Cabinet 11th February 2015

Please find attached the to follow documents for the:

Budget 2015/16 and Medium Term Financial Plan 2015/16 to 2018/19 (General Fund) report:

Appendix 1 - Minutes of the Overview and Scrutiny Committee Budget Meeting Thursday 29th January 2015.

Appendix 4 - Prudential Indicators.

Appendix 5 - Treasury Management Strategy.

Appendix 9 - Capital Programme

APPENDIX 1

Minutes of the
Overview and Scrutiny Committee Budget Meeting
Thursday 29th January 2015

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The following Minutes have been approved by the Overview and S crutiny Committee Budget Meeting (29th January 2015) as a response from scrutiny on the Council's 2015/16 Budget Consultation and proposals.

COUNCILLORS

PRESENT	Nneka Keazor (Chair), Daniel Anderson (Vice Chair), Krystle Fonyonga, Alev Cazimoglu, Edward Smith, Joanne Laban, Doug Taylor, Achilleas Georgiou, Ayfer Orhan, Chris Bond, Alan Sitkin, Rohini Simbodyal, Andrew Stafford, Ahmet Oykener, George Savva
ABSENT	Yasemin Brett, Donald McGowan, Ozzie Uzoanya, Bambos Charalambous
OFFICERS:	James Rolfe (Director of Finance, Resources and Customer Services), Isabel Brittain (AD Finance), Ray James (Director Health, Housing and Adult Social Care), Andrew Fraser (Director of Schools and Children's Services), Jayne Fitzgerald (Finance Business Partner, Schools and Children's Services), Ian Davis (Director Regeneration and Environment)
Also Attending:	Simon Goulden, Approximately 20 members of the public

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WELCOME AND APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs McGowan, Charalambous and Brett and from Rob Leak, Anthony Murphy and Alicia Meniru.

Apologies for lateness were received from Cllr Georgiou.

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DECLARATIONS OF INTEREST

No declarations of interest were made.

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LONDON BOROUGH OF ENFIELD BUDGET CONSULTATION 2015/16 - TO FOLLOW

Doug Taylor, Leader of the Council, gave a brief introduction to attendees.

He commented that it had been a difficult financial year for the Council and future years would remain so as reductions in Central Government funding and increased pressures continued. The Council had this year undertaken an extensive consultation on the budget proposals for 2015/16 and the results would be presented to the Committee. Residents were invited to raise any questions or make any comments on these proposals.

James Rolfe, Director of Finance, Resources and Customer Services, gave a presentation on the budget proposals for 2015/16 and the results of the Budget Consultation, the main points of which were as follows:

- A graph set out the funding gap over the four years from 15/16 to 18/19; beginning at £34m and rising to £80m by the end of 18/19.
- Savings proposals had been put forward to address the gap, these comprised savings achieved through the Enfield 2017 Programme, front line savings and income received through Council Tax (assumed figures and not yet confirmed).
- Pressures and risks identified included further Central Government cuts, potential increased responsibilities under the Care Act 2014, population growth and an ageing population in the Borough, increases in the cost of borrowing, inflation and an upturn in the property market which caused increases in rents paid for temporary accommodation.
- The 2015/16 Budget had been agreed by Council on 26 February 2014. Front line 'green' savings had been agreed by Cabinet on 12 November 2014. Meetings had taken place with both the Labour and Conservative Groups to discuss the increased funding gap on 11 and 26 January.
- As at January 2015, the funding gap had been closed for 2015/16, and reduced further in 2016/17, but would rise again in years after that.
- A significant new pressure on the Council's budget was the impact of the increased costs of Temporary Accommodation.
- New savings proposals to close the funding gap included a review of the Play Service, a reduction in funding for community events by the Council (events would be increasingly funded and run by the community instead) and bringing forward a redesign of the Museum Service.
- The Budget Consultation had covered all front line parts of the Council and had used a variety of methods to engage with residents including

an online Budget Simulator, a questionnaire in Our Enfield, Focus Groups and a stand at the Autumn Show.

- The Consultation had also been taken to the Enfield Youth Parliament who had provided a high volume of responses with over 4,000 comments received.
- The top 5 services that residents wished to maintain were mental health, children in the care of Enfield, early intervention and child protection, older people and physical disabilities.
- The bottom 5 services that residents wished to maintain were cultural services, pest control, planning, libraries and museums and grants to voluntary organisations.
- The Budget 2015/16 would next be taken to Cabinet for agreement on 11 February and to Council on 25 February. The new Council Tax bills for the year would be sent out thereafter.

The following questions and comments were then taken:

Q: What percentage of the Council's budget is spent on staff costs?
A: Staffing costs are between £140-£150m per year. The net annual budget of the Council is £250m so these costs represent 60% of the net budget.

Q: What are the current numbers of people in Enfield living in Temporary Accommodation?
A: The numbers of people currently placed in Temporary Accommodation are around 2,600. The Council is trying to reduce this number but is experiencing a significant rise. The Council has a statutory duty to house the homeless and has seen an increased number of people made homeless through a breakdown in private tenancies.

Q: What is the cost per night of placing a household in Temporary Accommodation?
A: This depends on the size of the property. The cost has been increasing at a rate of between 9 and 11% over the last two years. On average the cost of a household living in Temporary Accommodation is £6,000 per year over and above the cost of providing Housing Benefit to that household.

Q: How does Enfield compare in terms of levels of Temporary Accommodation with other authorities across the UK?
A: London has significantly higher levels of Temporary Accommodation than elsewhere in the UK. There is, in addition, a particular geographic pressure on authorities in North Outer London. Enfield fluctuates at fourth to seventh highest in terms of numbers of people in Temporary Accommodation compared to other authorities; we also have a high number of people placed in Temporary Accommodation from other Boroughs. This places additional pressures on other Council services.

Q: Please explain what is meant by someone having 'No Recourse to Public Funds' status?

A: We do have a large number of families with this status. This means that they are not entitled to receive any form of benefits. Families can, however, receive subsistence from the Council, as we have a statutory duty to support children in families.

Q: Why does the financial burden of such families fall on the Council?

A: Whilst a family's status is being determined by the Home Office, they do not necessarily have leave to remain and the Council has to provide support until that status is determined under the duty of the Children's Act. The Council has written to the Government to request that additional funding is provided to cover this cost while the Home Office makes these decisions since this has a significant impact on the Council's finances.

Q: Is there any breakdown available from the results of the Consultation as to where in the Borough respondents live?

A: We have not gathered location information this year but can certainly do this for future Consultations. We have, however, followed the Public Sector Equalities Duty in our approach to diversity in the Consultation and have ensured that we engaged with a variety of groups and individuals all over the Borough.

Q: The response from the Enfield Youth Parliament is indeed impressive, is there anything to be learned from the approach taken with young people to encourage greater levels of response from adult residents?

A: The Enfield Youth Parliament recognised that a lot of young people were not aware of exactly what services the Council provided. To address this, it produced a video, a 'day in the life story' of a young person which demonstrated how someone interacted with Council services on a daily basis and in a variety of ways. The Youth Parliament took this video to a number of schools in the Borough and then asked young people to vote for their top three priority services. In total, 1,700 young people voted. Raising awareness was the key to achieving this result.

Q: What are the Council's plans for reducing the costs of Temporary Accommodation?

A: There are a number of ways the Council is looking to address this issue. There is a significant increase in the numbers of people seeking accommodation in the Borough due to the unaffordability of accommodation in Central London, in turn a consequence of the Government's policy of capping Housing Benefit. Landlords are also increasingly unwilling to engage in longer term leases and are now either renewing shorter term leases or seeking legal evictions, which can cause greater levels of homelessness. The cost per night of Temporary Accommodation in a two bedroom property can be £80-£90. The Council has been looking to reduce these levels by, for example, setting up a company, Housing Gateway, to buy houses for Council rents, procuring longer term leases and working collectively with other authorities to prevent the inflation of prices. The Council has also looked into the potential number of households that could be placed in accommodation outside of the Borough; this may be up to 24%. The remainder will need to stay within the Borough due to medical, employment or family issues. Increasing the supply of affordable social housing is the key to reducing Temporary Accommodation levels in the longer term. A number of years ago (30-40) 80% of a local authority's spend was on the construction of such housing; now 95% is spent on Housing Benefit. The Council has also seen an increasing loss of its housing stock; the higher discount now offered on the Right to Buy scheme has encouraged more residents to purchase their property.

