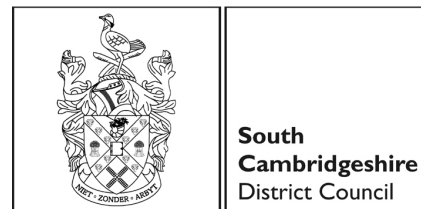


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5 February 2014

To: Chairman – Councillor Roger Hickford  
Vice-Chairman – Councillor Sue Ellington  
Members of the Scrutiny and Overview Committee – Councillors David Bard,  
Alison Elcox, Jose Hales, Lynda Harford, Douglas de Lacey, Bridget Smith,  
Bunty Waters, Andrew Fraser, Simon Edwards, David Whiteman-Downes and  
Nick Wright

Quorum: 6

Dear Councillor

This is a supplement to the previously-published agenda for the meeting of **SCRUTINY AND OVERVIEW COMMITTEE** on **TUESDAY, 11 FEBRUARY 2014**, containing those reports which had not been received by the original publication deadline.

Yours faithfully  
**JEAN HUNTER**  
Chief Executive

Requests for a large print agenda must be received at least 48 hours before the meeting.

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## AGENDA

- |   | <b>PAGES</b>  |
|---|---------------|
| <b>5. Medium Term Financial Strategy (General Fund budget 2014/15 including Council Tax setting), Housing Revenue Account (including housing rents), Capital Programme 2014/15-2018/19 and Treasury Management Strategy (Revised 2013/14 and 2014/15) (Key)</b><br>The Portfolio Holder for Finance and Staffing will be in attendance for this item. The report for this item will be available when the Cabinet agenda is published on 5 February 2014. | <b>1 - 56</b> |

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# Agenda Item 5



**REPORT TO:** Leader and Cabinet  
**LEAD OFFICER:** Executive Management Team

13 February 2014

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## MEDIUM TERM FINANCIAL STRATEGY

### Purpose

1. The purpose of this report is for Cabinet to approve and recommend to Council the Medium Term Financial Strategy (MTFS), which covers:
  - (a) the Capital Programme for the five years to 31 March 2019;
  - (b) the General Fund estimates and the resulting council tax for the financial year ending 31 March 2015;
  - (c) fees and charges for 2014-15;
  - (d) the MTFS for the General Fund for the five years to 31 March 2019;
  - (e) the list of Precautionary Items for the General Fund;
  - (f) the Housing Revenue Account (HRA) estimates and the rent increase for the financial year ending 31 March 2015;
  - (g) service and other charges for housing services for the financial year ending 31 March 2015;
  - (h) the HRA business plan for the next 30 years to 31 March 2044;
  - (i) the investment strategy for the year to 31 March 2015;
  - (j) the prudential indicators required by the Prudential Code for Capital Finance Local Authorities for the year to 31 March 2015.
2. These are key decisions because:
  - (a) they are likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates;
  - (b) they are likely to be significant in terms of their effects on communities living or working in an area of the District comprising two or more wards;
  - (c) they increase financial commitments (revenue and / or capital) in future years above existing budgetary approvals,and they were first published in the August 2013 Forward Plan.

### Recommendations

3. That Cabinet recommends to Council that:
  - (a) the Capital Programme and the associated funding up to the year ending 31st March 2019 (**Appendix A1**) is approved as submitted;
  - (b) a contribution of £60,000 be paid to the Friends of Friendless Churches in respect of St Denis Church, East Hatley;
  - (c) projected Local Plan expenditure, as set out in this report, is included in the revenue estimates and MTFS;

- (d) the revenue estimates for 2014-15 are approved as submitted in the General Fund summary (**Appendix B1**);
- (e) the precautionary items for the General Fund (**Appendix B2**) are approved;
- (f) the Medium Term Financial Strategy for the General Fund (**Appendix B3**) is approved based on the assumptions set out in this report;
- (g) the fees and charges proposed for 2014-15 (**Appendix B4**) are approved;
- (h) Executive Management Team be instructed to identify additional income/savings of £300,000 in 2014-15 and further additional income/savings of £790,000 from 2015-16;
- (i) the council tax requirement for 2014-15 is £7,155,680;
- (j) the Council sets the amount of Council Tax for each of the relevant categories of dwelling in accordance with Section 30(2) of the Local Government Finance Act 1992 on the basis of a District Council Tax for general expenses on a Band D property of £122.86 plus the relevant amounts required by the precepts of Parish Councils, Cambridgeshire County Council, the Cambridgeshire Police and Crime Commissioner and the Cambridgeshire Fire Authority, details of those precepts and their effect to be circulated with the formal resolution required at the Council meeting;
- (k) the Housing Revenue Account (HRA) estimates and the rent increase for the financial year ending 31 March 2015 (**Appendices C and C1**) are approved, the rent increase being in accordance with rent restructuring guidance from the Department for Communities and Local Government;
- (l) the service and other charges for housing services for the financial year ending 31 March 2015 are approved (**Appendix C2**);
- (m) the HRA business plan summary for the next 30 years to 31 March 2044 (**Appendix C3**) is approved;
- (n) the borrowing and investment strategy for the year to 31 March 2015 (**Appendix D1**) is approved; and
- (o) the prudential indicators required by the Prudential Code for Capital Finance in Local Authorities for the year to 31 March 2015 (**Appendix D2**) be approved;
- (p) the Executive Director, Corporate Services, be given delegated authority to issue the final version of the Estimates Book, incorporating the amendments required from Council's decisions.

#### Reasons for Recommendations

4. The consideration and determination of the estimates (budget), the council tax and the rent increase will provide resources for the Council to continue to provide its services over the next financial year in order to achieve the strategic aims as far as possible within the current financial constraints.
5. The consideration and determination of the five year MTFs for the General Fund and the 30 year business plan for the HRA should give the Council some reassurance that the Council will be able to continue to provide services to the public over the foreseeable future and avoid any unpredicted need for emergency cuts in services to balance its budget.
6. The savings requirement of £300,000 in 2014-15 and a further £790,000 in 2015-16 and subsequent years equates to the authority achieving an average cost saving of over £18 per Band D property. The setting of council tax at £122.86 would be an increase of £2.40 for a Band D property.

## Background

7. The draft MTFS and estimates were made available to Members on 14 January 2014. This report will be considered by Scrutiny and Overview Committee on 11 February 2014.

## Considerations

8. These are set out in detail in the Appendices:
  - (a) Appendix A – Capital Programme and associated funding to 31 March 2019;
  - (b) Appendix A1 – Capital Programme Summary;
  - (c) Appendix B – General Fund Considerations;
  - (d) Appendix B1 – General Fund Summary;
  - (e) Appendix B2 – Precautionary Items;
  - (f) Appendix B3 – Medium Term Financial Strategy (MTFS) (General Fund);
  - (g) Appendix B4 – Fees and Charges for 2014-15;
  - (h) Appendix B4(A) – Land Charges Fees;
  - (i) Appendix C – Housing Revenue Account (HRA);
  - (j) Appendix C1 –HRA Summary;
  - (k) Appendix C2 – HRA Charges;
  - (l) Appendix C3 – HRA Business Plan Summary;
  - (m) Appendix D – Financial Administration, Borrowing & Investment Strategy and Prudential Indicators;
  - (n) Appendix D1 – Borrowing & Investment Strategy;
  - (o) Appendix D2 – Prudential Indicators for 2014-15.
9. The underlying assumptions supporting the MTFS include:
  - (a) general provision for inflation where applicable of 2.4% in 2014-15, 2.1% in 2015-16 and 2.0% thereafter, in line with the Office of Budget Responsibility (OBR)'s forecast, or actual rates where known, on the basis that the present high rates will fall. This is applied to both expenditure and income (except the council tax and housing rents and charges);
  - (b) provision for an employer's pension contribution rate of 25% for 2014-15 and subsequent years. This takes account of pensions increases linked to the consumer price index (CPI). The outcome of the actuarial review concluded in December 2013 indicates that a contribution of 25% of pensionable salaries will be required for the next three years, plus a payment of £750,000 from the pension reserve. The intention is to split the 25% into two allocations: a cash contribution towards the historic deficit, charged against the General Fund and HRA; and a percentage charge to staffing accounts to meet ongoing future costs.

## Approval of financial requirements

10. Two areas of financial requirements have arisen since the MTFS report to Cabinet in November 2013, regarding St Denis Church, East Hatley, and the Local Plan.
11. **St Denis Church, East Hatley:** In October 2013, the Planning & Economic Development Portfolio Holder agreed to transfer St Denis Church, East Hatley, to the Friends of Friendless Churches, subject to acceptable terms and conditions and appropriate support from the local community and recommended that the Finance & Staffing Portfolio Holder considered funding to support the maintenance of the church and facilitate the transfer. The Trustees of the Friends have agreed to accept a contribution of £60,000 and further contributions have been committed by local people. Cabinet is asked to approve payment of £60,000 to the Friends of Friendless

Churches, subject to acceptable terms and conditions and upon transfer of the Church, to be funded from underspends on other General Fund budgets in 2013-14.

12. **Local Plan:** Subject to the Planning Policy & Localism Portfolio Holder and Council deciding in the light of public consultation that the Local Plan is ready for submission to the Secretary of State, three areas of expenditure will arise:
- (a) With regard to the **Local Plan** itself, a budget requirement of £215,000 is projected over the period from 2014-15 to 2019-20, including £150,000 in 2014-15 for Inspectors costs for the examination of the Local Plan, currently expected to commence in June or July 2014. The £150,000 is a provisional sum at this stage and can be more accurately estimated once the Inspector has programmed the examination.
  - (b) A programme of **Area Action Plans (AAPs)** is proposed to help implement development proposals, starting in 2014-15 and continuing on a phased basis through to the end of 2019-20, at an estimated total cost of £475,000.
  - (c) **Supplementary Planning Documents (SPDs)** will need to be updated such that they can be adopted under the provisions of the new Local Plan (current SPDs will lose status when the new Local Plan is adopted) and to respond to changes in circumstances since they were adopted, some of which are now urgent, e.g. affordable housing and the District Design Guide. Costs are estimated to be £50,000 over the period of the MTFs.
  - (d) We will seek to keep these costs to a minimum, partly by joint working with Cambridge City Council where possible, and to finance them from developer contributions, then from the New Homes Bonus Infrastructure Reserve.

