

Agenda Item No: 12(ii)



**Cabinet recommendations for consideration by Council
at the Meeting of the Council on Wednesday, 25 February 2015**

Cabinet – 12 February 2015

68 Annual Treasury Management Strategy Statement and Investment Strategy 2015/2016 to 2017/2018

The Cabinet considered Report No 17/15 which set out details of the proposed Treasury and Investment Strategies for 2015/2016 to 2017/2018, a copy of which was set out at Appendix 1 to the Report.

The draft Strategy Statement set out the background to the Council's treasury management activity in respect of the wider economy and the Council's current and projected financial position. It detailed the approach which would be taken to borrowing and the investment of cash balances. It explained the risks which were inherent in treasury management and how they were to be mitigated.

The content of the draft Strategy Statement followed the requirements of the Chartered Institute of Public Finance and Accountancy's revised Code of Practice which was published in November 2011, and had been prepared with the general support of Arlingclose, the Council's Treasury advisers.

The Audit and Standards Committee had considered the draft Strategy Statement at its meeting on 26 January 2015, in line with the Code of Practice's recommendation that the annual Treasury Strategy should be subject to scrutiny. However, that Committee's review had not encompassed the Prudential Indicators, some of which were subject to final calculation pending the finalisation of the draft Capital Programme.

The Audit and Standards Committee's attention had been drawn to Arlingclose's observations, details of which were set out in paragraph 2.2 of Report No 17/15 and which were incorporated in the draft Strategy Statement. The Committee had no specific comments to draw to Cabinet's attention.

The Chair of the Audit and Standards Committee, Councillor Eiloart, expressed concerns about the lowering of credit rating limits in response to the European

Union Bank Recovery and Resolution Directive. The Director of Finance undertook to provide regular Reports to the Audit and Standards Committee and Cabinet in respect of all investments made. The Director of Finance also explained that the Council would increase use of Internal Borrowing by repaying a £5m variable rate loan as previously reported to Cabinet. That would further reduce investment risk.

Resolved:

- 68.1** That the Director of Finance be requested to keep the current minimum credit rating for investments under review and include the results thereof in future Finance Update Reports to Cabinet and the Audit and Standards Committee. DF

Recommended:

- 68.2** That the Treasury Management Strategy Statement and Investment Strategy 2015/2016 to 2017/2018, as set out at Appendix 1 to Report No 17/15, be adopted;. DF (to note)

- 68.3** That the Council's 'Prudential Indicators' for the year be those set out in Appendix B of the Strategy document; DF (to note)

- 68.4** That the Council's level of affordable borrowing, determined in accordance with the Local Government Act 2003, be subject to the following limits: DF (to note)

	2015/2016	2016/2017	2017/2018
Authorised limit for external debt	£76.5m	£76.5m	£76.5m

- 68.5** That the Council's approach to allocating debt and associated costs between the Housing Revenue Account and General Fund be as set out in Section 9 of the Strategy Statement; and DF (to note)

- 68.6** That the Council's Minimum Revenue Provision be calculated as set out in Section 13 of the Strategy Statement. DF (to note)

Reasons for the Decisions:

The Council has adopted the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management. In accordance with the Code of Practice, the Cabinet approves an Annual Treasury Strategy Statement before the start of each financial year. This includes an Investment Strategy for the year ahead (which Government guidance notes should be adopted by full Council) as well as 'Prudential Indicators' which are required to be set in order to comply with the 'Prudential Code for Capital Finance in Local Authorities' (The Prudential Code). The majority of these indicators are an essential element of an integrated treasury management strategy.

The Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2008 place a duty on local authorities to make a prudent provision for debt redemption. Guidance has been issued by the Secretary of State on determining 'Minimum Revenue Provision'.

† *The Recommendations, and not the Resolution, in the above Minute are for consideration by Council.*

Councillors are requested to bring with them to the meeting Report No 17/15 which was circulated with the agenda papers for the meeting of the Cabinet on 12 February 2015. If you require a further copy of the document please contact Trevor Hayward, Committee Officer, on e-mail trevor.hayward@lewes.gov.uk or telephone 01273 471600.