Q: Can you outline how the consultation process this year has compared to previous years and how it compares to the process in other authorities? How representative would you say the Consultation responses are, taking into account the relatively small sampling? Have we received any particularly useful comments from respondents?

A: Some of the methods we have used in this year's Consultation are well established; the questionnaire placed in Our Enfield magazine has, for example, been running for a number of years. We have, however, introduced new methods this year, for example, the online Simulator and the Focus Groups. The engagement of the Enfield Youth Parliament was also a significant area of development. There is evidence that we compare favourably with other authorities on the level of consultation undertaken; this year we have undertaken a greater level of consultation than we had done over the last three years. All the comments we received from the Focus Groups are included in the report and we have picked these up where we can.

Q: The cost of providing adult social care is increasing exponentially. Given that insurers are increasingly unwilling to provide care insurance to cover this, what is the Council doing to mitigate the issue?

A: An ageing population and the associated increased costs of providing adult social care is a nationwide issue. The Council is looking at a range of ways of, in the first instance, delaying the need for care, such as working with the Public Health Team to reduce numbers of individuals with certain conditions which present the greatest risk of requiring care in later life (such as individuals with diabetes). The Council is also working to ensure it purchases care services at the best possible price, without compromising quality and ensuring a sustainable local care market. The Director of Housing, Health and Adult Social Care, together with Directors from other authorities, has also been lobbying Government to afford social care the same status of protection as the NHS.

Q: Will the migration of people into the Borough, as mentioned earlier, create a disproportionate burden on the Council's services in the future?

A: Yes, that risk does exist. Enfield has an interesting demographic in that it has greater numbers of people at either end of the age spectrum. Our age profile definitely drives demand. The level of need of households placed in the Borough could certainly increase over time. It should be noted, however, that the Care Act 2014 does help to mitigate these costs by requiring more responsibility for funding from the placing authority.

Q: Given that there is unprecedented demand at the moment for A&E services and for GP appointments, what is the Council doing to mitigate these pressures as they have a knock-on effect for social care? In particular, delayed discharge?

A: The Government awarded £25m across 65 councils recently to assist them in resolving the issue of delayed discharge, where care packages were not ready/available. Unfortunately, Enfield was unable to receive a share of this, since we had already begun addressing the problem! However, further money has since been awarded to the Council to help with the issue. The volume of demand between November 2014 and January of this year has been at its highest for a decade. We are closely monitoring the situation and working with the NHS to resolve this. Solutions include having more staff available and a 7 day social care service to ensure care packages are ready when needed, particularly at weekends.

Q: The Disabled Facilities Grant, which enables adaptations to be made in people's homes to support them and prevent/delay the need for going into a home, has been regularly underspent in Enfield. Why is this, given the importance of preventative measures for adult social care?

A: Underspend has occurred due to lack of demand. It may be that the Council could do more to promote the Grant to encourage better uptake, or to reduce the budget in line with demand, and we would be happy to look at those options. We continue to keep that budget available.

Q: Waste management has been identified as a service that residents would be happy to see reduced this year (according to the results of the Budget Consultation). Given that we need to increase recycling rates, will we be able to keep to our recycling targets if waste management is reduced, as outlined in the savings proposals?

A: The saving identified is not a reduction in service; it is a result of higher forecasted balances by the NLWA. Increased recycling saves money and the Council therefore encourages residents to recycle more. Out of the participating NLWA boroughs, Enfield has the highest recycling rates.

Q: Can the Administration explain why £131,000 appears to have been spent on conferences at Theobald's Park between 2010 and 2014?

A: This is nearly all from the Dedicated Schools Grant and includes funding for the termly Headteacher and Local Authority Conferences. It is right that they should do this, as it affords a valuable opportunity for them to discuss and agree policy. The schools in the Borough are of a range of types, including Free Schools, Academies, Special and Maintained Schools and Headteachers are to be commended on their willingness to meet and work together in this way.

Q: What was the quality of the information/feedback received through the Focus Groups and were there any surprises in the feedback received generally?

A: Generally speaking, there were no surprises, the only real anomaly was that street cleansing was rated higher than expected as a service that residents would be happy to reduce. The Focus Groups were organised by the Council's Accountancy Team and although these were quite intensive sessions, the feedback we received was good. Residents enjoyed participating. Greater support for mental health services was also a positive result.

Q: What is the estimated saving to the Council through reduced energy costs?

A: The Council has already achieved a £700,000 saving through its street lighting programme ('trimming and dimming'). We also have installed solar panels which will generate a significant reduction going forward. The price of oil has come down significantly recently and gas by around 20%. The US market for Shale Gas, if successful, may also keep prices lower. If unsuccessful, we expect a rise again in prices in about 3 years' time.

Q: Could you clarify the savings the Council intends to make with regard to Temporary Accommodation?

A: The gross pressure from Temporary Accommodation is £7.8m. The savings schedule with the report identifies a reduction in this gross pressure. In terms of other social care savings, there are a range of different measures put forward to increase the efficiency of delivery but these are not cuts in services. We are confident of delivering these savings.

Q: Is the Council continuing to achieve savings in recycling costs by contracting directly, out of the NLWA?

A: Yes, we are saving about £3m per year by recycling at a 40% level. We currently intend to continue contracting in this way.

Q: Where do people who are currently living in Temporary Accommodation in Enfield come from? You have mentioned that they are primarily migrating from Central London but I am aware that many are from neighbouring boroughs, such as Haringey?

A: It is important to note that such people, to whom we have a statutory duty to house in Enfield, do have a previous connection to the Borough. The price of accommodation is being driven up by other local authorities who are buying property in Enfield. Haringey is a placing borough but we do also receive people from Central London authorities.

Q: What will happen to street cleansing services in the future, particularly the cleaning of side streets? Can we also discourage littering by fining them, or by 'naming and shaming' them?

A: The Council is not cutting its street cleansing budget. We have issued over 4,000 Littering Penalty Notices, but it is recognised as an ongoing battle. The Council is also going to introduce time banded sack collections in Enfield Town, which will be rolled out across other areas if it is successful.

Q: Are there any cultural issues associated with littering, how do you engage with residents to prevent it?

A: The Council recognises that engagement is key in informing residents as to what they need to do in terms of waste disposal. The Council tries to engage particular communities to ensure they are informed.

Q: Can the Council not generate its own electricity, for example, through the use of wind power at the Civic Centre?

A: The Civic Centre already has solar panels installed which are cheaper and more effective. There might also be local opposition to a wind turbine on the Civic Centre. We are, however, working with schools to roll out solar panels and to address energy management problems such as leaking pipes.

Q: What is the budget this year for regeneration projects, particularly the building of new homes?

A: Housing development is driven by the Housing Revenue Account (HRA) and therefore is not within the budget proposals presented at this meeting.

Q: What is the status of housing development on sites such as Parsonage Lane, and for Meridian Water?

A: The construction company is now on site at Parsonage Lane. The early stages of development at Meridian Water are now underway. The Council is working hard to bring forward as many housing development opportunities as it can.

Q: How much funding is available for next year for housing development?

A: The HRA is a ring-fenced budget, which 'recycles' income derived from Council rent. The HRA has its own 30 Year Business Plan, which aims to begin an estate renewal development every 2 years. Seven former sheltered housing sites have been identified for development, with a further 5 sites planned. It is an ambitious programme. Housing development will be aligned at Meridian Water with the development of the new station and Lea Valley Heat Network, early in 2018.

Q: I am concerned at the increasing level of Council borrowing. What is the expected expenditure on interest payments in the coming year?

A: There will be an additional £2.577m spend in addition to the current amount. It is always a political choice as to the level of borrowing and the proposals for next year are affordable and therefore the budget is balanced. It should be noted that the Council has a Capital Programme of £550m over the next 4 years. Although capital can be generated through other means, the primary way of raising capital is from borrowing. It is important to note that the majority of the Council's borrowing will be to secure capital assets that will have a future financial return. For example, it is an essential criterion of all of the Council's regeneration projects that they at least pay for themselves (and preferably make a financial return), otherwise they do not proceed.