|                 | 2014-15<br>£000 | 2015-16<br>£000 | 2016-17<br>£000 | 2017-18<br>£000 | 2018-19<br>£000 | 2019-20<br>£000 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Local Plan:     | 190             | 5               | 0               | 0               | 0               | 50              |
| - met from MTFs | 30              | 0               | 0               | 0               | 0               | 0               |
| - remaining     | 160             | 5               | 0               | 0               | 0               | 50              |
| AAPs            | 40              | 65              | 95              | 135             | 45              | 95              |
| SPDs            | 10              | 20              | 20              | 0               | 0               | 0               |
| Totals,         | 210             | 85              | 115             | 135             | 45              | 95              |

to be funded from developer contributions / infrastructure reserve

## Options

### Council Tax

13. Cabinet could decide to recommend that Council sets the amount of District Council Tax for general expenses on a Band D property for 2014-15 of £122.86. ***This is the recommended option.***
14. Alternatively, Cabinet could recommend either:
- (a) freezing council tax at its current rate of £120.46 for a Band D property. The Council will receive a grant equivalent of £74,650 from 2014-15. Indications are that this grant will be consolidated within the Council's future funding. The General Fund forecast however assumes that this grant would be subject to the same taper as Revenue Support Grant thereafter. The resulting council tax requirement for 2014-15 would be £7,015,900 and the full year savings requirement would be £1,250,000; or
  - (b) increasing council tax by a different amount – for example, an increase of 1.5% would result in a Band D council tax of £122.26 and a council tax

requirement of £7,120,730 for 2014-15 and a full year savings requirement of £1,140,000

- (c) these options are summarised in the table below and detailed in **Appendices B3(a) and B3(b)**:

| Council tax increase<br>£ / % | Resulting council tax<br>£ | Freeze grant<br>£ | Council tax requirement<br>£ | Full year savings requirement<br>£ |
|-------------------------------|----------------------------|-------------------|------------------------------|------------------------------------|
| 1.99%                         | £122.86                    | £0                | £7,155,680                   | £1,090,000                         |
| 1.5%                          | £122.26                    | £0                | £7,120,730                   | £1,140,000                         |
| Freeze (0%)                   | £120.46                    | £74,650           | £7,015,900                   | £1,250,000                         |

15. It was expected that the Autumn Statement or Local Government Finance Settlement would set the limit for council tax increases, above which authorities would have to hold a referendum to obtain approval. The Council Tax Referendum Principles for 2014-15 were only released on 5 February 2014, the date of publication of this report, and require authorities to hold a referendum if the proposed council tax increase is 2% or higher.

### **Rents**

16. Cabinet could decide to recommend that Council increases rents for existing tenants from the first rent week in April 2014 in line with the Department of Communities and Local Government (CLG) guidelines, based on an inflationary adjustment of 3.7%, with a maximum variation of £2.00 towards the phasing in of rent restructuring. **This is the recommended option.**
17. Alternatively, Cabinet could recommend either:
- (a) increasing rents by less than the CLG guidelines; however, this would result in less financial resources available to provide services to tenants; or
  - (b) increasing rents by more than the CLG guidelines; however, this would exceed the Government's limit to protect tenants from unacceptable annual increases and, as the CLG guideline level of increase has been assumed in the calculations by the Government for the purposes of the self-financing settlement, could result in future funding problems.

### **Implications**

18. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

#### **Financial**

19. As detailed in the report and appendices.

#### **Legal**

20. The pressure to reduce budgets and the continuation of a poor financial settlement could adversely affect the provision of statutory services.

#### **Staffing**

21. The restructurings and additions/reductions in staffing levels have been incorporated in the estimates.

### **Risk Management**

22. If available, Cabinet will need to consider the impact of the final settlement in its recommendations to Council. Risks and control measures concerning financial projections in the MTFs are included in the Council's Strategic Risk Register, which is due for its quarterly review next month. The HRA Business Plan has its own associated risk register.
23. One of the greatest areas of risk is with regard to Retained Business Rates, introduced in 2013-14. As we are still in the first year of this new scheme, it is very difficult to forecast future income with any certainty, especially with high levels of outstanding appeals and little information from the Valuation Office Agency about which of these might be successful and when they might be decided, and very late and changing guidance from the Department for Communities and Local Government about how the forecasts are derived.

### **Consultation responses (including from the Youth Council)**

24. The MTFs provides the framework within which resources can be allocated to meet the Council's service priorities. The Council's proposed Objectives and Actions for 2014-15 were the subject of public consultation until 31 January 2014. The final Corporate Plan is recommended for approval by Council elsewhere on this agenda; £50,000 has been included in the draft revenue estimates to meet the cost of implementing actions to meet Corporate Plan objectives.
25. Draft versions of the MTFs and the draft estimates pack for 2014-15 were made available to Members electronically on 14 January 2014; feedback from Members has been taken into account in preparing the draft estimates and MTFs. This report will be considered by Scrutiny and Overview Committee on 11 February 2014 – feedback from that committee will be reported to Cabinet.

### **Effect on Strategic Aims**

#### **Aim 1 – We will listen to and engage with residents, parishes and businesses to ensure we deliver first class services and value for money**

26. The determination of the budget, council tax and rents will provide resources for the Council to continue its services in order to achieve the strategic aims as far as possible within the current financial constraints.

### **Background Papers**

Where [the Local Authorities \(Executive Arrangements\) \(Meetings and Access to Information\) \(England\) Regulations 2012](#) require documents to be open to inspection by members of the public, they must be available for inspection: -

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

Local Government Financial Settlement  
Localised Council Tax Support Scheme  
Estimate files in the Finance, Policy & Performance team  
Draft Estimates Book

**Report Authors:** John Garnham - Head of Finance, Policy & Performance  
Telephone: (01954) 713101



**CAPITAL PROGRAMME AND ASSOCIATED FUNDING UP TO THE YEAR ENDING 31st MARCH 2019**

1. The capital programme up to the year ending 31st March 2019 is submitted for Members' approval as **Appendix A1** showing capital expenditure of around £26 million in 2014-15, £18 million in 2015-16, £23 million in 2016-17, £19 million in 2017-18 and £18million in 2018-19, together with the associated financing and balance of capital receipts.
2. The Housing Revenue Account (HRA) self-financing reforms introduced in 2012/13 have resulted in substantial scope to finance HRA capital expenditure from revenue/ depreciation reserve.
3. Capital Expenditure can be classified as:
  - (a) expenditure on fixed assets such as buildings which is accounted for on an accruals basis. A capital charge for depreciation is made to the revenue accounts to reflect the use of the asset in providing the service;
  - (b) expenditure on grants to individuals and organisations which is accounted for on a cash payments basis.
4. The capital programme includes the effect of transferring 213 equity share properties, where nil rent is charged, from the HRA to the General Fund to avoid 75% of the sale proceeds being pooled and paid to the Government when repurchased properties on pre 1st April 2006 leases were resold. The £1.1 million included in each year of the programme for repurchasing these properties is to be funded from their subsequent sale receipts.
5. With regard to the pooling of capital receipts, the Council is now permitted to keep the majority of the HRA receipts from Right to Buy sales provided the retained amount is spent on the provision of additional social housing. Most HRA receipts from other sales (such as land or vacant houses) can also avoid pooling as long as they are used to fund HRA capital expenditure. It has been assumed that these rules will continue for the duration of the programme.
6. The financing policy inherent in Appendix A1 can therefore, be summarised as:
  - (a) run down the balance of capital receipts available to finance both HRA and General Fund capital expenditure;
  - (b) finance HRA capital expenditure from revenue/ depreciation reserve, capital receipts only useable for housing, and miscellaneous minor contributions/grants;
  - (c) use of HRA capital receipts to finance General Fund capital expenditure on Disabled Facilities Grants and Travellers Site improvements;
  - (d) use the remaining balance of the Housing and Planning Delivery Grant capital reserve to finance General Fund capital expenditure with financing from revenue thereafter;
  - (e) borrow to fund the housing company pilot;
  - (f) use the New Homes Bonus to fund the contribution to the A14 upgrade; and
  - (g) in addition, earmarked capital grants received are used to finance specific capital expenditure.
7. In order that all significant capital items may be evaluated consistently throughout the Council, new items in the capital programme in 2014-15 or later that are over £25,000 value in total are subject to the completion of a proposal form, for consideration alongside the capital programme being approved. Copies of the forms are available on request.

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**CAPITAL PROGRAMME**

(at outturn prices, with grants adjusted to commitments basis)

| Actual<br>2012/2013<br>£ |   | Estimate<br>2013/2014<br>£ | Estimate<br>2014/2015<br>£ | Estimate<br>2015/2016<br>£ | Estimate<br>2016/2017<br>£ | Estimate<br>2017/2018<br>£ | Estimate<br>2018/2019<br>£ |
|--------------------------|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| 3,206,636                | General Fund                                      | 3,350,800                  | 11,862,500                 | 3,081,500                  | 8,273,500                  | 5,119,500                  | 3,101,500                  |
| 7,248,438                | Housing Revenue Account                           | 11,554,160                 | 14,016,840                 | 14,950,000                 | 14,750,000                 | 14,250,000                 | 14,600,000                 |
| <u>10,455,074</u>        | Total Capital Expenditure                         | <u>14,904,960</u>          | <u>25,879,340</u>          | <u>18,031,500</u>          | <u>23,023,500</u>          | <u>19,369,500</u>          | <u>17,701,500</u>          |
|                          | Financed by :                                     |                            |                            |                            |                            |                            |                            |
| (1,968,154)              | Capital Receipts                                  | (3,678,470)                | (3,138,000)                | (3,299,580)                | (3,066,000)                | (3,066,000)                | (3,029,480)                |
| 0                        | Housing & Planning Delivery Grant                 | (225,380)                  | (226,000)                  | (132,670)                  | 0                          | 0                          | 0                          |
| 0                        | Funding of previous HPDG from revenue             | 0                          | 0                          | 0                          | (50,000)                   | (50,000)                   | (50,520)                   |
| (686,316)                | Other Grants and Contributions                    | (990,000)                  | (1,856,580)                | (792,000)                  | (720,000)                  | (720,000)                  | (720,000)                  |
| (5,512,300)              | HRA Depreciation Reserve                          | (5,541,800)                | (5,658,500)                | (5,784,100)                | (5,917,500)                | (8,000,000)                | (8,000,000)                |
| (280,183)                | Reserves  | (70,000)                   | (813,420)                  | (368,000)                  | (440,000)                  | (490,000)                  | (480,000)                  |
| (1,681,008)              | Housing Revenue Account (Revenue Contribution)    | (4,068,310)                | (6,346,840)                | (7,183,150)                | (7,146,000)                | (4,563,500)                | (4,906,500)                |
| (123,248)                | General Fund (Revenue Contribution)               | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          |
| 29,795                   | Cash Overdrawn re Commercial vehicles             | (331,000)                  | (840,000)                  | (472,000)                  | (684,000)                  | (2,480,000)                | (515,000)                  |
| (125,417)                | Cash Overdrawn re GF Equity Share Properties      | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          |
|                          | Borrowing   | 0                          | (7,000,000)                | 0                          | 0                          | 0                          | 0                          |
|                          | New Homes Bonus Infrastructure Reserve            | 0                          | 0                          | 0                          | (5,000,000)                | 0                          | 0                          |
| (108,243)                | Financing Adjustment                              | 0                          | 0                          | 0                          | 0                          | 0                          | 0                          |
| <u>(10,455,074)</u>      |   | <u>(14,904,960)</u>        | <u>(25,879,340)</u>        | <u>(18,031,500)</u>        | <u>(23,023,500)</u>        | <u>(19,369,500)</u>        | <u>(17,701,500)</u>        |
|                          | Capital Receipts                                  |                            |                            |                            |                            |                            |                            |
| (1,096,879)              | brought forward                                   | (52,220)                   | (345,810)                  | (601,060)                  | (591,480)                  | (515,480)                  | (239,480)                  |
| 0                        | Brought forward adjustment                        | (727,060)                  | (157,510)                  | 0                          | 0                          | 0                          | 0                          |
| 0                        | Adj for (11/12 underspend)/13/14 agreed additions | (245,000)                  | 74,260                     | 0                          | 0                          | 0                          | 0                          |
|                          | received in year from                             |                            |                            |                            |                            |                            |                            |
| (2,514,810)              | RTB sales   | (1,600,000)                | (2,500,000)                | (2,500,000)                | (2,500,000)                | (2,500,000)                | (2,500,000)                |
|                          | Equity Share Sales                                |                            |                            |                            |                            |                            |                            |
| (156,163)                | HRA   | (200,000)                  | (100,000)                  | (100,000)                  | (100,000)                  | (100,000)                  | (100,000)                  |
| (1,459,782)              | General Fund                                      | (1,600,000)                | (1,400,000)                | (1,100,000)                | (1,100,000)                | (1,100,000)                | (1,100,000)                |
| (95,565)                 | Other   | (100,000)                  | (100,000)                  | (100,000)                  | (100,000)                  | (100,000)                  | (100,000)                  |
| 355,972                  | transferred to CLG pool                           | 0                          | 470,000                    | 500,000                    | 530,000                    | 550,000                    | 570,000                    |
| 1,968,154                | used in year to finance expenditure               | 3,678,470                  | 3,138,000                  | 3,299,580                  | 3,066,000                  | 3,066,000                  | 3,029,480                  |
| 0                        | adjustment to cash overdrawn                      | 500,000                    | 300,000                    | 20,000                     | 20,000                     | 20,000                     | 20,000                     |
| 2,495,756                | transfer to/(from) reserve                        | 0                          | 20,000                     | (10,000)                   | 260,000                    | 440,000                    | 420,000                    |
| <u>(503,317)</u>         | Capital Receipts Year End Balance                 | <u>(345,810)</u>           | <u>(601,060)</u>           | <u>(591,480)</u>           | <u>(515,480)</u>           | <u>(239,480)</u>           | <u>0</u>                   |

