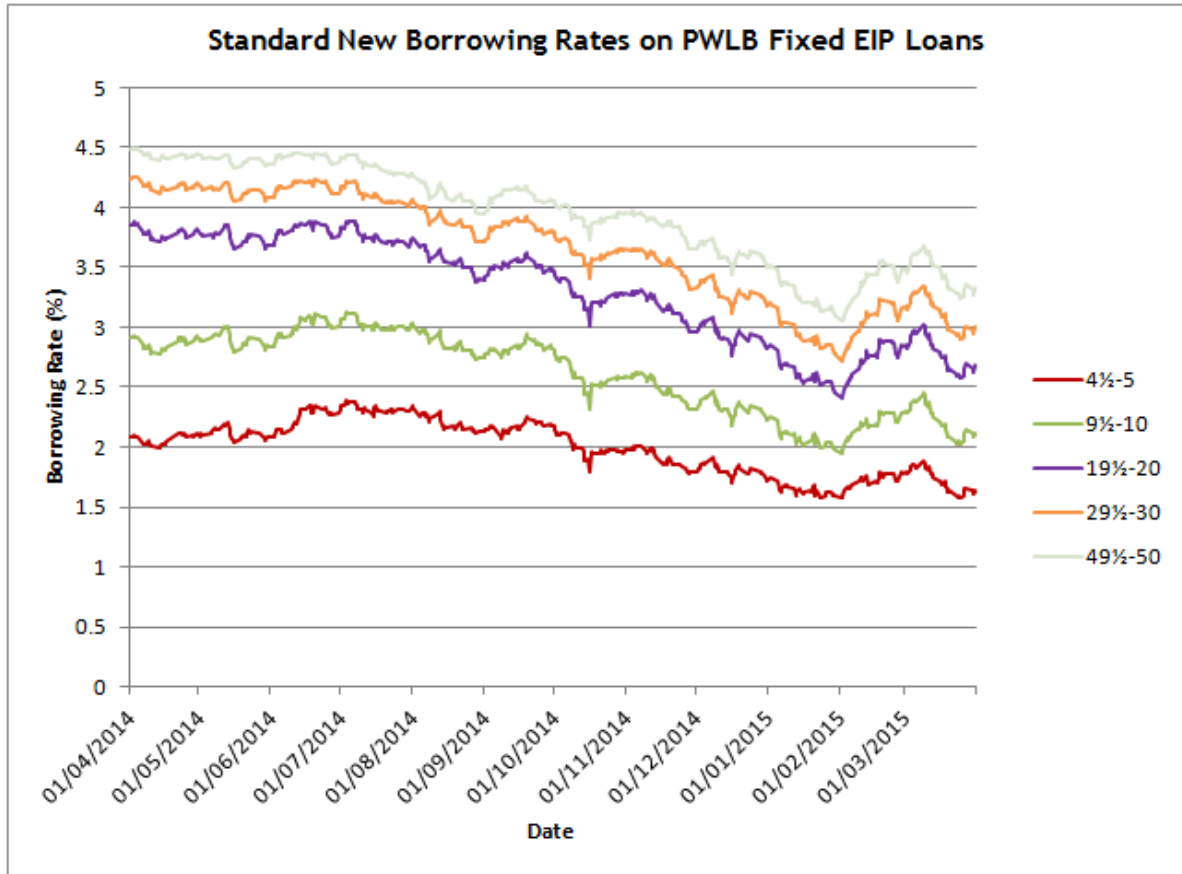
**Table 2: PWLB Borrowing Rates - Fixed Rate, Maturity Loans**