Q: What is the opinion of our independent auditors of the Council's financial position and management?

A: The Section 151 Officer has a personal responsibility in law to declare any concern they may have regarding the Council's finances and there is no need to make such a declaration. For 2015/16, and subject to Members' agreement, the budget is balanced. The District Auditor also has, for the last 4 years, undertaken a financial resilience review; the Council has achieved the maximum scores for this in each year. The Council's Treasury Management has been benchmarked against other authorities and we are by no means out of kilter with other authorities in this regard. The Council's finances therefore continue to be in a good position.

Q: What is the level of the Council's debt?

A: The Council's current level of debt is £302m against net assets of approximately £820m.

The Committee thanked all Councillors, officers and members of the public for their attendance and **AGREED** that the Committee's formal response to the Budget proposals and Consultation for 2015/16 would be prepared.

APPENDIX 4

Prudential Indicators and MRP Statement 2015/16

Prudential Indicators 2015/16

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy'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 Authority 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 Authority's planned capital expenditure and financing may be summarised as follows. Further detail is provided in the capital programme report pages 20 to 23.

Capital Expenditure and Financing	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
General Fund	121.06	133.51	98.21	72.85	45.15
HRA	42.41	52.73	59.13	77.01	73.79
Total Expenditure	**163.46**	**186.23**	**157.34**	**149.86**	**118.94**
Capital Receipts	4.14	8.16	7.46	13.20	12.17
Government Grants	52.97	42.66	33.24	20.06	17.03
Contributions (S106/CIL)	0.57	1.04	0.00	0.00	0.00
Revenue & Reserves	18.82	39.70	44.62	54.23	34.25
Major Repairs Reserve	11.66	13.38	13.31	13.36	13.40
General Resources (including borrowing)	75.31	81.29	58.72	49.01	42.10
Total Financing	**163.46**	**186.23**	**157.34**	**149.86**	**118.94**

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

Capital Financing Requirement	31.03.15 Revised £m	31.03.16 Estimate £m	31.03.17 Estimate £m	31.03.18 Estimate £m	31.03.19 Estimate £m
General Fund	322.8	386.7	428.0	459.1	465.1
HRA	157.7	157.7	157.7	157.7	179.8
Total CFR	**480.5**	**544.4**	**585.7**	**616.8**	**644.9**

The CFR is forecast to rise by £164m over the programme life as capital expenditure financed by debt outweighs resources put aside for debt repayment. This increase will be reduced by capital receipts as regeneration schemes are completed and income from land disposals is realised in later years.

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 Authority 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 Estimate £m	31.03.16 Estimate £m	31.03.17 Estimate £m	31.03.18 Estimate £m	31.03.19 Estimate £m
Capital financing requirement	480.5	544.4	585.7	616.8	644.9
PFI and Finance Leases	52.0	51.0	50.0	49.0	48.0
Total Capital Debt Requirement	**532.5**	**595.4**	**635.7**	**665.8**	**692.9**
Borrowing	331.0	404.7	455.9	498.4	504.4
Other Long Term Liabilities	52.0	51.0	50.0	49.0	48.0
Total Debt	**383.0**	**455.7**	**505.9**	**547.4**	**552.4**

Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	500	525	550	600	625
Other long-term liabilities	75	75	75	75	75
Total Debt	**525**	**600**	**625**	**675**	**700**

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 Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	550	**600**	650	700	725
Other long-term liabilities	100	**100**	100	100	100
Total Debt	**650**	**700**	**750**	**800**	**825**

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.

The increase in the General Fund ratio is the effect of the additional forecast borrowing and the fall in the Net Revenue Stream because of reductions in Government Funding. The reduction in the 2018/19 HRA ratio is because of the reduction in planned revenue contributions by the HRA in that year.

Ratio of Financing Costs to Net Revenue Stream	2014/15 Revised %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
General Fund	8.0	9.2	9.9	9.4	9.0
HRA	59.4	58.3	86.3	83.9	52.5

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the 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 capital programme proposed earlier in this report.

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
General Fund - increase in annual band D Council Tax	0.65	3.82	7.87	8.46
HRA - increase in average weekly rents	(0.42)	(1.78)	(3.92)	(5.64)

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 February 2011.

Annual Minimum Revenue Provision Statement 2015/16

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG Guidance).

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods. Council is asked to approve the continuation of the existing policy for the calculation of MRP, which is consistent with the guidance issued under the regulations and the introduction of the exclusion of loans and land acquired for onward sale in (*in italics below*).

1. For capital expenditure incurred before 1 April 2008, the MRP policy is to follow existing practice – this requires a charge to be made to the revenue account equivalent to 4% of the outstanding debt at the start of the financial year;
2. For capital expenditure incurred from 1 April 2008 to 31 March 2011, and which is Supported Capital Expenditure (SCE), the Council follows the existing practice above, as this matches the way in which Government support is calculated in the Formula Grant. As previously reported, there will be no more SCE from 1 April 2011.
3. For unsupported borrowing incurred from 1 April 2008 onwards, MRP is calculated on the basis of amortising the amount borrowed over the estimated lives of the assets acquired (or the enhancement made) as a result of the related expenditure. *This excludes loans made to third parties to enable them to incur capital expenditure and also assets acquired with the intention of onward sale which will not be used in the delivery of services. In these events the capital receipts generated by the loan and sale will be set aside to repay debt*

No MRP will be charged in respect of assets held within the Housing Revenue Account.

Capital expenditure financed from borrowing incurred during 2015/16 will not be subject to a MRP charge until 2016/17.

Based on the Authority's latest estimate of its Capital Financing Requirement on 31st March 2015, the budget for MRP has been set as follows:

	31.03.2015 Estimated Capital Financing Requirement	2015/16 Estimated Minimum Revenue Provision
	£m	**£m**
Capital expenditure before 1 April 2008 and Supported capital expenditure from 1 April 2008 to 31 March 2011	159.66	6.34
Unsupported capital expenditure after 31.03.2008	118.37	5.70
Land acquisition for regeneration and disposal	24.72	Nil
Loans to Council owned companies	20.00	Nil
Total General Fund	**322.75**	**12.04**
Assets in the Housing Revenue Account	128.94	Nil
HRA subsidy reform payment	28.79	Nil
Total Housing Revenue Account	**157.73**	**0.00**
Total	**480.48**	**12.04**

Appendix 5

Treasury Management Strategy Statement 2015/16

Introduction

The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

The Authority has both 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. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

External Context

Economic background: There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP. However, inflationary pressure is currently extremely benign and is likely to remain low in the short-term. There have been large falls in unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak and below inflation.

The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee. Despite two MPC members having voted for an 0.25% increase in rates at each of the meetings between August and December 2014, the minutes of the January 2015 meeting showed unanimity in maintaining the Bank Rate at 0.5% as there was sufficient risk that low inflation could become entrenched and the MPC became more concerned about the economic outlook

Credit outlook: The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The *Bank Recovery and Resolution Directive* promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast *Deposit Guarantee Schemes Directive* includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world. However, due to the above legislative changes, **the credit risk associated with making unsecured bank deposits will increase** relative to the risk of other investment options available to the Authority.

Interest rate forecast: The Authority's treasury management advisor Arlingclose forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. The risk to the upside (i.e. interest rates being higher) is weighted more towards the end of the forecast horizon. On the downside, Eurozone weakness and the threat of deflation have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year. Arlingclose projects gilt yields on an upward path in the medium term, taking the forecast average 10 year PWLB loan rate for 2015/16 to 2.7%.

A more detailed economic and interest rate forecast provided by the Arlingclose is attached at ***Annex A***.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.5% and that new long-term loans will be borrowed at an average rate of 4.0%.

<u>Local Context</u>

Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources where possible, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next 2-3 years as official interest rates remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose the Authority's Treasury consultants will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

The following issues will be considered prior to undertaking any external borrowing:

- Affordability;
- Maturity profile of existing debt;
- Interest rate and refinancing risk;
- Borrowing source.

The timing of the borrowing decisions is delegated to the Director of Finance, Resources & Customer Services.

The Authority has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLB), but it continues to investigate other sources of finance at favourable rates. At present we are exploring borrowing opportunities with the European Investment Bank to fund re-generational programmes.