69 General Fund Revenue Budget 2015/2016

The Cabinet considered Report No 18/15 relating to the Medium Term Budget Outlook and the 2015/2016 General Fund Revenue Budget.

Delivering the Deficit Reduction Plan remained a national priority. On 3 December 2014, the Chancellor of the Exchequer had given his annual Autumn Statement to Parliament, further details of which were set out in paragraph 1.2 of the Report.

The provisional Local Government Finance Settlement for 2015/2016 confirmed that the central government core grant to run local services nationally would fall by 14%. However, the fall for shire districts nationally was 15% which was the same as the Council's reduction. Such reduction excluded the availability of the New Homes Bonus Funding Stream which was reflected within each Council's overall Spending Power figures. Many councils, including the Council, were rebalancing budgets to reflect the reduction in core funding.

Appendix A to the Report set out details of the Council's Financial Principles and Objectives in its Medium Term Financial Strategy which were used as part of the framework to guide estimate preparation and compilation of the Medium Term Budget Outlook.

The Localism Act 2011 had introduced a requirement for referenda to approve or veto council tax increases that exceeded limits set out by the Secretary of State and which had been approved by Parliament in "principles" which were defined for the following financial year.

The Secretary of State had indicated that the threshold for 2015/2016 was 2% for principal authorities. The referenda position remained under consideration for Town and Parish Councils and a decision thereon would be made following consideration of responses to the Provisional Settlement. The Lead Cabinet Councillor had written to the Minister requesting that Town and Parish Councils be excluded from any referenda requirement.

The Government was making a further grant available for councils which froze council tax bills in England in 2015/2016 which was equivalent to a 1%

increase in the 2014/2015 council tax and was payable for 2015/2016. Paragraph 5 of the Report set out details relating to the Council's council tax requirement for 2015/2016.

An Independent Peer Review of the Special Expense process had been completed and the report was published on the Council's website at www.lewes.gov.uk/council/21887.asp. It had concluded that the Council had complied with the council tax setting legislation.

The General Fund Budget Summary for next year was set out at Appendix B to the Report and the table in paragraph 6.2 of the Report provided an analysis of the high level movement in the budget from 2014/2015 to 2015/2016, further details of which were provided in the Report. The 2015/2016 draft budget had been prepared in accordance with the framework which was outlined in paragraph 6.3 of the Report.

The Government had stated its position that the economy would grow throughout the period of the next Parliament and that public sector funding would continue to reduce. The Autumn 2014 statement confirmed that further public sector funding reductions were to be expected. Appendix J to the Report showed the Council's savings plan through to 2020.

The savings for 2015/2016 would mainly be derived from the Organisational Development programme and from the introduction of a 2% vacancy savings target. The gross savings for the year were likely to deliver a recurring saving of £400,000, £100,000 of which would be retained to ensure adequate provision to cover forthcoming changes in the back office service arrangements and to enhance the joint working initiative with Eastbourne Borough Council which would deliver further savings in future years.

The Medium Term Budget Outlook and detailed commentary were set out at Appendix E to the Report. The Outlook built upon the estimate for 2015/2016 and set out the stated assumptions. 2015/2016 delivered an aggregate reduction in the Band D tax comprising a tax freeze for the General Expenses and a reduction in the aggregate requirement for Special Expenses.

The Council Tax Collection Fund Balance and the Non Domestic Rates Collection Fund Balance were key components of the Council Tax setting process. A principle of the Medium Term Financial Strategy was to achieve a zero balance (or as close as was possible) each year. There was an estimated credit balance of £403,010 on the Council Tax Collection Fund which could be utilised during the 2015/2016 budget setting process. The surplus would be redistributed to the preceptors as detailed in paragraph 12.2 of the Report.

The statutory Non Domestic Rating Return (NNDR1) was submitted before the deadline of 31 January. It was not available until January each year and it needed to be returned certified by the Chief Finance officer before 31 January. The retained rates income estimate would normally be approved by Cabinet which the meetings cycle did not readily facilitate. Cabinet was therefore requested to delegate completion and return of future NNDR1 returns to the Council's Chief Finance Officer in consultation with the Leader which, if approved, required the Council's Constitution to be updated accordingly.