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## APPENDIX B

### GENERAL FUND CONSIDERATIONS

#### PART 1 – APPROVING THE GENERAL FUND ESTIMATES

##### GENERAL FUND SUMMARY

1. The General Fund summary showing the cost of providing services is attached as **Appendix B1**.

##### LOCAL GOVERNMENT FINANCE SETTLEMENT

2. The provisional Local Government Finance Settlement for 2014-15 was published on 18 December 2013, together with an illustrative settlement for 2015-16. Those figures have been used in compiling the draft Medium Term Financial Strategy (MTFS) and in preparing this report; however, as at the time of publishing this report, the figures have yet to be confirmed. Confirmation, if available, will be given verbally at the Cabinet meeting.
3. The settlement continues the Government's separation of the previous Formula Grant into two elements: Revenue Support Grant (RSG); and localised Retained Business Rates. The settlement forecasts RSG reducing by 24% from 2013-14 to 2014-15 and by a further 32% from 2014-15 to 2015-16. The MTFS has modelled RSG reducing to £ zero over the following four years, although it is possible that reductions might be higher and/or front-loaded so that most of the forecast reduction falls in the first year.
4. The figures for RSG are:

| Year    | Revenue Support Grant | % change year on year |       |
|---------|-----------------------|-----------------------|-------|
| 2013-14 | £3.476m               |                       |       |
| 2014-15 | £2.657m               | - £0.819m             | - 24% |
| 2015-16 | £1.807m               | - £0.850m             | - 32% |

5. These figures are in cash terms; the % decrease is therefore greater in real terms.

##### COUNCIL TAX FREEZE GRANTS

6. Council tax freeze grants are payable to billing (i.e. districts, etc.) and major precepting authorities (i.e. counties, police and fire), but not to parish councils.
7. In 2011-12, the Government offered a freeze grant, on the condition that they did not increase their council tax in 2011-12, which all councils accepted. The grant compensated councils for foregoing an assumed 2.5% increase and was payable for the four years of the Spending Review. The provisional settlement for 2014-15 has rolled payment of that grant on into 2015-16; however, there will be a loss of income when the grant ends in 2016-17 unless the council tax is increased in that year by an additional 2.5%.
8. In 2012-13, the Government offered a freeze grant to all councils which did not increase their council tax in 2012-13. The grant again compensated councils for foregoing an assumed 2.5% increase, but was only payable for one year, so there would have been a

loss of income in 2013-14 unless the council tax was increased in that year by an additional 2.5%.

9. In 2013-14, the Government proposed to pay a freeze grant to all councils which did not increase their council tax in 2013-14. The proposed grant would compensate councils for foregoing an assumed 1.0% increase. However, there would have been a loss of income in 2013-14 because the grant was based on a 1.0% increase whereas the Council was proposing a 2.0% increase and 3.5% in each subsequent year. The Council decided to not freeze council tax and accept this grant in 2013-14.

10. In 2014-15, the Government is proposing to pay a freeze grant, payable for two years, to all councils which do not increase their council tax in 2014-15. The proposed grant will compensate councils for foregoing an assumed 1.0% increase. The grant is calculated as:

- council tax for 2013-14 £120.46
  - multiplied by number of band D dwellings for 2014-15 \* 61,972
  - equals council tax income of £7,465,147
  - multiplied by 1.0%
  - equals council tax freeze grant of £74,652
- \* not taking into account the reduction in the tax base due to the council tax reduction scheme

11. However, there will be a loss of income in 2014-15 because the grant is based on a 1.0% increase, whereas the Council's MTFs noted by Cabinet in November 2013 modelled increases in council tax of 3.5% from 2014-15 on:

|         |          | Reject two year grant<br>Increase council tax by<br>3.5% in 2014-15 and<br>then by 3.5% thereafter |                       | Accept two year grant<br>in 2014-15, then increase<br>by 3.5% thereafter |                       | Loss of<br>income<br>from<br>accepting<br>grant |
|---------|----------|--|-----------------------|--|-----------------------|---|
| Year    | Tax base | Council tax  | Council tax<br>income | Council tax  | Council tax<br>income |   |
| 2013-14 | 57,560   | £120.46  |                       | £120.46  |                       |   |
| 2014-15 | 58,242   | £124.67  | £7,261,098            | £120.46  | £7,015,900            | £245,198  |
|         |          |  |                       | grant  | £74,652               | - £74,652                                       |
| 2015-16 | 59,159   | £129.03  | £7,633,350            | £124.67  | £7,375,415            | £257,935  |
|         |          |  |                       | grant  | £74,652               | - £74,652                                       |
| 2016-17 | 60,169   | £133.54  | £8,035,008            | £129.03  | £7,763,645            | £271,363  |
| 2017-18 | 61,261   | £138.21  | £8,466,924            | £133.54  | £8,180,834            | £286,090  |
| 2018-19 | 62,367   | £143.04  | £8,921,019            | £138.21  | £8,619,785            | £301,234  |
|         |          |  |                       |  | Total                 | £1,212,516                                      |

12. The total loss of income over the period of the MTFs from accepting the two year council tax freeze grant in 2014-15 would be £1,212,516, which is approximately £20 per Band D equivalent property.

### COUNCIL TAX REFERENDUM PRINCIPLES

13. On 18 December 2013, the Local Government Minister said that the Council Tax referendum threshold principles would be announced in the New Year under which principal local authorities, Police and Crime Commissioners, Fire and Rescue Authorities and bodies raising levies will be required to seek the approval of their local electorate in a referendum if, compared to 2013-14, they set council tax increases in

2014-15 that exceed a certain percentage limit. In the event, The Council Tax Referendum Principles for 2014-15 were released on 5 February 2014 and require authorities to hold a referendum if the proposed council tax increase is 2% or higher.

14. For this authority, "levies" means Internal Drainage Board (IDB) levies. A 1.99% increase in council tax to £122.86 for 2014-15 would result in a council tax requirement (excluding parish precepts, but including the IDB levies of £166,850) of £7,155,680.
15. The estimates for 2014-15 therefore assume that there will be a 1.99% increase in council tax in that year and that the two year grant of £74,652 for freezing the council tax in 2014-15 will not be accepted.
16. Savings of £300,000 in 2014-15 and further savings of £790,000 in 2015-16 and subsequent years have been incorporated into the MTFS to maintain the General Fund working balance at the minimum of £2.5 million at the end of the five year period of the MTFS. This equates to an average cost saving of over £18 per Band D property.

### NEW HOMES BONUS

17. New Homes Bonus (NHB) is a new grant from 2011-12 based on:
  - (a) Net additions to the number of dwellings (the main factor);
  - (b) Increases in affordable housing;
  - (c) Empty homes brought back in to use; and
  - (d) Increase in gypsy and traveller pitches.
18. Each year's grant is payable for six years and so the grant accumulates for six years and then early years' grants fall out from year seven, as shown in the table below:

| Year of grant | Financial year |         |         |         |         |         |         |         |
|---------------|----------------|---------|---------|---------|---------|---------|---------|---------|
|               | 2011-12        | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|               | £'000          | £'000   | £'000   | £'000   | £'000   | £'000   | £'000   | £'000   |
| 2011-12       | 925            | 925     | 925     | 925     | 925     | 925     |         |         |
| 2012-13       |                | 878     | 878     | 878     | 878     | 878     | 878     |         |
| 2013-14       |                |         | 899     | 899     | 899     | 899     | 899     | 899     |
| 2014-15       |                |         |         | 499     | 499     | 499     | 499     | 499     |
| 2015-16       |                |         |         |         | 898     | 898     | 898     | 898     |
| 2016-17       |                |         |         |         |         | 1,016   | 1,016   | 1,016   |
| 2017-18       |                |         |         |         |         |         | 1,232   | 1,232   |
| 2018-19       |                |         |         |         |         |         |         | 1,215   |
| Total         | 925            | 1,803   | 2,702   | 3,201   | 4,099   | 5,115   | 5,422   | 5,759   |

19. NHB is a welcome and vital grant for this authority as Housing Planning Delivery Grant and housing growth funding (via Cambridgeshire Horizons) have ended. The Council received £1.841 million and £1.954 million from HPDG and housing growth funding in 2008-09 and 2009-10 respectively.

### REVENUE ESTIMATES

20. The General Fund summary up to the year ending 31 March 2015 is submitted for Members' approval as **Appendix B1**.
21. The figures in Appendix B1 show the 2013-14 original estimate for Net District Council General Fund Expenditure of £15.955 million increasing to £16.215 million in the 2014-15 estimate, an increase of £0.26 million in cash terms (1.6%).

22. **Appendix B2** sets out details of “precautionary” items of expenditure totalling £250,000. These are items of expenditure over which there is some doubt as to whether they would occur in 2014-15, but if they did, the Council would be required to meet them. It has been assumed that expenditure of £75,000 will be incurred on precautionary items in 2014-15 on the basis that there has been limited use of precautionary items in previous years, with most additional demands being met by virements from other budgets.