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/14	1.44	2.85	3.83	4.41	4.51	4.49	4.47
30/04/2014	166/14	1.45	2.86	3.79	4.37	4.46	4.43	4.41
31/05/2014	206/14	1.45	2.78	3.65	4.27	4.38	4.35	4.33
30/06/2014	248/14	1.63	2.95	3.74	4.30	4.40	4.36	4.34
31/07/2014	294/14	1.66	2.96	3.70	4.21	4.30	4.27	4.25
31/08/2014	334/14	1.55	2.70	3.38	3.88	3.97	3.94	3.93
30/09/2014	378/14	1.57	2.77	3.46	3.96	4.07	4.05	4.03
31/10/2014	424/14	1.44	2.54	3.27	3.86	3.99	3.97	3.96
30/11/2014	465/14	1.39	2.27	2.94	3.54	3.68	3.66	3.65
31/12/2014	508/14	1.32	2.19	2.80	3.39	3.53	3.50	3.49
31/01/2015	042/15	1.30	1.94	2.44	2.98	3.12	3.08	3.06
28/02/2015	082/15	1.37	2.24	2.83	3.37	3.50	3.46	3.45
31/03/2015	126/15	1.31	2.06	2.65	3.20	3.33	3.29	3.28
	<b>Low</b>	1.28	1.91	2.38	2.94	3.08	3.03	3.02
	<b>Average</b>	1.47	2.56	3.28	3.85	3.96	3.93	3.92
	<b>High</b>	1.69	3.07	3.86	4.42	4.52	4.49	4.48



**Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans**

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/14	2.09	2.92	3.85	4.24	4.42	4.49
30/04/2014	166/14	2.12	2.93	3.82	4.20	4.38	4.45
31/05/2014	206/14	2.08	2.84	3.68	4.08	4.27	4.36
30/06/2014	248/14	2.29	3.01	3.76	4.12	4.30	4.38
31/07/2014	294/14	2.32	3.02	3.73	4.05	4.21	4.28
31/08/2014	334/14	2.13	2.75	3.40	3.72	3.89	3.95
30/09/2014	378/14	2.18	2.82	3.48	3.79	3.97	4.05
31/10/2014	424/14	1.97	2.59	3.29	3.66	3.86	3.96
30/11/2014	465/14	1.79	2.31	2.96	3.32	3.54	3.65
31/12/2014	508/14	1.72	2.23	2.82	3.17	3.39	3.50
31/01/2015	042/15	1.59	1.98	2.45	2.77	2.99	3.10
28/02/2015	082/15	1.78	2.29	2.84	3.16	3.38	3.48
31/03/2015	126/15	1.62	2.10	2.67	2.99	3.21	3.31
	<b>Low</b>	1.58	1.94	2.40	2.72	2.95	3.06
	<b>Average</b>	1.99	2.61	3.31	3.66	3.85	3.94
	<b>High</b>	2.39	3.13	3.89	4.26	4.43	4.50



**Table 4: PWLB Variable Rates**

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2014	0.55	0.56	0.57	1.45	1.46	1.47
30/04/2014	0.55	0.56	0.57	1.45	1.46	1.47
31/05/2014	0.55	0.57	0.58	1.45	1.47	1.48
30/06/2014	0.59	0.61	0.67	1.49	1.51	1.57
31/07/2014	0.58	0.61	0.69	1.48	1.51	1.59
31/08/2014	0.58	0.62	0.72	1.48	1.52	1.62
30/09/2014	0.64	0.68	0.75	1.54	1.58	1.65
31/10/2014	0.61	0.63	0.68	1.51	1.53	1.58
30/11/2014	0.58	0.64	0.69	1.48	1.54	1.59
31/12/2014	0.60	0.62	0.66	1.50	1.52	1.56
31/01/2015	0.59	0.60	0.65	1.49	1.50	1.55
28/02/2015	0.61	0.61	0.66	1.51	1.51	1.56
31/03/2015	0.62	0.62	0.66	1.52	1.52	1.56
<b>Low</b>	0.55	0.56	0.57	1.45	1.46	1.47
<b>Average</b>	0.59	0.61	0.66	1.49	1.51	1.56
<b>High</b>	0.64	0.68	0.76	1.54	1.58	1.66