The Chief Finance Officer was the Council's principal financial advisor who had statutory responsibilities in relation to the administration of the Council's financial affairs in accordance with Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988. Paragraph 15 of the Report set out the Report of the Chief Finance Officer in respect of the Council's budget proposals which had been prepared in accordance with the Council's policy framework and reviewed by Corporate Directors, Heads of Service, Lead Councillors and the Scrutiny Committee. The Council remained focused on delivering its deficit reduction programme. The opinion of the Chief Finance Officer was that the estimates were robust for the purpose of determining the statutory calculations which were required by section 32 of the Local Government Finance Act 1992

Paragraph 16.4 of the Report set out details relating to the implications of the extended Business Rates Transitional Relief Scheme for 2015/2016 and 2016/2017.

The Cabinet received the recommendations of the Scrutiny Committee at its meeting held on 15 January 2015 relating to the context in which the 2015/16 General Fund and Housing Revenue Account budgets and the Capital Programme had been prepared.

Resolved:

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| 69.1 | That the recommendations of the Scrutiny Committee at its meeting held on 15 January 2015 relating to the context in which the 2015/16 General Fund and Housing Revenue Account budgets and the Capital Programme had been prepared, be received and noted; | |
| 69.2 | That the detailed contributions to reserves and use of reserves, as set out in Appendices D, F, G, H and I to Report No 18/15, be approved; | DF |
| 69.3 | That the recommendations of the budget Scrutiny Committee be agreed; | DF |
| 69.4 | That the Council Tax and Business Rates Collection Fund balances to be returned in 2015/2016 be noted; | |
| 69.5 | That the implications of the public sector funding outlook and impact upon the Council's Medium Term Budget Outlook through to 2019/2020 be noted; | |
| 69.6 | That the statutory report of the Director of Finance as required by section 25(1) of the Local Government Act 2003, as set out in paragraph 15 of the Report, be approved; | DF |
| 69.7 | That an extension of the Transitional Business Rate Relief scheme for small and medium properties be adopted in line with the guidance published by the Department for Communities and Local Government in January 2015; | DF |
| 69.8 | That a recurring £100,000 be set aside when the savings target for 2015/2016 is exceeded by that amount, in order to fund the costs of enhancing the joint working arrangement with Eastbourne Borough | DF |

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| <p>69.9 That the recommendations of the Independent Peer Review of Special Expenses be accepted;</p> <p>69.10 That Special Expenses be charged on the basis of estimates alone and not adjusted to reflect actual costs;</p> <p>69.11 That completion of the statutory Non Domestic Rates Return (NNDR1) with retained rating income of £25,066,082, be noted; and</p> <p>69.12 That approval of NNDR1 returns be delegated to the Council's Chief Finance Officer in consultation with the Leader and the Constitution be updated to reflect this.</p> | <p>DF</p> <p>DF</p> <p></p> <p>DF/
ADCS</p> |
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It was further

Recommended:

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| <p>69.13 That an aggregate Council Tax requirement of £6,632,448 (a Council Tax reduction of 1.5% for the aggregate Lewes District Council Council Tax Requirement) be approved, comprising</p> <p style="margin-left: 20px;">a. A General Expenses Council Tax requirement of £6,020,459 (a Council Tax freeze for Lewes District Council's General Expenses).</p> <p style="margin-left: 20px;">b. A Special Expenses Council Tax Requirement of £611,989; and</p> <p>69.14 That, following publication of the Final 2015/2016 Local Government Finance Settlement, the Director of Finance be authorised to make the necessary adjustments to maintain the general Expenses Council tax requirement at the above level and to report any adjustments to the next Cabinet meeting.</p> | <p>DF (to note)</p> <p></p> <p></p> <p>DF (to note)</p> |
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Reasons for the Decisions:

Cabinet is required to approve the estimates in accordance with the Council's Constitution. The budget Report No 18/15 sets out the level of General Fund revenue resources needed to support the Council's priorities and services.