Short-term and variable rate loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

The Authority currently (31st January 2015) has £331m of borrowing and £56.6m of investments. This is set out in further detail at ***Annex B***.

The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £164m over the forecast period.

Table 1

Capital Expenditure and Financing	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
General Fund	121.06	133.51	98.21	72.85	45.15
HRA	42.41	52.73	59.13	77.01	73.79
Total Expenditure	**163.46**	**186.23**	**157.34**	**149.86**	**118.94**
Capital Receipts	4.14	8.16	7.46	13.20	12.17
Government Grants	52.97	42.66	33.24	20.06	17.03
Contributions (S106/CIL)	0.57	1.04	0.00	0.00	0.00
Revenue & Reserves	18.82	39.70	44.62	54.23	34.25
Major Repairs Reserve	11.66	13.38	13.31	13.36	13.40
General Resources (including borrowing)	75.31	81.29	58.72	49.01	42.10
Total Financing	**163.46**	**186.23**	**157.34**	**149.86**	**118.94**

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that the Authority expects to comply with this recommendation during 2015/16.

Table 2

Capital Financing Requirement	31.03.15 Estimate £m	31.03.16 Estimate £m	31.03.17 Estimate £m	31.03.18 Estimate £m	31.03.19 Estimate £m
General Fund	322.8	386.7	428.0	459.1	465.1
HRA	157.7	157.7	157.7	157.7	179.8
Total CFR	**480.5**	**544.4**	**585.7**	**616.8**	**644.9**
External Borrowing	**331.0**	**394.9**	**436.2**	**467.3**	**495.4**
Borrowing headroom	**149.5**	**149.5**	**149.5**	**149.5**	**149.5**

Borrowing Strategy

The Authority currently holds £331 million of loans, an increase of £32 million on the previous year, as part of its strategy for funding previous years' capital programmes. The forecast in table 2 shows that the Authority expects to borrow up to £64m in 2015/16. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £600 million.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2015/16 with a v iew to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

Sources: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and its successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Enfield Pension Fund)
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues
- European Investment Bank (EIB)
- Other funding issuers e.g. E uropean Regional Development Fund (including fund's managed by LEEF)

In addition, capital finance may be r aised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase

- Private Finance Initiative
- sale and leaseback

The Authority has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

European Investment Bank: is the European Union's non-profit long-term lending institution established in 1958 under the Treaty of Rome. As a "policy-driven bank" whose shareholders are the member states of the EU, the EIB uses its financing operations to bring about European integration and social cohesion.

The EIB is a publicly owned international financial institution and its shareholders are the EU member states. Thus the member states set the bank's broad policy goals and oversee the two independent decision-making bodies—the board of governors and the board of directors.

LGA Bond Agency: Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency’s capital strength instead.

Short-term and Variable Rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt Rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority’s investment balance has ranged between £55 million and £114 million, and similar levels are expected to be maintained in the forthcoming year

Objectives: Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appr opriate balance between risk and r eturn, minimising the risk of incurring losses from defaults and t he risk receiving unsuitably low.

There is no intention to restrict investments to bank deposits, and investments may be made with any public or private sector organisations that meet the above credit rating criteria. This reflects a lower likelihood that the UK and other governments will support failing banks as the bail-in provisions in the Banking Reform Act 2014 and the EU Bank Recovery and Resolution Directive are implemented investment income.

Strategy: Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to reduce the level of investments held by continuing to internalise borrowing. It is also recognised that balances held by the HRA for 2015/16 maybe non-core cash, allowing for opportunities to place cash out for longer periods.

Approved Counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£15m 5 years	£25m 20 years	25m 50 years	-	-
AA+	15m 5 years	£15m 10 years	-	£5m 10 years	£5m 10 years
AA	£15m 4 years	£15 m 5 years	-	£5m 5 years	£5m 10 years
AA-	£15m 3 years	15m 4 years	-	£5m 4 years	£5m 10 years
A+	£15m 2 years	£15m 3years	-	-	-
A	15m 12 months	£15 m 2 years	-	-	-
A-	£15m 6 months	£15 m 13 months	-	-	-
None	£1m	n/a	-	-	-

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
	6 months				
Money Market Funds	20% per fund (de-mininus level £5 million)				

The limits set out in Table 3 should be regarded as maximum position. In practice, the Authority in consultation with our Treasury Consultants will set actual limits where appropriate, well below the maximums. It is also unlikely we will place funds out for longer than a year but it is important to have the flexibility to be able to change our strategy within limits during the year.

The Authority will continue to use Call Accounts and Money Market Funds to maintain the Council's short term liquidity and give ready access to cash funds up to three month, but the Authority will look to use secured bank deposits for any longer term deposits to help protect the Authority from bank failure and possible 'bail-in'.

If the Authority wished to increase any of the limits set out in Table 3 it would need to come back to Full Council for approval.

The actual limits are reviewed on daily basis, given the current prevailing economic conditions with special regard to the following factors:-

Credit Rating: Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Current Account Bank: The Authority banks with HSBC. At the current time, it does meet the minimum credit criteria of A- (or equivalent) long term. If the credit rating falls below the Authority's minimum criteria A-, it will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

If funds come into the bank account during the day (after daily dealing has been undertaken) and cannot be placed out with any other approved financial institutions, they can be placed out with HSBC Call Account to attract interest even if it breaches the counterparty limit (the matter will be reported to the Director of Finance, Resources & Customer Services). The temporary breach will be addressed on the next banking business day.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks.

These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,

- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations and securities as those having a credit rating of A -or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of AAAm or higher.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 4: Non-Specified Investment Limits

	Cash limit
Total long-term investments	**£20m**
Total investments with institutions domiciled in foreign countries rated below [AA+]	**£15m**

Investment Limits:. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below:

Table 5: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£15m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£25m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker’s nominee account	£15m per broker

	Cash limit
Foreign countries	£15m per country
Registered Providers	£5m in total
Unsecured investments with Building Societies	£5m in total
Loans to unrated corporates	£1m in total
Money Market Funds	75% of total investments

Liquidity Management: The Authority uses a spreadsheet modelling tool to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

Treasury Management Indicators

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

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating 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
Portfolio average credit rating	A-

Liquidity: The Authority 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
Total cash available within 3 months	£20m or 25% of all investments (whichever is lower)

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as a proportion of net principal borrowed / interest payable will be:

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	50%	50%	50%

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.

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

	Upper	Lower
Under 12 months	25%	-%
12 months and within 24 months	35%	-%
24 months and within 5 years	50%	-%
5 years and within 10 years	70%	-%
10 years and above	100%	25%

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 Authority'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:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£20m	£10m	£5m

Other Items

There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

Policy on Use of Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Policy on Apportioning Interest to the HRA: On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account.

Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at a pre-agreed interest rate on investments, adjusted for credit risk.

Investment Training: The needs of the Authority's treasury management staff for training in investment management are assessed regularly as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Investment Advisers: The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled by review at the quarterly treasury management meetings.

Investment of Money Borrowed in Advance of Need: The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £600 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

Financial Implications

The budget for investment income in 2015/16 is £400k, based on an average investment portfolio of £80 million at an interest rate of 0.5%. The budget for debt interest paid in 2015/16 is £15.4 million, based on an average debt portfolio of £360 million at an average interest rate of 4.3%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different but the revenue budget will be unaffected.

Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance, Resources & Customer Services having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses will be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses will be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default;

Alternative	Impact on income and expenditure	Impact on risk management
		however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain

Annex A – Arlingclose Economic & Interest Rate Forecast January 2014

Underlying assumptions:

- The UK economic recovery has continued. Household consumption remains a significant driver, but there are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP throughout this year.
- We expect consumption growth to slow, given softening housing market activity, the muted outlook for wage growth and slower employment growth. The subdued global environment suggests there is little prospect of significant contribution from external demand.
- Inflationary pressure is currently low and is likely to remain so in the short-term. Despite a correction in the appreciation of sterling against the US dollar, imported inflation remains limited. We expect commodity prices will remain subdued given the weak outlook for global growth.
- The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee.
- Nominal earnings growth remains weak and below inflation, despite large falls in unemployment, which poses a dilemma for the MPC. Our view is that spare capacity remains extensive. The levels of part-time, self-employment and underemployment are significant and indicate capacity within the employed workforce, in addition to the still large unemployed pool. Productivity growth can therefore remain weak in the short term without creating undue inflationary pressure.
- However, we also expect employment growth to slow as economic growth decelerates. This is likely to boost productivity, which will bear down on unit labour costs and inflationary pressure.
- In addition to the lack of wage and inflationary pressures, policymakers are evidently concerned about the bleak prospects for the Eurozone. These factors will maintain the dovish stance of the MPC in the medium term.
- The continuing repair of public and private sector balance sheets leave them sensitive to higher interest rates. The MPC clearly believes the appropriate level for Bank Rate for the post-crisis UK economy is significantly lower than the previous norm. We would suggest this is between 2.5 and 3.5%.
- While the ECB is likely to introduce outright QE, fears for the Eurozone are likely to maintain a safe haven bid for UK government debt, keeping gilt yields artificially low in the short term.
- The probability of potential upside risks crystallising have waned a little over the past two months. The primary upside risk is a swifter recovery in the Eurozone.

Forecast:

- Arlingclose continues to forecast the first rise in official interest rates in Q3 2015; general market sentiment is now close to this forecast. There is momentum in the economy, but inflationary pressure is benign and external risks have increased, reducing the likelihood of immediate monetary tightening.
- We project a slow rise in Bank Rate. The pace of interest rate rises will be gradual and the extent of rises limited; we believe the normalised level of Bank Rate post-crisis to range between 2.5% and 3.5%.
- The short run path for gilt yields is flatter due to the deteriorating Eurozone situation. We project gilt yields on an upward path in the medium term.

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Official Bank Rate													
Upside risk				0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	**0.50**	**0.50**	**0.75**	**0.75**	**1.00**	**1.00**	**1.25**	**1.25**	**1.50**	**1.50**	**1.75**	**1.75**	**1.75**
Downside risk			0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00
3-month LIBID rate													
Upside risk	0.10	0.20	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	**0.55**	**0.60**	**0.80**	**0.90**	**1.05**	**1.15**	**1.30**	**1.40**	**1.55**	**1.65**	**1.80**	**1.95**	**2.00**
Downside risk	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	0.95	0.95	0.95	0.95	1.00
1-yr LIBID rate													
Upside risk	0.10	0.20	0.20	0.30	0.30	0.30	0.30	0.30	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	**0.95**	**1.00**	**1.20**	**1.30**	**1.45**	**1.55**	**1.70**	**1.80**	**1.95**	**2.05**	**2.20**	**2.35**	**2.40**
Downside risk	0.15	0.20	0.30	0.50	0.55	0.60	0.65	0.70	0.75	0.80	0.80	0.80	0.80
5-yr gilt yield													
Upside risk	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.50	0.50
Arlingclose Central Case	**1.10**	**1.20**	**1.30**	**1.40**	**1.50**	**1.65**	**1.80**	**1.95**	**2.10**	**2.20**	**2.35**	**2.40**	**2.50**
Downside risk	0.35	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.75
10-yr gilt yield													
Upside risk	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.50	0.50	0.55	0.55
Arlingclose Central Case	**1.60**	**1.70**	**1.80**	**1.90**	**2.00**	**2.15**	**2.30**	**2.45**	**2.60**	**2.70**	**2.85**	**2.90**	**3.00**
Downside risk	0.35	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.65	0.70	0.70	0.75	0.80
20-yr gilt yield													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55
Arlingclose Central Case	**2.10**	**2.20**	**2.30**	**2.35**	**2.45**	**2.50**	**2.65**	**2.75**	**2.90**	**3.00**	**3.15**	**3.20**	**3.30**
Downside risk	0.35	0.40	0.50	0.60	0.70	0.75	0.75	0.75	0.80	0.85	0.85	0.90	0.90
50-yr gilt yield													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55
Arlingclose Central Case	**2.15**	**2.25**	**2.35**	**2.40**	**2.50**	**2.55**	**2.70**	**2.80**	**2.95**	**3.05**	**3.20**	**3.25**	**3.35**
Downside risk	0.35	0.40	0.50	0.60	0.70	0.75	0.75	0.75	0.80	0.85	0.85	0.90	0.90

Annex B – Existing Investment & Debt Portfolio Position

31st March 2014 £		31st January 2015 £	
232,083,490.44	Public Works Loans - Fixed	232,083,490.44	4.794%
-	Local Authority Loans - Fixed	10,000,000.00	1.772%
30,000,000.00	Commercial Loans - Fixed	30,000,000.00	7.145%
3,540,994.63	Salix Loan	3,021,274.45	0.000%
33,000,000.00	Short-term loans	55,500,000.00	0.463%
298,624,485.07		**330,604,764.89**	4.356%

London Borough of Enfield Investments at 31st January 2015

Financial Institution	Principal	Start Date	Effective Maturity	Rate	Days to Maturity
Call Accounts	£				
HSBC	2,130,000		On demand	0.40%	1
Handlesbanken	2,500,000				
Money Market Funds					
Ignis	2,000,000		On demand	0.48%	1
Termed Deposits					
Enfield Pension Fund	12,500,000	13/11/2014	12/02/2015	0.50%	43
Barclays Bank PLC	7,500,000	10/03/2014	09/03/2015	0.84%	68
Barclays Bank PLC	5,000,000	01/04/2014	31/03/2015	0.86%	90
Nationwide Building Society	7,500,000	10/04/2014	09/04/2015	0.81%	99
Nationwide BS	5,000,000	15/04/2014	14/04/2015	0.81%	104
Lloyds Bank PLC	5,000,000	22/04/2014	21/04/2015	0.95%	111
Lloyds Bank PLC	7,500,000	07/05/2014	06/05/2015	0.95%	126
Total - Investments	**56,630,000**		**Average**	**0.72%**	**92**
Number of Investments	10				

Appendix 9

Capital Programme 2014/15 to 2018/19

Background

The capital programme has previously been presented to Council as a single statement including approved and indicative schemes. There is no change to this policy but the programme is now split into blocks as follows:

1. **Approved schemes** that are supported by business cases, have been through the necessary governance and reported to Cabinet or Council for funding in accordance with Financial Regulations. The associated capital financing costs are built into the Medium Term Financial Plan.
2. **Indicative schemes** (especially in later years) still require detailed business cases so that the schemes and funding can be agreed in accordance with Financial Regulations. At this stage, indicative figures have been included in the programme on the basis that additional funding such as CIL, capital grants and other external funding would be identified to finance the projects and so will not add to the Council's capital financing costs. Schemes where grant allocations are anticipated but not yet certain are also included here.

The combined blocks are equal to the Capital Programme reported to Cabinet in December 2014 after updating for additional schemes approved by Council and revised profiles have been included.

The Capital Programme tables have also been expanded to show more detailed estimates of the financing for the schemes. The Council funds capital expenditure by:

- Government grants
- Capital receipts
- Developer contributions (including S106 and in the future the community Infrastructure Levy (CIL)
- Borrowing

These methods are set out in more detail in Appendix 9(i). The Council can no longer rely solely upon these funding streams to meet the capital investment needs of the Council, especially in respect of regeneration. The Council continues to seek external support but the cuts in public spending and the recession mean that there is greatly reduced funding available to councils. The Council has received reports during 2014/15 requesting approval to undertake commercial projects using wholly owned Council companies to acquire assets for housing and regeneration that can fund the necessary borrowing either by selling acquired assets at a profit or using annual income flows to meet capital financing costs such as interest and provision for debt repayment.

Capital Programme and Financing 2014/15 to 2018/19

The tables included in this Appendix are:

Table

A This is the **summary of the capital programme and financing** by department split between approved and indicative schemes as explained above.

B These tables analyse the proposed method to repay borrowing. This is broken down as follows:

- **Minimum revenue provision**. General Fund borrowing will be repaid over the life of the asset along with interest and is provided for in the annual budget as part of Corporate Expenses.

- **Council Owned Companies** - Income Generation. This covers schemes involving Housing Gateway and the Lee Valley heat Network. Investment in the project via Council owned companies will involve financing by borrowing. The companies will finance the borrowing from the income generated by trading which will be returned to the Council to meet capital financing costs including interest and the provision for the repayment of debt.