## **COLLECTION FUND BALANCE**

23. The Council's Collection Fund includes transactions relating to the Council Tax.
24. Regulations provide that the balance on the Collection Fund at 31st March 2014, whether in hand or overdrawn, must be transferred to the Billing Authority and the major precepting authorities in the same ratio as their 2013-14 precepts.
25. It is estimated that the balance at 31 March 2014 will be a surplus of £515,077 of which £65,047 will be transferred to the District in 2014-15.

## **PART 2 – SETTING THE COUNCIL TAX**

### **CALCULATION OF THE TAX**

26. The Council Tax figures quoted in this report relate to the tax on a Band D property occupied by two or more adults unless otherwise indicated. Last year the process for setting the tax base changed following the introduction of major changes to the welfare system in April 2013. The principal change was the end of the council tax benefit system. In replacement, billing authorities were required to design and implement their own localised council tax support schemes (LCTSS).
27. Essentially, this is done through the granting of discounts to the council tax bill. Under the legislation, the council is required to grant the equivalent discount in cash terms as benefit for pensioners, so they will not notice any change to their bills. The Council also decided to fully protect other vulnerable groups and to limit the impact on remaining benefit claimants. To partially offset the impact of the new LCTSS, the Council ceased some discounts and exemptions granted to owners of second and empty homes.
28. As a consequence of the changes the District Council saw a reduction to the council tax base. This is because the granting of discounts is treated as a reduction to the amount chargeable as opposed to council tax benefit which is treated as a reduction to the amount payable by the claimant.
29. The figure for a Band D property is arrived at by dividing the amount of the council tax requirement by the tax base of band D equivalents. A tax base of 58,242.6 for 2014-15 has been approved by the Executive Director (Corporate Services).
30. If the Council approves the council tax requirement of £7,155,680 for 2014-15, then the tax on properties in Bands A- to H will be:



| Valuation Band | Range of values as at 1 April 1991 | Ratio to Band D | Council Tax £5 increase |
|----------------|------------------------------------|-----------------|-------------------------|
| A-             |                                    | 5/9             | £68.26                  |
| A              | Up to and including £40,000        | 6/9             | £81.91                  |
| B              | £40,001 - £52,000                  | 7/9             | £95.56                  |
| C              | £52,001 - £68,000                  | 8/9             | £109.21                 |
| D              | £68,001 - £88,000                  | -               | £122.86                 |
| E              | £88,001 - £120,000                 | 11/9            | £150.16                 |
| F              | £120,001 - £160,000                | 13/9            | £177.46                 |
| G              | £160,001 - £320,000                | 15/9            | £204.77                 |
| H              | More than £320,000                 | 18/9            | £245.72                 |

31. The full amount of the tax is arrived at by adding the requirements of the County Council, the Police and Crime Commissioner, the Fire Authority and the relevant Parish to the District figure and these figures, together with a full list of parish precepts, will be presented to the Council meeting on 27 February 2014.

### **PART 3 - MEDIUM TERM FINANCIAL STRATEGY (MTFS)**

32. The MTFS has updated the projections for future years to incorporate the latest figures, which are shown in **Appendix B3**.
33. The Strategy is dependent on the assumptions that are built in to it and these include:
- (a) being able to identify and implement ongoing savings of £300,000 per annum from 2014-15 and a further £790,000 from 2015-16;
  - (b) the £50,000 for Council actions as recurring expenditure each year;
  - (c) reducing the present contributions of £138,000 to the Travellers Reserve when the Reserve reaches £1 million, which is expected to be in 2015-16;
  - (d) the first two years income from NHB is being shown in the MTFS as used to meet General Fund expenditure and to replace previous income from Housing and Planning Delivery Grant and Cambridgeshire Horizons grant, with the remaining years being transferred to a reserve for non-recurring expenditure on infrastructure, community facilities, etc. Points to note about NHB are:
    - there may be a new government within the six year period which may change the bonus;
    - the 80% allocated to district councils may be reduced;
    - the new homes bonus is a replacement for Housing Planning Delivery Grant, which was capped so the new homes bonus may also be capped in future years; and
    - the housing trajectory may be too optimistic;
  - (e) a reduction in RSG in 2014-15 in line with the local government financial settlement and anticipated further reductions from 2015-16;
  - (f) an allowance for income from 2013-14 onwards for Retained Business Rates, which replaces an element of the previous general Formula Grant; parameters within scheme's calculation methodology increase each year in line with RPI;
  - (g) an increase in council tax of 3.5% each year from 2015-16 onwards; and
  - (h) an increase in the tax base (number of band D equivalent dwellings) in line with the housing trajectory in the Annual Monitoring Report going to the Planning Policy and Localism Portfolio Holder in February 2014.

34. The result is that by the end of the projection period, 31 March 2019, the General Fund balance is £2.5 million (credit balance). However, the medium term position of a £2.0 million deficit/use of balances on the General Fund in 2018-19 indicates that there can be no relaxation in the search for savings/income, or in pressing for fairer funding and more certainty over future years' new homes bonus.

### **OPTIONS**

35. Options for the MTFs, which can be modelled if requested, include one or a combination of the following:
- (i) finding further revenue savings and/or capital savings financed from revenue;
  - (ii) agreeing a provision for inflation which is different to the OBR's forecast. A lower provision would save money in 2014-15 and each subsequent year assuming that the saving went into balances. There would clearly be no saving if there was a corresponding reduction in formula grant from the Government;
  - (iii) using more of NHB to meet general fund expenditure instead of non-recurring expenditure;
  - (iv) anticipating higher income from Retained Business Rates on the basis that an area like South Cambridgeshire should benefit more from the scheme. However, there are significant potential risks associated with outstanding valuation appeals and with the business economy, so it is difficult in these early years of the scheme to quantify such higher income with any certainty;
  - (v) increasing the council tax by less than 1.99% in 2014-15;
  - (vi) freezing the council tax in 2014-15 and accepting the two year council tax freeze grant;
  - (vii) increasing the council tax by more or less than 3.5% from 2015-16 onwards; and
  - (viii) running the General Fund balance down below the recommended minimum of £2.5 million.

## GENERAL FUND SUMMARY

| Actual<br>2012/2013<br>£ |   | Estimate<br>2013/2014<br>£ | Estimate<br>2014/2015<br>£ |
|--------------------------|---|----------------------------|----------------------------|
|                          | <b>NET EXPENDITURE</b>  |                            |                            |
|                          | Portfolio   |                            |                            |
| 475,641                  | Leader  | 522,290                    | 491,460                    |
| 2,077,626                | Finance and Staffing  | 2,414,210                  | 2,245,750                  |
| 1,807,832                | Corporate and Customer Services                                       | 1,763,130                  | 1,821,570                  |
| 5,581,364                | Environmental Services  | 5,753,670                  | 6,057,990                  |
| 1,258,617                | Housing (General Fund)  | 1,300,950                  | 1,324,220                  |
| 0                        | Northstowe  | 54,700                     | 55,300                     |
| 2,173,143                | Planning and Economic Development                                     | 2,445,890                  | 2,384,400                  |
| 1,800,140                | Planning Policy and Localism  | 1,852,590                  | 1,651,680                  |
| <b>15,174,362</b>        | <b>Fully Allocated Net Portfolio Expenditure</b>                      | <b>16,107,430</b>          | <b>16,032,370</b>          |
|                          | Unallocated   |                            |                            |
| 0                        | Reduction for vacancies   | (450,000)                  | (450,000)                  |
| 0                        | Reduction in external audit grant claim fees                          | (19,960)                   | 0                          |
| 0                        | Departmental/Overhead Roll-overs not allocated                        | 90,390                     | 50,000                     |
| 52,828                   | Support for Economic Downturn   | 0                          | 0                          |
| 0                        | Non-recurring expenditure on infrastructure, communal facilities etc. | 849,370                    | 1,608,250                  |
| 0                        | Council Tax Support Funding grant to Parish Councils                  | 228,000                    | 0                          |
| 0                        | <b>Savings not included in Portfolio estimates</b>                    | (50,000)                   | (300,000)                  |
| 0                        | Expenditure on Precautionary Items                                    | 75,000                     | 75,000                     |
| 0                        | Council Actions   | 50,000                     | 50,000                     |
| <b>15,227,190</b>        | <b>Net Portfolio Expenditure</b>                                      | <b>16,880,230</b>          | <b>17,065,620</b>          |
| 147,813                  | Internal Drainage Boards  | 155,990                    | 166,850                    |
| (665,014)                | Interest on Balances  | (425,000)                  | (345,500)                  |
| (575,778)                | Capital Charges, etc.   | (655,910)                  | (671,790)                  |
| <b>14,134,211</b>        | <b>Net District Council General Fund Expenditure</b>                  | <b>15,955,310</b>          | <b>16,215,180</b>          |
| 110,911                  | Appropriation to/(from) General Fund balance                          | 124,360                    | (266,450)                  |
| (13,420)                 | Area Based Grant  | 0                          | 0                          |
| (175,479)                | One year grant for Freezing 2012/13 Council Tax                       | 0                          | 0                          |
| (1,690,923)              | New Homes Bonus   | (2,702,300)                | (3,201,180)                |
| <b>12,365,300</b>        | <b>General Expenses (Budget Requirement for capping purposes)</b>     | <b>13,377,370</b>          | <b>12,747,550</b>          |
| (5,412,214)              | Formula Grant   | 0                          | 0                          |
| 0                        | Revenue Support Grant   | (3,476,040)                | (2,656,520)                |
| 0                        | Retained Business Rates   | (2,980,990)                | (2,870,300)                |
| 66,074                   | (Surplus)/Deficit on Collection Fund re Council Tax                   | 13,350                     | (65,050)                   |
| <b>7,019,160</b>         | <b>Demand on Collection Fund to be raised from Council taxpayers</b>  | <b>6,933,690</b>           | <b>7,155,680</b>           |
|                          | <b>INCOME FROM COUNCIL TAX</b>  |                            |                            |
| Number                   |   | Number                     | Number                     |
| 60,793.0                 | Tax Base for tax setting purposes (Band D equivalents)                | 57,560.1                   | 58,242.6                   |
| £ p                      | multiplied by Basic Amount of Council Tax                             | £ p                        | £ p                        |
| 115.46                   | for the District  | 120.46                     | 122.86                     |
| £                        | equals  | £                          | £                          |
| <b>7,019,160</b>         | <b>Income to be raised from Council taxpayers</b>                     | <b>6,933,690</b>           | <b>7,155,680</b>           |
|                          | <b>Balances at year end (excluding Section 106 monies)</b>            |                            |                            |
| £                        |   | £                          | £                          |
|                          | <b>Revenue</b>  |                            |                            |
| (7,484,988)              | General Fund  | (7,530,520)                | (6,762,110)                |
| (2,427,476)              | Housing Revenue Account   | (2,547,390)                | (2,033,880)                |
|                          | <b>Capital</b>  |                            |                            |
| (7,538,958)              | Earmarked Reserves  |                            |                            |
| (2,732,216)              | Usable Capital Receipts   | (345,810)                  | (601,060)                  |