The Council has a statutory duty to determine its Council Tax Requirement and level of Council Tax for the coming year. Cabinet makes a recommendation to Council on this matter having taken account of the Director of Finance's statutory report on the adequacy of reserves and balances.

† *The Recommendations, and not the Resolutions, in the above Minute are for consideration by Council.*

Councillors are requested to bring with them to the meeting Report No 18/15 which was circulated with the agenda papers for the meeting of the Cabinet on 12 February 2015. If you require a further copy of the document please contact Trevor Hayward, Committee Officer, on e-mail trevor.hayward@lewes.gov.uk or telephone 01273 471600.

70 Housing Revenue Account Budget 2015/2016

The Cabinet considered Report No 19/15 relating to the Housing Revenue Account Budget 2015/2016.

The national Housing Revenue Account self-financing system allowed all income generated to be kept locally and available to fund the maintenance and management of the housing stock, service debt and acquire and provide additional Social Housing.

The budgets had been prepared on the basis of the national Housing Revenue Account Accounting Code of Practice and incorporated Restructured Rents, Supporting People and Service Charges.

The Housing Revenue Account Budget 2015/2016 was in line with the Business Plan and the Council's proposed policy on restructured rents. The budget included a contribution to finance the capital programme of £820,000 and showed an estimated balance in hand at the year end of £2,517,770. The average increase in dwelling rents was 2.83%.

A provision of 2.2% had been made for movements in the pay bill in line with the national settlement. Salary budgets also allowed for contractual salary increments.

The budgeted employer's pension contribution rate for 2015/2016 was the same as that proposed by the actuary following the three yearly review of the East Sussex Pension Fund which had ended in December 2013.

Inflation had been provided to cover known price changes such as utility and contractual commitments. Furthermore, the items referred to in paragraphs 3.5 to 3.11 of the Report had been provided in the budget.

The budget layout complied with national accounting requirements and included explanatory notes within the body of the budgets. An explanation of items included within the expenditure headings was set out in paragraph 4.1 of the Report.

The Cabinet received the recommendations of the Scrutiny Committee at its meeting held on 15 January 2015 relating to the context in which the 2015/16 General Fund and Housing Revenue Account budgets and the Capital Programme had been prepared.

Resolved:

- 70.1** That the recommendations of the Scrutiny Committee at its meeting held on 15 January 2015 relating to the context in which the 2015/16 General Fund and Housing Revenue Account budgets and the Capital Programme had been prepared, be received and noted.

It was further

Recommended:

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| 70.2 | That the Housing Revenue Account budgets for 2015/16, as set out at Appendices 1 to 6 to Report No 19/15, be approved; | DF (to note) |
| 70.3 | That an average dwelling rent increase of 2.83%, as set out in paragraph 9 of the Report, be approved and be effective from 6 April 2015 which is in line with the proposed Council policy on rent restructuring; | DF (to note) |
| 70.4 | That all new tenancies, excluding tenancy transfers, be let at formula rent from 6 April 2015, as referred to in paragraph 9.7.2 of the Report; | DF (to note) |
| 70.5 | That an increase of 2.8% in Affordable Rents be approved and be effective from 6 April 2015, as referred to in paragraph 11 of the Report; | DF (to note) |
| 70.6 | That an average garage rent increase of 2.3% be approved and be effective from 6 April 2015, as referred to in paragraph 12 of the Report, which is in line with the Business Plan and current Council policy on garage rentals; | DF (to note) |
| 70.7 | That an increase of 2.3% in Private Sector Leased Property rents be approved and be effective from 6 April 2015, as referred to in paragraph 13 of the Report; | DF (to note) |
| 70.8 | That revised Service Charges be implemented and be effective from 6 April 2015, as referred to in paragraphs 14 to 19 of the Report. | DF (to note) |

Reason for the Decisions:

To enable the Council to fulfill its legal obligations to produce a balanced Housing Revenue Account for 2015/2016.