- **Regeneration Land Development**. This includes Meridian Water where the Council will acquire and dispose of land following development. Financing costs will repaid from the receipts from disposal thereby reducing revenue financing cost pressures.

C This sets out the **detailed programme schemes and funding** as summarised in Tables A.

Appendix 4 sets out the **Prudential Indicators** resulting from the **Approved Capital Programme**. The Indicative Programme is not yet included in the indicators as detailed funding and scheme proposals have not been agreed and approved.

Table A.1

Approved Capital Programme Schemes	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000	Financing: Grants £'000	Capital Receipts £'000	Revenue £'000	S106 / CIL £'000	General Resource £'000	Total £'000
Schools & Children's Services	40,390	42,746	29,212	20,239	19,000	**151,587**	103,152	4,225	19,731	1,116	23,363	**151,587**
Regeneration & Environment:												**0**
Environment	21,500	26,489	20,000	10,481	6,147	**84,617**	40,223	0	10,136	327	33,931	**84,617**
Regeneration	20,711	26,795	6,804	6,274	0	**60,584**	2,675	0	0	171	57,738	**60,584**
Housing, Health & Adult Social Care:												
Adult Social Care	2,097	6,007	2,620	647	0	**11,371**	2,436	0	0	0	8,935	**11,371**
Housing Grants	2,342	2,818	0	0	0	**5,160**	1,398	0	0	0	3,762	**5,160**
Affordable Housing	1,294	2,100	0	0	0	**3,394**	0	0	0	0	3,394	**3,394**
Housing Gateway	20,000	20,000	20,000	20,000	20,000	**100,000**	0	0	0	0	100,000	**100,000**
Leisure and Cultural	4,940	0	0	0	0	**4,940**	25	0	92	0	4,823	**4,940**
Corporate Items	7,782	6,554	19,579	15,208	0	**49,123**	143	0	599	0	48,382	**49,123**
General Fund Programme	**121,056**	**133,509**	**98,215**	**72,849**	**45,147**	**470,775**	**150,053**	**4,225**	**30,556**	**1,614**	**284,327**	**470,775**
Housing Revenue Account	42,409	52,725	59,128	77,011	73,790	**305,063**	15,901	40,896	226,166	0	22,100	**305,063**
Approved Capital Programme	**163,465**	**186,234**	**157,343**	**149,860**	**118,937**	**775,838**	**165,954**	**45,121**	**256,722**	**1,614**	**306,427**	**775,838**

Table B.1

Approved General Fund Capital Programme General Resources	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000
Loan Repayment						
Minimum Revenue Provision	40,886	48,596	23,510	9,303	0	**122,296**
Council Owned Company: Income Generation	20,700	21,700	35,208	35,208	20,000	**132,815**
Regeneration land development	13,715	11,000	0	4,500	0	**29,215**
General Fund Programme Loan	**75,302**	**81,296**	**58,718**	**49,011**	**20,000**	**284,327**

Table A.2

Indicative Capital Programme Schemes	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000	Financing: Grants £'000	Capital Receipts £'000	Revenue £'000	S106 / CIL £'000	Loan £'000	Total £'000
Schools & Children's Services	0	0	3,293	5,200	5,183	**13,676**	13,676	0	0	0	0	**13,676**
Regeneration & Environment:												**0**
Environment	0	1,883	13,346	13,346	13,346	**41,921**	9,534	0	0	0	32,387	**41,921**
Regeneration	0	11,964	8,325	39,017	0	**59,306**	0	0	0	0	59,306	**59,306**
Housing, Health & Adult Social Care:												
Adult Social Care	0	100	100	100	0	**300**	0	0	0	0	300	**300**
Housing Grants	0	2,200	2,818	2,818	2,818	**10,654**	0	0	0	0	10,654	**10,654**
Affordable Housing	0	3,395	2,100	2,100	2,100	**9,695**	0	0	0	0	9,695	**9,695**
Indicative General Fund Programme	**0**	**19,542**	**29,982**	**62,581**	**23,447**	**135,552**	**23,210**	**0**	**0**	**0**	**112,342**	**135,552**

Table B.2

Indicative General Fund Capital Programme General Resources	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total
Loan Repayment						
Minimum Revenue Provision	0	18,714	23,511	31,031	15,086	**88,342**
Commercial: Income Generation	0	828	0	23,172	0	**24,000**
General Fund Programme Loan	**0**	**19,542**	**23,511**	**54,203**	**15,086**	**112,342**

Combined Capital Programme Total	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000	Financing: Grants £'000	Capital Receipts £'000	Revenue £'000	S106 / CIL £'000	Loan £'000	Total £'000
Total Capital Programme Approved and Indicative	**163,465**	**205,776**	**187,325**	**212,441**	**142,384**	**911,390**	**189,164**	**45,121**	**256,722**	**1,614**	**418,770**	**911,390**

Table C

DRAFT PROGRAMME / APPROVED PROGRAMME	Capital Programme Budget 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 Onwards £'000	Total £000	Total Earmarked Funding: Capital Grants £'000	Capital Receipts £'000	Revenue & MRR £'000	S106 & CIL £'000	General Resources by Years 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 Onwards £'000	Total Funding £'000
Environment & Regeneration																
Transport for London funding:																
2014/15	3,937	4,728	0	0	0	**8,665**	8,665	0	0	0	0	0	0	0	0	**8,665**
Cycle Enfield	700	4,159	15,346	8,268	1,527	**30,000**	30,000									**30,000**
Highways & Streetscene:								0								
Programme	8,947	9,168	0	0	0	**18,115**	0	0	0	149	8,915	9,051	0	0	0	**18,115**
Environmental Protection	143	100	0	0	0	**243**	0	0	0	0	143	100	0	0	0	**243**
Community Safety	1,015	100	0	0	0	**1,115**	0	0	333	23	759	0	0	0	0	**1,115**
Waste & Recycling	15	503	0	0	0	**518**	0	0	0	0	15	503	0	0	0	**518**
Parks	3,113	971	0	0	0	**4,083**	1,558	0	62	155	1,563	746	0	0	0	**4,083**
Vehicle Replacement Programme	420	2,498	1,884	279	4,620	**9,701**	0	0	9,701	0	0	0	0	0	0	**9,701**
Depot	36	0	0	0	0	**36**	0	0	0	0	36	0	0	0	0	**36**
Parking	5	0	0	0	0	**5**	0	0	0	0	5	0	0	0	0	**5**
Building Improvement Programme (BIP)	1,926	1,392	0	0	0	**3,318**	0	0	40	0	1,886	1,392	0	0	0	**3,318**
Civic Centre (BIP)	806	2,770	2,770	1,934	0	**8,280**	0	0	0	0	806	2,770	2,770	1,934	0	**8,280**
Sustainability	68	0	0	0	0	**68**	0	0	0	0	68	0	0	0	0	**68**
Disability AccessProgramme	369	100	0	0	0	**470**	0	0	0	0	369	100	0	0	0	**470**
Regeneration:																
Ponders End	687	1,896	200	199	0	**2,982**	322	0	0	0	366	1,896	200	199	0	**2,982**
Electric Quarter	2,987	49	0	0	0	**3,036**	1,980	0	0	0	1,007	49	0	0	0	**3,036**
New Southgate	100	709	124	0	0	**933**	0	0	0	0	100	709	124	0	0	**933**
Meridian Water (Causeway etc)	1,403	10,272	5,500	0	0	**17,175**	45	0	0	87	1,348	10,195	5,500	0	0	**17,175**
Meridian Water Land Acquisition	13,715	11,000	0	4,500	0	**29,215**	0	0	0	0	13,715	11,000	0	4,500	0	**29,215**
Edmonton Projects	70	783	0	0	0	**853**	0	0	0	0	70	783	0	0	0	**853**
Enfield Town	68	0	0	0	0	**68**	68	0	0	0	0	0	0	0	0	**68**
Shires Estate - REACT Dysons Road	20	30	30	75	0	**155**	0	0	0	0	20	30	30	75	0	**155**
Market Gardening	249	1,250	950	1,500	0	**3,949**	0	0	0	0	249	1,250	950	1,500	0	**3,949**
Lea Valley Heat Network	1,155	130	0	0	0	**1,285**	75	0	0	0	1,155	55	0	0	0	**1,285**
Broomfield House	20	317	0	0	0	**337**	186	0	0	0	0	151	0	0	0	**337**
The Crescent - Edmonton	236	275	0	0	0	**511**	0	0	0	0	236	275	0	0	0	**511**
Industrial Estates Regeneration	0	84	0	0	0	**84**	0	0	0	84	0	0	0	0	0	**84**
						0										**0**
REGENERATION & ENVIRONMENT	**42,211**	**53,284**	**26,804**	**16,755**	**6,147**	**145,201**	**42,898**	**0**	**10,136**	**498**	**32,832**	**41,055**	**9,574**	**8,208**	**0**	**145,201**
Corporate Schemes																
IT Work Plan	198	483	0	0	0	**681**	143	0	539	0	0	0	0	0	0	**681**
Joint Service Centre	4,271	0	0	0	0	**4,271**	0	0	0	0	4,271	0	0	0	0	**4,271**
Southgate Town Hall & Library Enabling Works	235	0	0	0	0	**235**	0	0	0	0	235	0	0	0	0	**235**
Bury Street Depot Redevelopment	700	1,700	15,208	15,208	0	**32,815**	0	0	0	0	700	1,700	15,208	15,208	0	**32,815**
Enfield 2017	1,457	4,371	4,371	0	0	**10,200**	0	0	0	0	1,457	4,371	4,371	0	0	**10,200**
Residents Priority Fund	861	0	0	0	0	**861**	0	0	0	0	861	0	0	0	0	**861**
High Speed Printers	60	0	0	0	0	**60**	0	0	60	0	0	0	0	0	0	**60**
Libraries	0	0	0	0	0	**0**	0	0	0	0	0	0	0	0	0	**0**
Palmers Green & Enfield Library	4,168	0	0	0	0	**4,168**	0	0	0	0	4,168	0	0	0	0	**4,168**
Leisure	472	0	0	0	0	**472**	0	0	92	0	381	0	0	0	0	**472**
Culture	300	0	0	0	0	**300**	25	0	0	0	275	0	0	0	0	**300**
FRCS / CE TOTAL	**12,722**	**6,554**	**19,579**	**15,208**		**54,063**	**168**	**0**	**690**	**0**	**12,347**	**6,071**	**19,579**	**15,208**	**0**	**54,063**