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**PRECAUTIONARY ITEMS**

These are items of expenditure over which there is some doubt as to whether they would occur, but if they did, the Council would be required to meet them. If the spending need does arise on any item, delegated authority has been given to the Finance and Staffing Portfolio Holder and the Chief Finance Officer to approve such expenditure (to be met from reserves), up to the level indicated for the relevant year:

| <b><u>Precautionary Items for 2013/14</u></b> | Total<br>Approved<br>£ | Used in<br>2013/14<br>to Jan 2014<br>£ |
|---|------------------------|--|
| Awarded Watercourses - emergency works        | 15,000                 |  |
| Footway Lighting                              | 10,000                 |  |
| Contaminated Land - remedial works            | 82,000                 |  |
| Clearance of Private Sewers                   | 6,000                  |  |
| National Assistance Burials Act               | 5,000                  |  |
| District Emergencies                          | 50,000                 |  |
| Environmental Health Legal Costs              | 10,000                 |  |
| Homelessness - additional accommodation       | 140,000                |  |
| Planning Appeals and Inquiries                | 50,000                 | 10,000                                 |
| Standards Budget                              | 63,000                 |  |
| District Elections - By-election costs        | 4,000                  |  |
| Neighbourhood Planning                        | 30,000                 | 30,000                                 |
| Local Development Framework                   | 35,000                 | 35,000                                 |
| Total   | <u>500,000</u>         | <u>75,000</u>                          |

**Precautionary Items for 2014/15**

| <b><u>Precautionary Items for 2014/15</u></b> | Total<br>£     |
|---|----------------|
| Homelessness - additional accommodation       | 140,000        |
| Planning Appeals and Inquiries                | 50,000         |
| Neighbourhood Planning                        | 30,000         |
| Local Plan (Expert Witnesses)                 | 30,000         |
| Total   | <u>250,000</u> |

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MEDIUM TERM FINANCIAL STRATEGY for the General Fund  
February 2014

Appendix B3

| General provision for Inflation  | 2.5%                       | 1.9%                         | 1.9%                                      | 2.4%                         | 2.1%                                      | 2.0%                                      | 2.0%                                      | 2.0%                                      |
|--|----------------------------|------------------------------|---|------------------------------|---|---|---|---|
| Assuming a council tax increase of 1.99% in 2014-15  | Actual<br>2012/13<br>£'000 | Estimate<br>2013/14<br>£'000 | Projected<br>Estimate<br>2013/14<br>£'000 | Estimate<br>2014/15<br>£'000 | Projected<br>Estimate<br>2015/16<br>£'000 | Projected<br>Estimate<br>2016/17<br>£'000 | Projected<br>Estimate<br>2017/18<br>£'000 | Projected<br>Estimate<br>2018/19<br>£'000 |
| Base Budget  | 15,722                     | 16,028                       | 16,028                                    | 15,411                       | 15,690                                    | 16,323                                    | 16,769                                    | 17,367                                    |
| <b>Additional income/savings to maintain working balance</b>   |                            |                              |   | <b>(300)</b>                 | <b>(1,090)</b>                            | <b>(1,090)</b>                            | <b>(1,090)</b>                            | <b>(1,090)</b>                            |
| Expenditure previously financed from Housing and Planning Delivery Grant                             |                            |                              |   |                              |   |   |   |   |
| Revenue  | 0                          | 3                            | 3   | 346                          | 353                                       | 360                                       | 368                                       | 375                                       |
| Capital  |                            | 0                            | 0   | 0                            | 140                                       | 434                                       | 434                                       | 434                                       |
| Non-recurring expenditure on infrastructure, communal facilities, etc.                               | 0                          | 849                          | 849                                       | 1,608                        | 2,386                                     | 3,427                                     | 3,754                                     | 4,001                                     |
| Financial Position Report Outturn 2013-14/November 2013  | (446)                      |                              | 178                                       |                              |   |   |   |   |
| <b>Net Portfolio Expenditure</b>   | <b>15,277</b>              | <b>16,880</b>                | <b>17,058</b>                             | <b>17,066</b>                | <b>17,480</b>                             | <b>19,453</b>                             | <b>20,234</b>                             | <b>21,086</b>                             |
| Interest on balances   | (475)                      | (425)                        | (425)                                     | (345)                        | (410)                                     | (460)                                     | (290)                                     | (170)                                     |
| Interest to HRA, Internal Drainage Boards, Reversal of<br>Depreciation and Minimum Revenue Provision | (557)                      | (500)                        | (500)                                     | (505)                        | (325)                                     | (280)                                     | (190)                                     | (190)                                     |
| <b>Net District Council General Fund Expenditure</b>   | <b>14,245</b>              | <b>15,955</b>                | <b>16,133</b>                             | <b>16,215</b>                | <b>16,745</b>                             | <b>18,713</b>                             | <b>19,754</b>                             | <b>20,726</b>                             |
| New Homes Bonus (4 years only; third and fourth years earmarked)                                     | (1,803)                    | (2,702)                      | (2,666)                                   | (3,201)                      | (4,099)                                   | (5,115)                                   | (5,422)                                   | (5,759)                                   |
| Appropriations to/(from) General Fund working balance  | 99                         | 104                          | (456)                                     | (266)                        | 46  | (840)                                     | (1,475)                                   | (1,984)                                   |
| <b>General Expenses</b>  | <b>12,540</b>              | <b>13,357</b>                | <b>13,011</b>                             | <b>12,748</b>                | <b>12,692</b>                             | <b>12,758</b>                             | <b>12,858</b>                             | <b>12,984</b>                             |
| Formula Grant  | (5,587)                    |                              |   |                              |   |   |   |   |
| Revenue Support Grant  |                            | (3,476)                      | (3,476)                                   | (2,657)                      | -23.6% (1,807)                            | -32.0% (1,355)                            | (903)                                     | -33.3% (452)                              |
| Retained Business Rates  |                            | (2,981)                      | (2,634)                                   | (2,870)                      | -3.7% (3,362)                             | 17.1% (3,484)                             | 3.6% (3,610)                              | 3.6% (3,740)                              |
| (Surplus)/Deficit on Collection Fund   | 66                         | 33                           | 33  | (65)                         | 0   | 0   | 0   | 0   |
| <b>Council Tax Requirement to be raised from council taxpayers</b>                                   | <b>7,019</b>               | <b>6,934</b>                 | <b>6,934</b>                              | <b>7,156</b>                 | <b>7,523</b>                              | <b>7,919</b>                              | <b>8,344</b>                              | <b>8,792</b>                              |
|  | Number                     | Number                       | Number                                    | Number                       | Number                                    | Number                                    | Number                                    | Number                                    |
| Tax Base for Tax Setting Purposes  | 60,793.0                   |                              |   |                              |   |   |   |   |
| Tax Base for Tax Setting Purposes including discount for localised council tax support               |                            | 57,560.1                     | 57,560.1                                  | 58,242.6                     | 1.2% 59,159.5                             | 1.6% 60,169.3                             | 1.7% 61,261.3                             | 1.8% 62,367.3                             |
| Basic Amount of Council Tax  | £                          | £                            | £   | £                            | £   | £   | £   | £   |
| District only  | 115.46                     | 120.46                       | 4.3% 120.46                               | 122.86                       | 1.99% 127.16                              | 3.5% 131.61                               | 3.5% 136.21                               | 3.5% 140.97                               |
| Underlying Council Tax with no appropriations from the General<br>Fund Balance or Earmarked Reserves | £                          | £                            | £   | £                            | £   | £   | £   | £   |
| Balances at Year End   | £'000                      | £'000                        | £'000                                     | £'000                        | £'000                                     | £'000                                     | £'000                                     | £'000                                     |
| General Fund (recommended minimum level £2.5 million)  | (7,485)                    | (7,589)                      | (7,029)                                   | (6,762)                      | (6,808)                                   | (5,968)                                   | (4,493)                                   | (2,509)                                   |
| Infrastructure Fund  | 0                          | (813)                        | (813)                                     | (2,421)                      | (4,807)                                   | (3,234)                                   | (6,988)                                   | (10,989)                                  |
| Usable Capital Receipts Reserve  | (2,732)                    | (346)                        | (346)                                     | (601)                        | (591)                                     | (515)                                     | (239)                                     | 0   |