† *The Recommendations, and not the Resolution, in the above Minute are for consideration by Council.*

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71 The Capital Programme 2014/2015 to 2017/2018

The Cabinet considered Report No 20/15 relating to the revised 2014/2015 Capital Programme, the 2015/2016 Capital Programme, the outline Capital

Programme 2016/2017 to 2017/2018 and the associated Prudential Indicators.

As part of the annual budget cycle the Cabinet considered what level of capital support to allocate to its Policy Programme. It also considered the medium term position in relation to likely capital needs and available resources.

Part 1 of the Local Government Act 2003 had introduced a framework for local authority capital expenditure and financing namely, the 'Prudential Capital Finance System'. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which defined that system, required local authorities to follow the 'Prudential Code for Capital Finance in Local Authorities' (the Prudential Code) when taking their decisions. The Prudential Code required authorities to set a number of Prudential Indicators before the beginning of each financial year. Further details relating to the Prudential Capital Finance System were set out in paragraph 3 of the Report.

The 2014/2015 Capital Programme was set out at lines 1 to 104 of Appendix 1 to the Report which totalled £16.594m. That sum included the full cost of implementing new capital schemes, however some of that expenditure would fall into 2015/2016 and, possibly, into later years. Five amendments were proposed to the 2014/2015 Capital Programme, further details of which were set out in paragraph 4.3 of the Report.

Details relating to a projection of the resources which would be available at 1 April 2015 to fund capital expenditure were set out in the table in paragraph 5.1 of the Report.

The Prudential Code required local authorities to plan their capital expenditure programme for at least three years ahead for which the most detailed information was available for the first year.

The recommended Capital Programme for 2015/2016 to 2017/2018 was set out at Appendix 2 to the Report. However, it was important to note that the items shown for 2016/2017 and 2017/2018 were provisional, the reasons for which were set out in paragraph 6.1 of the Report.

Paragraph 6.6 of the Report provided details in respect of the General Fund Capital Programme for which the Non-Housing Programme, as set out at lines 36 to 44 of Appendix 2 to the Report, had a proposed value in 2015/2016 of £5.584m.

The Cabinet received the recommendations of the Scrutiny Committee at its meeting held on 15 January 2015 relating to the context in which the 2015/16 General Fund and Housing Revenue Account budgets and the Capital Programme had been prepared.

Resolved:

- 71.1** That the recommendations of the Scrutiny Committee at its meeting held on 15 January 2015 relating to the context in which the 2015/16 General Fund and Housing Revenue Account budgets and the Capital Programme had been prepared, be received and noted.

It was further

Recommended:

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| 71.2 | That the revised 2014/2015 Capital Programme of £16.594m at Appendix 1 to Report No 20/15, be approved; | DF (to note) |
| 71.3 | That the 2015/2016 Capital Programme of £15.666m at Appendix 2 to the Report, be approved; | DF (to note) |
| 71.4 | That the outline Capital Programme 2016/2017 to 2017/2018 of £15.031m at Appendix 2 to the Report, be approved; and | DF (to note) |
| 71.5 | That the Prudential Indicators in respect of the Capital Programme, as detailed in paragraph 7 of the Report, be approved and adopted for 2015/2016. | DF (to note) |

Reasons for the Decisions:

As part of the annual budget cycle the Cabinet considers what level of capital support to allocate to its Policy Programme. It also considers the medium term position in relation to likely capital needs and available resources. The Council's Constitution requires Cabinet to make a recommendation to Council on the level of the Capital Programme budget.

Part 1 of the Local Government Act 2003 introduced a framework for local authority capital expenditure and financing, the 'Prudential Capital Finance System'. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which define this system, requires local authorities to follow the 'Prudential Code for Capital Finance in Local Authorities' (the Prudential Code) when taking their decisions. The Prudential Code requires authorities to set a number of 'Prudential Indicators' before the beginning of each financial year.

† *The Recommendations, and not the Resolution, in the above Minute are for consideration by Council.*

Councillors are requested to bring with them to the meeting Report No 20/15 which was circulated with the agenda papers for the meeting of the Cabinet on 12 February 2015. If you require a further copy of the document please contact Trevor Hayward, Committee Officer, on e-mail trevor.hayward@lewes.gov.uk or telephone 01273 471600.