DRAFT PROGRAMME	Capital Programme Budget 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 Onwards £'000	Total £000	Total Earmarked Funding Capital Grants £'000	Capital Receipts £'000	Revenue & MRR £'000	S106 & CIL £'000	General Resources by Years 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 Onwards £'000	Total Funding £'000
Health, Housing & Adult Social Care																
Housing																
Disabled Facilities Grant (£1.156m grant funded)	1,766	2,000	0	0	0	**3,766**	1,179	0	0	0	587	2,000	0	0	0	**3,766**
Sub Regional Housing Grants	219	0	0	0	0	**219**	219	0	0	0	0	0	0	0	0	**219**
Housing Assistance Grants	357	818	0	0	0	**1,175**	0	0	0	0	357	818	0	0	0	**1,175**
Housing Gateway	20,000	20,000	20,000	20,000	20,000	**100,000**	0	0	0	0	20,000	20,000	20,000	20,000	20,000	**100,000**
Affordable Housing	1,294	2,100	0	0	0	**3,394**	0	0	0	0	1,294	2,100	0	0	0	**3,394**
Adult Social Care																
Residential and Social Care Provision - Elizabeth House	703	5,857	2,174	201	0	**8,935**	0	0	0	0	703	5,857	2,174	201	0	**8,935**
New Options	1,394	0	0	0	0	**1,394**	1,394	0	0	0	0	0	0	0	0	**1,394**
Mental Health and Wellbeing Centre	0	150	446	446	0	**1,042**	1,042	0	0	0	0	0	0	0	0	**1,042**
HHASC TOTAL	**25,733**	**30,925**	**22,620**	**20,647**	**20,000**	**119,925**	**3,834**	**0**	**0**	**0**	**22,940**	**30,775**	**22,174**	**20,201**	**20,000**	**119,925**
Schools & Children's Services																
Schools Access Initiaitve	172	200	0	0	0	372	372	0	0	0	0	0	0	0	0	**372**
Target Capital - Special Needs	413	2,133	7,653	0	0	10,199	7,290	876	28	0	0	0	2,005	0	0	**10,199**
Childrens Centres	770	461	0	0	0	1,231	900	0	331	0	0	0	0	0	0	**1,231**
Targeted Capital - School Meals Programme	767	4,181	2,200	0	0	7,148	7,056	0	0	0	26	66	0	0	0	**7,148**
Schools Condition Funding	1,266	3,647	0	0	0	4,913	4,913	0	0	0	0	0	0	0	0	**4,913**
City Learning Centres	7	0	0	0	0	7	7	0	0	0	0	0	0	0	0	**7**
Basic Need - Primary School Places	3,973	487	0	0	0	4,460	1,711	0	435	239	1,700	375	0	0	0	**4,460**
Primary Expansion Plan Phase 1	13,771	3,123	280	0	0	17,174	8,143	1,809	914	109	4,934	1,265	0	0	0	**17,174**
Primary Expansion Plan Phase 2 - Grange School	5,310	777	0	0	0	6,087	5,787	0	0	0	0	300	0	0	0	6,087
Primary Expansion Plan Phase 2 - Garfield School	4,306	8,548	0	0	0	12,854	9,204	1,540	0	766	0	1,344	0	0	0	**12,854**
Primary Expansion Plan Phase 2	1,148	12,407	13,072	14,239	13,000	53,866	43,084	0	0	2	0	0	5,386	5,394	0	**53,866**
Primary Schools	17	0	0	0	0	17	0	0	0	0	17	0	0	0	0	**17**
Secondary Schools	249	1	0	0	0	250	93	0	0	0	157	0	0	0	0	**250**
Fire Precaution Works	835	706	7	0	0	1,548	1,314	0	0	0	192	42	0	0	0	**1,548**
Non School Schemes	679	75	0	0	0	754	489	0	104	0	158	3	0	0	0	**754**
Programme before Devolved Funding	**33,682**	**36,746**	**23,212**	**14,239**	**13,000**	**120,879**	**90,363**	**4,225**	**1,812**	**1,116**	**7,183**	**3,395**	**7,391**	**5,394**	**0**	**120,879**
Devolved Schools Capital Schemes	6,708	6,000	6,000	6,000	6,000	30,708	12,789	0	17,919	0	0	0	0	0	0	30,708
SCS TOTAL	**40,390**	**42,746**	**29,212**	**20,239**	**19,000**	**151,587**	**103,152**	**4,225**	**19,731**	**1,116**	**7,183**	**3,395**	**7,391**	**5,394**	**0**	**151,587**
TOTAL GENERAL FUND	**121,056**	**133,509**	**98,215**	**72,849**	**45,147**	**470,775**	**150,053**	**4,225**	**30,556**	**1,614**	**75,302**	**81,297**	**58,718**	**49,011**	**20,000**	**470,775**
Housing Revenue Account																
Major Works	30,071	37,644	36,980	30,039	21,320	**156,054**										
Estate Renewals	11,338	14,581	21,648	46,472	51,970	**146,009**	15,901	40,896	226,166						22,100	**305,063**
Grants to vacate	1,000	500	500	500	500	**3,000**										
HRA TOTAL	**42,409**	**52,725**	**59,128**	**77,011**	**73,790**	**305,063**	**15,901**	**40,896**	**226,166**	**0**	**0**	**0**	**0**	**0**	**22,100**	**305,063**
APPROVED CAPITAL PROGRAMME	**163,465**	**186,234**	**157,343**	**149,860**	**118,937**	**775,838**	**165,954**	**45,121**	**256,722**	**1,614**	**75,302**	**81,297**	**58,718**	**49,011**	**42,100**	**775,838**