# MEDIUM TERM FINANCIAL STRATEGY for the General Fund February 2014

## Appendix B3(a)

|   | 2.5%          | 1.9%          | 1.9%          | 2.4%          | 2.1%           | 2.0%           | 2.0%           | 2.0%           |        |          |        |          |        |
|---|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|--------|----------|--------|----------|--------|
|   | Actual        | Estimate      | Projected     | Estimate      | Projected      | Projected      | Projected      | Projected      |        |          |        |          |        |
|   | 2012/13       | 2013/14       | 2013/14       | 2014/15       | 2015/16        | 2016/17        | 2017/18        | 2018/19        |        |          |        |          |        |
|   | £'000         | £'000         | £'000         | £'000         | £'000          | £'000          | £'000          | £'000          |        |          |        |          |        |
| General provision for Inflation   |               |               |               |               |                |                |                |                |        |          |        |          |        |
| <b>Assuming a council tax increase of 1.5% in 2014-15</b>   |               |               |               |               |                |                |                |                |        |          |        |          |        |
| Base Budget   | 15,722        | 16,028        | 16,028        | 15,411        | 15,690         | 16,323         | 16,769         | 17,367         |        |          |        |          |        |
| <b>Additional income/savings to maintain working balance</b>                                      |               |               |               | <b>(300)</b>  | <b>(1,140)</b> | <b>(1,140)</b> | <b>(1,140)</b> | <b>(1,140)</b> |        |          |        |          |        |
| Expenditure previously financed from Housing and Planning Delivery Grant                          |               |               |               |               |                |                |                |                |        |          |        |          |        |
| Revenue   | 0             | 3             | 3             | 346           | 353            | 360            | 368            | 375            |        |          |        |          |        |
| Capital   |               | 0             | 0             | 0             | 140            | 434            | 434            | 434            |        |          |        |          |        |
| Non-recurring expenditure on infrastructure, communal facilities, etc.                            | 0             | 849           | 849           | 1,608         | 2,386          | 3,427          | 3,754          | 4,001          |        |          |        |          |        |
| Financial Position Report Outturn 2013-14/November 2013   | (446)         |               | 178           |               |                |                |                |                |        |          |        |          |        |
| <b>Net Portfolio Expenditure</b>  | <b>15,277</b> | <b>16,880</b> | <b>17,058</b> | <b>17,066</b> | <b>17,430</b>  | <b>19,403</b>  | <b>20,184</b>  | <b>21,036</b>  |        |          |        |          |        |
| Interest on balances  | (475)         | (425)         | (425)         | (345)         | (410)          | (460)          | (290)          | (170)          |        |          |        |          |        |
| Interest to HRA, Internal Drainage Boards, Reversal of Depreciation and Minimum Revenue Provision | (557)         | (500)         | (500)         | (505)         | (325)          | (280)          | (190)          | (190)          |        |          |        |          |        |
| <b>Net District Council General Fund Expenditure</b>  | <b>14,245</b> | <b>15,955</b> | <b>16,133</b> | <b>16,215</b> | <b>16,695</b>  | <b>18,663</b>  | <b>19,704</b>  | <b>20,676</b>  |        |          |        |          |        |
| New Homes Bonus (4 years only; third and fourth years earmarked)                                  | (1,803)       | (2,702)       | (2,666)       | (3,201)       | (4,099)        | (5,115)        | (5,422)        | (5,759)        |        |          |        |          |        |
| Appropriations to/(from) General Fund working balance   | 99            | 104           | (456)         | (301)         | 59             | (830)          | (1,466)        | (1,978)        |        |          |        |          |        |
| <b>General Expenses</b>   | <b>12,540</b> | <b>13,357</b> | <b>13,011</b> | <b>12,713</b> | <b>12,654</b>  | <b>12,718</b>  | <b>12,816</b>  | <b>12,940</b>  |        |          |        |          |        |
| Formula Grant   | (5,587)       |               |               |               |                |                |                |                |        |          |        |          |        |
| Revenue Support Grant   |               | (3,476)       | (3,476)       | (2,657)       | -23.6%         | (1,807)        | -32.0%         | (1,355)        | -25.0% | (903)    | -33.3% | (452)    | -50.0% |
| Retained Business Rates   |               | (2,981)       | (2,634)       | (2,870)       | -3.7%          | (3,362)        | 17.1%          | (3,484)        | 3.6%   | (3,610)  | 3.6%   | (3,740)  | 3.6%   |
| (Surplus)/Deficit on Collection Fund  | 66            | 33            | 33            | (65)          | 0              | 0              | 0              | 0              |        |          |        |          |        |
| <b>Council Tax Requirement to be raised from council taxpayers</b>                                | <b>7,019</b>  | <b>6,934</b>  | <b>6,934</b>  | <b>7,121</b>  | <b>7,485</b>   | <b>7,879</b>   | <b>8,303</b>   | <b>8,748</b>   |        |          |        |          |        |
|   | Number        | Number        | Number        | Number        | Number         | Number         | Number         | Number         |        |          |        |          |        |
| Tax Base for Tax Setting Purposes   | 60,793.0      |               |               |               |                |                |                |                |        |          |        |          |        |
| Tax Base for Tax Setting Purposes including discount for localised council tax support            |               | 57,560.1      | 57,560.1      | 58,242.6      | 1.2%           | 59,159.5       | 1.6%           | 60,169.3       | 1.7%   | 61,261.3 | 1.8%   | 62,367.3 | 1.8%   |
| Basic Amount of Council Tax District only   | £ 115.46      | £ 120.46      | £ 120.46      | £ 122.26      | 1.49%          | £ 126.53       | 3.5%           | £ 130.95       | 3.5%   | £ 135.53 | 3.5%   | £ 140.27 | 3.5%   |
| Underlying Council Tax with no appropriations from the General Fund Balance or Earmarked Reserves | £ 113.84      | £ 118.65      | £ 128.39      | £ 127.43      |                | £ 125.54       |                | £ 144.75       |        | £ 159.46 |        | £ 171.98 |        |
| Balances at Year End  | £'000         | £'000         | £'000         | £'000         | £'000          | £'000          | £'000          | £'000          | £'000  | £'000    | £'000  | £'000    | £'000  |
| General Fund (recommended minimum level £2.5 million)   | (7,485)       | (7,589)       | (7,029)       | (6,727)       | (6,786)        | (5,956)        | (4,490)        | (2,512)        |        |          |        |          |        |
| Infrastructure Fund   | 0             | (813)         | (813)         | (2,421)       | (4,807)        | (3,234)        | (6,988)        | (10,989)       |        |          |        |          |        |
| Usable Capital Receipts Reserve   | (2,732)       | (346)         | (346)         | (601)         | (591)          | (515)          | (239)          | 0              |        |          |        |          |        |



# MEDIUM TERM FINANCIAL STRATEGY for the General Fund February 2014

## Appendix B3(b)

| General provision for Inflation  | 2.5%                       | 1.9%                         | 1.9%                                      | 2.4%                         | 2.1%                                      | 2.0%                                      | 2.0%                                      | 2.0%                                      |        |      |        |      |        |      |
|--|----------------------------|------------------------------|---|------------------------------|---|---|---|---|--------|------|--------|------|--------|------|
| Assuming no council tax increase in 2014-15  | Actual<br>2012/13<br>£'000 | Estimate<br>2013/14<br>£'000 | Projected<br>Estimate<br>2013/14<br>£'000 | Estimate<br>2014/15<br>£'000 | Projected<br>Estimate<br>2015/16<br>£'000 | Projected<br>Estimate<br>2016/17<br>£'000 | Projected<br>Estimate<br>2017/18<br>£'000 | Projected<br>Estimate<br>2018/19<br>£'000 |        |      |        |      |        |      |
| Base Budget  | 15,722                     | 16,028                       | 16,028                                    | 15,411                       | 15,690                                    | 16,323                                    | 16,769                                    | 17,367                                    |        |      |        |      |        |      |
| <b>Additional income/savings to maintain working balance</b>   |                            |                              |   | <b>(300)</b>                 | <b>(880)</b>                              | <b>(880)</b>                              | <b>(880)</b>                              | <b>(880)</b>                              |        |      |        |      |        |      |
| <b>Additional income/savings in 2014/15 to offset no council tax increase</b>                        |                            |                              |   | <b>(295)</b>                 | <b>(295)</b>                              | <b>(295)</b>                              | <b>(295)</b>                              | <b>(295)</b>                              |        |      |        |      |        |      |
| Expenditure previously financed from Housing and Planning Delivery Grant                             |                            |                              |   |                              |   |   |   |   |        |      |        |      |        |      |
| Revenue  | 0                          | 3                            | 3   | 346                          | 353                                       | 360                                       | 368                                       | 375                                       |        |      |        |      |        |      |
| Capital  |                            | 0                            | 0   | 0                            | 140                                       | 434                                       | 434                                       | 434                                       |        |      |        |      |        |      |
| Non-recurring expenditure on infrastructure, communal facilities, etc.                               | 0                          | 849                          | 849                                       | 1,608                        | 2,386                                     | 3,427                                     | 3,754                                     | 4,001                                     |        |      |        |      |        |      |
| Financial Position Report Outturn 2013-14/November 2013  | (446)                      |                              | 178                                       |                              |   |   |   |   |        |      |        |      |        |      |
| <b>Net Portfolio Expenditure</b>   | <b>15,277</b>              | <b>16,880</b>                | <b>17,058</b>                             | <b>16,771</b>                | <b>17,395</b>                             | <b>19,368</b>                             | <b>20,149</b>                             | <b>21,001</b>                             |        |      |        |      |        |      |
| Interest   | (475)                      | (425)                        | (425)                                     | (345)                        | (410)                                     | (460)                                     | (290)                                     | (170)                                     |        |      |        |      |        |      |
| Interest to HRA, Internal Drainage Boards, Reversal of<br>Depreciation and Minimum Revenue Provision | (557)                      | (500)                        | (500)                                     | (505)                        | (325)                                     | (280)                                     | (190)                                     | (190)                                     |        |      |        |      |        |      |
| <b>Net District Council General Fund Expenditure</b>   | <b>14,245</b>              | <b>15,955</b>                | <b>16,133</b>                             | <b>15,920</b>                | <b>16,660</b>                             | <b>18,628</b>                             | <b>19,669</b>                             | <b>20,641</b>                             |        |      |        |      |        |      |
| New Homes Bonus (4 years only; third and fourth years earmarked)                                     | (1,803)                    | (2,702)                      | (2,666)                                   | (3,201)                      | (4,099)                                   | (5,115)                                   | (5,422)                                   | (5,759)                                   |        |      |        |      |        |      |
| Appropriations to/(from) General Fund working balance  | 99                         | 104                          | (456)                                     | (36)                         | 59  | (911)                                     | (1,553)                                   | (2,071)                                   |        |      |        |      |        |      |
| <b>General Expenses</b>  | <b>12,540</b>              | <b>13,357</b>                | <b>13,011</b>                             | <b>12,683</b>                | <b>12,619</b>                             | <b>12,603</b>                             | <b>12,694</b>                             | <b>12,812</b>                             |        |      |        |      |        |      |
| Formula Grant  | (5,587)                    |                              |   |                              |   |   |   |   |        |      |        |      |        |      |
| Revenue Support Grant  |                            | (3,476)                      | (3,476)                                   | (2,732)                      | -21.4%                                    | (1,882)                                   | -31.1%                                    | (1,355)                                   | -28.0% |      |        |      |        |      |
| Retained Business Rates  |                            | (2,981)                      | (2,634)                                   | (2,870)                      | -3.7%                                     | (3,362)                                   | 17.1%                                     | (3,484)                                   | 3.6%   |      |        |      |        |      |
| (Surplus)/Deficit on Collection Fund   | 66                         | 33                           | 33  | (65)                         | 0   | 0   | 0   | 0   |        |      |        |      |        |      |
| <b>Council Tax Requirement to be raised from council taxpayers</b>                                   | <b>7,019</b>               | <b>6,934</b>                 | <b>6,934</b>                              | <b>7,016</b>                 | <b>7,375</b>                              | <b>7,764</b>                              | <b>8,181</b>                              | <b>8,620</b>                              |        |      |        |      |        |      |
|  | Number                     | Number                       | Number                                    | Number                       | Number                                    | Number                                    | Number                                    | Number                                    |        |      |        |      |        |      |
| Tax Base for Tax Setting Purposes  | 60,793.0                   |                              |   |                              |   |   |   |   |        |      |        |      |        |      |
| Tax Base for Tax Setting Purposes including discount for localised council tax support               |                            | 57,560.1                     | 57,560.1                                  | 58,242.6                     | 1.2%                                      | 59,159.5                                  | 1.6%                                      | 60,169.3                                  | 1.7%   |      |        |      |        |      |
| Basic Amount of Council Tax  | £                          | £                            | £   | £                            | £   | £   | £   | £   |        |      |        |      |        |      |
| District only  | 115.46                     | 120.46                       | 4.3%                                      | 120.46                       | 120.46                                    | 0.0%                                      | 124.67                                    | 3.5%                                      | 129.03 | 3.5% | 133.54 | 3.5% | 138.21 | 3.5% |
| Underlying Council Tax with no appropriations from the General<br>Fund Balance or Earmarked Reserves | £                          | £                            | £   | £                            | £   | £   | £   | £   |        |      |        |      |        |      |
| Balances at Year End   | 113.84                     | 118.65                       | 128.39                                    | 121.08                       | 123.68                                    | 144.16                                    | 158.89                                    | 171.42                                    |        |      |        |      |        |      |
| General Fund (recommended minimum level £2.5 million)  | £'000                      | £'000                        | £'000                                     | £'000                        | £'000                                     | £'000                                     | £'000                                     | £'000                                     |        |      |        |      |        |      |
| Infrastructure Fund  | (7,485)                    | (7,589)                      | (7,029)                                   | (6,992)                      | (7,051)                                   | (6,140)                                   | (4,587)                                   | (2,516)                                   |        |      |        |      |        |      |
| Usable Capital Receipts Reserve  | 0                          | (813)                        | (813)                                     | (2,421)                      | (4,807)                                   | (3,234)                                   | (6,988)                                   | (10,989)                                  |        |      |        |      |        |      |
|  | (2,732)                    | (346)                        | (346)                                     | (601)                        | (591)                                     | (515)                                     | (239)                                     | 0   |        |      |        |      |        |      |

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## APPENDIX B4

### GENERAL FUND FEES AND CHARGES FOR 2014-15

#### Environmental Services Portfolio

Fees and charges relating to the Environmental Services Portfolio were presented to and agreed at the portfolio holder meeting on 14 January 2014.

#### Finance & Staffing Portfolio - Land Charges

Guidance for the setting of fees for local land charge services (Charges for Property Searches Regulations 2008) includes a requirement for the Authority to apply a methodology for assessing the costs of providing each land charge service, description of service or group of services, and the projected take-up of that service, and therefore the charge that should be made, over a period of between 1 and 3 years.

The authority is required to ensure that over a rolling period the total income does not exceed costs of unrefined information; as the guidance does not stipulate a requirement to break-even the Council could choose to support local residents and businesses by making a charge for services which recovers less than full cost.

The schedule of fees for Local Land Charges have been calculated on a cost recovery basis and accepted by the Legal Section; the revised schedule, with effect from 1 April 2014, is included as **Appendix B4(A)** for approval by Cabinet.

#### Housing General Fund Portfolio - Travellers Sites

Gypsy and Traveller sites now come under the legislation of the Mobile Homes Act 2011. Within this new legislation, it states that pitch fees can only be raised/lowered by a maximum of the Retail Prices Index ("RPI") each year, so increases/decreases may vary year on year.

The RPI figure taken on the anniversary of the review (i.e. 2.6% as at October 2013) has been applied to the pitch fees and rounded to the nearest 50p for ease of collection.

| <u>Site</u> | <u>2013-14</u><br>p.w. | <u>2014-15</u><br>p.w. |
|-------------|------------------------|------------------------|
| Milton      | £64.50                 | £66.00                 |
| Whaddon     | £56.50                 | £58.00                 |

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## APPENDIX B4(A)

### LAND CHARGES FEES (currently approved 2013/14 charges)

| Type of Search (Commercial Search)                    | Fee    |
|---|--------|
| LLC1 Official Search in respect of one parcel of land | 146.00 |
| CON29R  | 59.00  |
| LLC1 and CON29R (Full Commercial Search)              | 205.00 |
| Duplicate searches (LLC1/CON29R&O/Full Search)        | 5.00   |

| Type of Search (Residential Search)                      | Fee   |
|--|-------|
| LLC1 Official Search in respect of one parcel of land    | 38.50 |
| CON29R   | 59.00 |
| LLC1 and CON29R (Full Residential Search)                | 97.50 |
| CON29O Optional enquiry 4                                | 4.50  |
| CON29O Optional enquiry 5 (County charge + SCDC charge)  | 11.50 |
| CON29O Optional enquiry 6.1 and 6.2                      | 2.20  |
| CON29O Optional enquiry 6.3 (a-e)                        | 2.30  |
| CON29O Optional enquiry 7                                | 4.50  |
| CON29O Optional enquiry 8                                | 4.50  |
| CON29O Optional enquiry 9                                | 4.50  |
| CON29O Optional enquiry 10                               | 5.00  |
| CON29O Optional enquiry 11                               | 6.00  |
| CON29O Optional enquiry 12                               | 4.50  |
| CON29O Optional enquiry 13                               | 4.50  |
| CON29O Optional enquiry 14                               | 4.50  |
| CON29O Optional enquiry 15                               | 4.50  |
| CON29O Optional enquiry 16                               | 4.50  |
| CON29O Optional enquiry 17 (County charge + SCDC charge) | 12.50 |
| CON29O Optional enquiry 18                               | 4.50  |
| CON29O Optional enquiry 19                               | 5.00  |
| CON29O Optional enquiry 20                               | 5.00  |
| CON29O Optional enquiry 21                               | 4.50  |
| CON29O Optional enquiry 22 (County charge + SCDC charge) | 11.50 |
| Refresher Search   | 45.00 |
| Additional Enquiries                                     | 15.00 |
| Additional Parcels of Land                               | 20.00 |
| Duplicate searches                                       | 5.00  |

Cancelled searches will be charged at 50% of the applicable search fee(s)

### LAND CHARGES FEES (proposed 2014/15 charges)

| Type of Search (Commercial Search)                    | Fee    |
|---|--------|
| LLC1 Official Search in respect of one parcel of land | 96.00  |
| CON29R  | 59.00  |
| LLC1 and CON29R (Full Commercial Search)              | 155.00 |
| Duplicate searches (LLC1/CON29R&O/Full Search)        | 5.00   |

| Type of Search (Residential Search)                      | Fee   |
|--|-------|
| LLC1 Official Search in respect of one parcel of land    | 31.00 |
| CON29R   | 59.00 |
| LLC1 and CON29R (Full Residential Search)                | 90.00 |
| CON29O Optional enquiry 4                                | 4.50  |
| CON29O Optional enquiry 5 (County charge + SCDC charge)  | 11.50 |
| CON29O Optional enquiry 6.1 and 6.2                      | 2.20  |
| CON29O Optional enquiry 6.3 (a-e)                        | 2.30  |
| CON29O Optional enquiry 7                                | 4.50  |
| CON29O Optional enquiry 8                                | 4.50  |
| CON29O Optional enquiry 9                                | 4.50  |
| CON29O Optional enquiry 10                               | 5.00  |
| CON29O Optional enquiry 11                               | 6.00  |
| CON29O Optional enquiry 12                               | 4.50  |
| CON29O Optional enquiry 13                               | 4.50  |
| CON29O Optional enquiry 14                               | 4.50  |
| CON29O Optional enquiry 15                               | 4.50  |
| CON29O Optional enquiry 16                               | 4.50  |
| CON29O Optional enquiry 17 (County charge + SCDC charge) | 12.50 |
| CON29O Optional enquiry 18                               | 4.50  |
| CON29O Optional enquiry 19                               | 5.00  |
| CON29O Optional enquiry 20                               | 5.00  |
| CON29O Optional enquiry 21                               | 4.50  |
| CON29O Optional enquiry 22 (County charge + SCDC charge) | 11.50 |
| Refresher Search   | 45.00 |
| Additional Enquiries                                     | 15.00 |
| Additional Parcels of Land                               | 20.00 |
| Duplicate searches                                       | 5.00  |

Cancelled searches will be charged at 50% of the applicable search fee(s)

**LAND CHARGES FEES (with effect from 1st April 2013)**

| <b>Con29R Selectable<br/>Type of Search</b>       | <b>Fees<br/>(Residential)</b> |
|---|-------------------------------|
| Q1.1 a-e Planning & Building Regs                 | 13.50                         |
| Q1.1 f-h Planning & Building Regs                 | 3.30                          |
| Q1.2 Planning Designations & Proposals            | 2.10                          |
| Q2 Roads*   | 17.00                         |
| Q3.1 Land Required for Public Purposes            | 2.60                          |
| Q3.2 Land to be Acquired for Road Works (County)* |                               |
| Q3.4 Nearby Road Schemes (County)*                |                               |
| Q3.5 Nearby Railway Schemes*                      |                               |
| Q3.6 Traffic Schemes*                             |                               |
| Q3.7a Outstanding Notices                         | 2.30                          |
| Q3.7b-d & f Outstanding Notices                   | 1.00                          |
| Q3.7e Outstanding Notices (County)*               |                               |
| Q3.8 Contravention of Building Regs               | 2.20                          |
| Q3.9a-n Notices, Orders                           | 7.50                          |
| Q3.10 Conservation Area                           | 4.00                          |
| Q3.11 Compulsory Purchase                         | 1.50                          |
| Q3.12 Contaminated Land                           | 1.00                          |
| Q3.13 Radon Gas                                   | 1.00                          |

\* Roads Questions 2, 3.2, 3.4, 3.5, 3.6 and 3.7e can only be requested as a bundle for £17.00

**PROPOSED LAND CHARGES FEES (with effect from 1st April 2014)**

| <b>Con29R Selectable<br/>Type of Search</b>       | <b>Fees<br/>(Residential)</b> |
|---|-------------------------------|
| Q1.1 a-e Planning & Building Regs                 | 13.50                         |
| Q1.1 f-h Planning & Building Regs                 | 3.30                          |
| Q1.2 Planning Designations & Proposals            | 2.10                          |
| Q2 Roads*   | 17.00                         |
| Q3.1 Land Required for Public Purposes            | 2.60                          |
| Q3.2 Land to be Acquired for Road Works (County)* |                               |
| Q3.4 Nearby Road Schemes (County)*                |                               |
| Q3.5 Nearby Railway Schemes*                      |                               |
| Q3.6 Traffic Schemes*                             |                               |
| Q3.7a Outstanding Notices                         | 2.30                          |
| Q3.7b-d & f Outstanding Notices                   | 1.00                          |
| Q3.7e Outstanding Notices (County)*               |                               |
| Q3.8 Contravention of Building Regs               | 2.20                          |
| Q3.9a-n Notices, Orders                           | 7.50                          |
| Q3.10 Conservation Area                           | 4.00                          |
| Q3.11 Compulsory Purchase                         | 1.50                          |
| Q3.12 Contaminated Land                           | 1.00                          |
| Q3.13 Radon Gas                                   | 1.00                          |

\* Roads Questions 2, 3.2, 3.4, 3.5, 3.6 and 3.7e can only be requested as a bundle for £17.00

**LAND CHARGES FEES (with effect from 1st April 2013)**

| <b>Con29R Selectable<br/>Type of Search</b>       | <b>Fees<br/>(Commercial)</b> |
|---|------------------------------|
| Q1.1 a-e Planning & Building Regs                 | 13.50                        |
| Q1.1 f-h Planning & Building Regs                 | 3.30                         |
| Q1.2 Planning Designations & Proposals            | 2.10                         |
| Q2 Roads*   | 17.00                        |
| Q3.1 Land Required for Public Purposes            | 2.60                         |
| Q3.2 Land to be Acquired for Road Works (County)* |                              |
| Q3.4 Nearby Road Schemes (County)*                |                              |
| Q3.5 Nearby Railway Schemes*                      |                              |
| Q3.6 Traffic Schemes*                             |                              |
| Q3.7a Outstanding Notices                         | 2.30                         |
| Q3.7b-d & f Outstanding Notices                   | 1.00                         |
| Q3.7e Outstanding Notices (County)*               |                              |
| Q3.8 Contravention of Building Regs               | 2.20                         |
| Q3.9a-n Notices, Orders                           | 7.50                         |
| Q3.10 Conservation Area                           | 4.00                         |
| Q3.11 Compulsory Purchase                         | 1.50                         |
| Q3.12 Contaminated Land                           | 1.00                         |
| Q3.13 Radon Gas                                   | 1.00                         |