DRAFT PROGRAMME	Capital Programme Budget 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 Onwards £'000	Total £000	Total Earmarked Funding: Capital Grants £'000	Capital Receipts £'000	Revenue & MRR £'000	S106 & CIL £'000	General Resources by Years: 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 Onwards £'000	Total Funding £'000
INDICATIVE PROGRAMME																
Environment & Regeneration																
Transport for London funding:																
Major Schemes			3,178	3,178	3,178	**9,534**	9,534									**9,534**
Highways & Streetscene:																
Previous Years	0	1,619	0	0	0	**1,619**	0	0	0	0	0	1,619	0	0	0	**1,619**
2014/15	0	0	8,350	8,350	8,350	**25,050**	0	0	0	0	0	0	8,350	8,350	8,350	**25,050**
Environmental Protection	0	0	100	100	100	**300**	0	0	0	0	0	0	100	100	100	**300**
Waste & Recycling	0	0	18	18	18	**54**	0	0	0	0	0	0	18	18	18	**54**
Building Improvement Programme (BIP)	0	0	1,500	1,500	1,500	**4,500**	0	0	0	0	0	0	1,500	1,500	1,500	**4,500**
Disability AccessProgramme	0	264	200	200	200	**864**	0	0	0	0	0	264	200	200	200	**864**
Regeneration:																
Electric Quarter	0	4,381	3,150	3,900	0	**11,431**	0	0	0	0	0	4,381	3,150	3,900	0	**11,431**
New Southgate	0	1,700	750	1,750	0	**4,200**	0	0	0	0	0	1,700	750	1,750	0	**4,200**
Edmonton Projects	0	2,130	1,500	375	0	**4,005**	0	0	0	0	0	2,130	1,500	375	0	**4,005**
Enfield Town	0	1,675	1,675	4,300	0	**7,650**	0	0	0	0	0	1,675	1,675	4,300	0	**7,650**
Angel Edmonton	0	150	150	150	0	**450**	0	0	0	0	0	150	150	150	0	**450**
Lea Valley Heat Network	0	828	0	23,172	0	**24,000**	0	0	0	0	0	828	0	23,172	0	**24,000**
Enfield Highway	0	0	0	225	0	**225**	0	0	0	0	0	0	0	225	0	**225**
Enfield Wash	0	0	0	225	0	**225**	0	0	0	0	0	0	0	225	0	**225**
Other Heritage projects / acquistions	0	1,100	1,100	1,670	0	**3,870**	0	0	0	0	0	1,100	1,100	1,670	0	**3,870**
Industrial Estates Regeneration	0	0	0	3,250	0	**3,250**	0	0	0	0	0	0	0	3,250	0	**3,250**
						0										**0**
REGENERATION & ENVIRONMENT	**0**	**13,847**	**21,671**	**52,363**	**13,346**	**101,227**	**9,534**	**0**	**0**	**0**	**0**	**13,847**	**18,493**	**49,185**	**10,168**	**101,227**
Health, Housing & Adult Social Care																
Housing																
Disabled Facilities Grant (£1.156m grant funded)	0	1,000	2,000	2,000	2,000	**7,000**	0	0	0	0	0	1,000	2,000	2,000	2,000	**7,000**
Housing Assistance Grants	0	1,200	818	818	818	**3,654**	0	0	0	0	0	1,200	818	818	818	**3,654**
Affordable Housing	0	3,395	2,100	2,100	2,100	**9,695**	0	0	0	0	0	3,395	2,100	2,100	2,100	**9,695**
Adult Social Care																
Welfare Adaptations	0	100	100	100	0	**300**	0	0	0	0	0	100	100	100	0	**300**
HHASC TOTAL	**0**	**5,695**	**5,018**	**5,018**	**4,918**	**20,649**	**0**	**0**	**0**	**0**	**0**	**5,695**	**5,018**	**5,018**	**4,918**	**20,649**
Schools & Children's Services																
Schools Access Initiaitve	0	0	200	200	200	600	600	0	0	0	0	0	0	0	0	**600**
Schools Condition Funding	0	0	2,600	4,500	4,483	11,583	11,583	0	0	0	0	0	0	0	0	**11,583**
Fire Precaution Works	0	0	493	500	500	1,493	1,493	0	0	0	0	0	0	0	0	**1,493**
SCS TOTAL	**0**	**0**	**3,293**	**5,200**	**5,183**	**13,676**	**13,676**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**13,676**
GENERAL FUND INDICATIVE	**0**	**19,542**	**29,982**	**62,581**	**23,447**	**135,552**	**23,210**	**0**	**0**	**0**	**0**	**19,542**	**23,511**	**54,203**	**15,086**	**135,552**
TOTAL APPROVED INDICATIVE PROGRAMME	**163,465**	**205,776**	**187,325**	**212,441**	**142,384**	**911,390**	**189,164**	**45,121**	**256,722**	**1,614**	**75,302**	**100,839**	**82,229**	**103,214**	**57,186**	**911,390**

Appendix 9(i)

Capital Financing Resources

General Fund Borrowing

The Council makes decisions on the level of borrowing, in the context of the Prudential Code criteria set out in the Treasury Management Strategy. The Government no longer provides revenue support for new borrowing, only capital grants.

Capital Grants

The Council has already been notified of the amounts involved of many of the grant allocations that can be expected to be received in 2015/16. It is possible that additional capital grant allocations may be announced for 2015/16 onwards, but it is unknown as to whether the funding would be earmarked for spending on specific Government rather than local priorities. Should any further grant allocations become available during 2015/16, information will be included in the quarterly capital monitoring reports to Cabinet.

The Council receives highways capital funding via Transport for London (TfL) as the London strategic highways authority rather than the Highways Agency. This funding is used to support the Council's highways improvement programme.

Capital Receipts

The Council's General Fund Programme includes £4m to be financed from capital receipts in 2015/16. This is a prudent expectation of the total value which is anticipated to be achieved through the Asset Disposals Programme. This disposal programme has already been agreed at a previous Cabinet meeting. Future capital receipts will depend on decisions about existing assets and on detailed reviews where the sale of underperforming assets could be set against the improvement of other more valued facilities.

The Council is also looking for alternative ways of capital investment including the use of wholly owned Council Private Companies to both regenerate areas of Enfield whilst also generating profits that can be used to increase the Council's resources for capital investment within the borough. This approach also takes into account the current uncertain economic circumstances and that it may be necessary to take a longer term view on the timing of disposals to achieve the best possible level of capital receipts.

Section 106 Agreements

A Section 106 Agreement is a legal agreement between the Council and a developer under Section 106 of the 1990 Town and Country Planning Act, or a unilateral undertaking by the developer, to ensure that certain extra works related to a development are undertaken. The Council can enter into a Section 106 Agreement, otherwise known as a 'planning obligation', with a developer where it is necessary to provide contributions to offset negative impacts caused by construction and development. Examples of such contributions range from the provision of affordable homes and new open space to funding of school places or employment training schemes. The developer will either implement these or make payments to the council for them to be carried out. The s106 agreements generally contain several of these elements and the responsibility of managing the expenditure is split across the relevant departments. The majority of S106 agreements are usually very specific about what and where the monies can be spent. The Community Infrastructure Levy (explained below) is taking over but S106 will remain in a reduced form.

Community Infrastructure Levy (CIL)

CIL is a new standard developer charge that local authorities can apply in their area. Monies collected from CIL will help to fund essential infrastructure needed to support planned growth in the Borough such as transport improvements. In October 2014, the Council approved the CIL Draft Charging Schedule for a six week public consultation and subsequent submission to the Secretary of State for Examination. This consultation was extended to enable all agents and developers working in the borough the opportunity to comment on the proposals for CIL charging. Once agreed, the CIL charge will be implemented and it's financing of the capital programme determined and reported to Cabinet as part of quarterly capital monitoring.

As stated above, the Council currently seeks developer contributions via a Section 106 (S106) agreement and the requirements for this are set out in the S106 Supplementary Planning Document (SPD) adopted in November 2011. For the introduction of an Enfield CIL the S106 SPD is being revised to take account of CIL as well as changes to national planning policy, particularly guidance relating to contributions on small housing sites.

General Fund Capital Reserve

The Council has maintained a capital reserve to support the Capital Programme in recent years. After 31 March 2016 the reserve will be exhausted if no further contributions to the fund can be identified in 2015/16.

Vehicle Replacement Fund

The Council operates an investment fund for the replacement of vehicles and equipment. This is built up from repayments from revenue over the life of the vehicles.