\* Roads Questions 2, 3.2, 3.4, 3.5, 3.6 and 3.7e can only be requested as a bundle for £17.00

**PROPOSED LAND CHARGES FEES (with effect from 1st April 2014)**

| <b>Con29R Selectable<br/>Type of Search</b>       | <b>Fees<br/>(Commercial)</b> |
|---|------------------------------|
| Q1.1 a-e Planning & Building Regs                 | 13.50                        |
| Q1.1 f-h Planning & Building Regs                 | 3.30                         |
| Q1.2 Planning Designations & Proposals            | 2.10                         |
| Q2 Roads*   | 17.00                        |
| Q3.1 Land Required for Public Purposes            | 2.60                         |
| Q3.2 Land to be Acquired for Road Works (County)* |                              |
| Q3.4 Nearby Road Schemes (County)*                |                              |
| Q3.5 Nearby Railway Schemes*                      |                              |
| Q3.6 Traffic Schemes*                             |                              |
| Q3.7a Outstanding Notices                         | 2.30                         |
| Q3.7b-d & f Outstanding Notices                   | 1.00                         |
| Q3.7e Outstanding Notices (County)*               |                              |
| Q3.8 Contravention of Building Regs               | 2.20                         |
| Q3.9a-n Notices, Orders                           | 7.50                         |
| Q3.10 Conservation Area                           | 4.00                         |
| Q3.11 Compulsory Purchase                         | 1.50                         |
| Q3.12 Contaminated Land                           | 1.00                         |
| Q3.13 Radon Gas                                   | 1.00                         |

\* Roads Questions 2, 3.2, 3.4, 3.5, 3.6 and 3.7e can only be requested as a bundle for £17.00

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## HOUSING REVENUE ACCOUNT (HRA)

### HRA ESTIMATES AND HOUSING CHARGES FOR 2014-15

#### Recommendations

1. Cabinet is requested to recommend to Council that:
  - (a) from the first rent week in April 2014, rents for existing tenants are increased in line with the Department of Communities and Local Government (CLG) guidelines, based on an inflationary adjustment of 3.7%, with a maximum variation of £2.00 towards the phasing in of rent restructuring;
  - (b) charges for other services and facilities are changed as outlined in **Appendix C2**; and
  - (c) the Housing Revenue Account (HRA) estimates for the year 2014-15 be approved as submitted in the HRA summary set out in **Appendix C1**.

#### Reasons for Recommendations

2. The draft HRA estimates and proposed housing rents and charges need to be endorsed by Cabinet and recommended to the Council. The final approval of the HRA estimates and the levels of rent and housing charges will be decided by the Council on 27 February 2014.

#### Background

3. This report relates to HRA estimates and the setting of related rents and charges.
4. The staffing and central overhead estimates are recharged to the HRA as appropriate and reflect the current service structure.
5. Provisions for inflation have been applied to individual estimates only in cases where price increases can be justified. No automatic inflation allowance has been applied.
6. The summary draft HRA estimates are set out in **Appendix C1** with revised 30 year HRA Business Plan financial projections updated and reflecting the draft estimates shown at **Appendix C3**.

#### Considerations

7. A summary of the revenue estimates for the HRA is shown at **Appendix C1**. The total estimates have been analysed between direct costs and recharges (from staffing and overhead accounts), so that the direct costs can be identified for comparison. This is considered appropriate because the direct costs, unlike the recharges, are specifically within the control of the relevant cost centre manager.
8. A fundamental change in the way in which the HRA is financed took place from 2012-13, with the new "self-financing" regime resulting in the HRA taking on a debt at the end of March 2012 of £205 million. No repayment of the debt principal is planned for some years and the 2014-15 estimates include an amount for interest of £7.2 million.

Whilst this is a considerable sum it is far less than the amount that would have been payable to the government had the subsidy system remained.

9. The figure of £5.7 million for depreciation included in the 2014-15 draft estimates is based on the amount considered by the government to be needed to maintain the condition of the Council homes and incorporated in the self-financing calculation. It is acceptable to use this method of arriving at the minimum amount of depreciation chargeable to the HRA for the first five years of self-financing.
10. The government intends that rent setting in the social housing sector should be brought onto a common system related to relative property values, local earnings levels and the size of individual properties. The guidance on this rent restructuring scheme provides a formula by which a target rent for each property is calculated and rents are expected to move to the target level over several years.
11. To protect tenants from unacceptable annual increases, the government asked councils to limit individual rent increases to £2 a week in excess of the annual inflationary figure set by the CLG. This is the Retail Price Index (RPI) +0.5%.
12. The inflationary figure to be applied to this year's rent, in line with the government's guidance, is 3.7% (based on the September 2013 annual RPI increase of 3.2% plus 0.5%). To this must be added the amount, if any, required to move towards the target rent, which would bring the average increase to 5.3% and the average rent £101.60 per week.
13. This level of increase has been assumed in the calculations by the government for the purposes of the self-financing settlement and, therefore, not to follow the guidance could result in future funding problems.
14. In the past the service charges for both sheltered housing tenants and leaseholders were subsidised by income from HRA rents and, as a consequence, needed to be approved by Members. This subsidy has now been phased out and because the full amount of the service charges are now due from sheltered housing residents, these are not considered in this report.
15. The estimates have been prepared on the assumption that the remaining HRA service charges are increased in 2014-15 by around 2% in line with the current estimate of 2014-15 inflation. The proposed charges are outlined in **Appendix C2**.
16. As in previous years, the minimum level of working balance included in the estimates is £2 million and £1 million has also been set aside for the self-insurance fund reserve.
17. The financial benefits of the self-financing regime mean that in 2014-15 revenue funding of over £6 million can be used to support capital expenditure together with a contribution of £1 million to the investment/debt repayment reserve.

### Implications

|           |  |
|-----------|--|
| Financial | The financial implications are contained in the body of the report   |
| Legal     | There are no direct legal implications resulting from this report. The estimates show the financial effect of decisions that have already been made. |

|                                      |   |
|--------------------------------------|---|
| Staffing                             | There are no additional staffing implications resulting from this report  |
| Risk Management                      | There do not appear to be any additional risk management implications resulting from this report.   |
| Equality and Diversity               | There are no direct equality and diversity implications resulting from this report. Equality and diversity issues will have been considered in the decisions which these estimates reflect. |
| Equality Impact Assessment completed | No  |
|                                      | As above.   |
| Climate Change                       | There are no direct climate change implications resulting from this report. Climate change issues will have been considered in the decisions which these estimates reflect.                 |

### Consultations

18. The relevant cost centre managers, who are responsible for setting the level of their respective budgets and controlling the expenditure and income within them, have been consulted on the compilation of the estimate figures. Tenant consultation has taken place on spending priorities.

### Consultation with Children and Young People

19. None.

### Effect on Strategic Aims

20. To determine the Housing Revenue Account budget and rents and other housing charges to provide the resources for the Council to continue its HRA services to achieve its strategic aims.

### Conclusions/Summary

21. The draft HRA estimates include income from rents and charges at the levels proposed in this report. Variations to these levels may require reconsideration of the HRA budget.
22. In line with the government's recommendation it is proposed that rents for existing tenants are increased by an average of 5.3% based on an inflationary increase of 3.7% plus or minus a maximum of £2 towards restructuring.
23. **Appendix C2** sets out proposed variations in garage other HRA charges for 2014-15.

**Background Papers:** the following background papers were used in the preparation of this report:

Estimates files within the Finance, Policy and Performance team  
Draft Estimate Book

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## APPENDIX C1

| Actual<br>2012/2013<br>£ | <b>HOUSING PORTFOLIO<br/>HOUSING REVENUE ACCOUNT</b> | Estimate<br>2013/2014<br>£ | Estimate<br>2014/2015<br>£ |
|--------------------------|--|----------------------------|----------------------------|
|                          | <b>EXPENDITURE</b>                                   |                            |                            |
|                          | Premises Related Expenses                            |                            |                            |
| 14,050                   | Rents Rates etc.                                     | 5,000                      | 5,000                      |
| 2,531,063                | Administration (Net Expenditure)                     | 3,022,940                  | 3,024,940                  |
|                          | Support Services (Net Expenditure)                   |                            |                            |
| 276,716                  | Sheltered Housing                                    | 170,650                    | 388,760                    |
| (2,669)                  | Alarms   | (980)                      | 450                        |
| 87,060                   | Flats - Communal Areas                               | 82,990                     | 64,550                     |
| 122,097                  | Outdoor Maintenance                                  | 119,610                    | 124,700                    |
| (3,518)                  | Sewage   | 1,790                      | 1,700                      |
| 222,257                  | Tenant Participation                                 | 319,250                    | 316,220                    |
| 64,835                   | New Homes Programme                                  | 211,330                    | 127,360                    |
|                          | Other Expenditure                                    |                            |                            |
| 1,340                    | Registration of HRA Land                             | 1,500                      | 1,000                      |
| 3,394,643                | Contribution to Housing Repairs Account              | 3,307,800                  | 3,994,400                  |
| 58,524                   | Provision for Bad or Doubtful Debts                  | 131,000                    | 100,000                    |
| 6,908                    | Deficit re Building Maint. Contractor (DLO)          | 0                          | 0                          |
| 0                        | Discretionary Housing Benefit Payments               | 0                          | 50,000                     |
|                          | Unallocated Recharges                                |                            |                            |
| 0                        | Unallocated Vacancy Saving                           | (50,000)                   | (50,000)                   |
| 326,100                  | Corporate Management                                 | 339,350                    | 285,100                    |
| 77,540                   | Democratic Representation Charge                     | 80,960                     | 79,660                     |
| 27,050                   | Treasury Management Charge                           | 28,840                     | 29,940                     |
| 18,050                   | Equality and Diversity                               | 17,540                     | 19,000                     |
| 4,500,000                | Transfer to/(from) Reserves                          | 2,500,000                  | 1,000,000                  |
|                          | Capital Charges                                      |                            |                            |
| 7,192,805                | Interest on Self Finance Debt                        | 7,192,800                  | 7,192,800                  |
| 1,668,336                | Revenue Funding of Capital Expenditure               | 4,068,310                  | 6,346,840                  |
| 5,512,300                | Net Depreciation                                     | 5,541,800                  | 5,658,500                  |
| <u>26,095,486</u>        | <b>TOTAL EXPENDITURE</b>                             | <u>27,092,480</u>          | <u>28,760,920</u>          |
|                          | <b>INCOME</b>  |                            |                            |
| (25,433,115)             | Gross Rent Income from Dwellings                     | (26,490,000)               | (28,000,000)               |
| (385,211)                | Other Income   | (360,000)                  | (350,000)                  |
| <u>(25,818,326)</u>      | <b>TOTAL INCOME</b>                                  | <u>(26,850,000)</u>        | <u>(28,350,000)</u>        |
| 277,160                  | <b>Net Cost of Services</b>                          | 242,480                    | 410,920                    |
| (14,678)                 | Interest Receivable                                  | (68,000)                   | (37,000)                   |
| <u>262,482</u>           | <b>Deficit/(Surplus) for the year</b>                | <u>174,480</u>             | <u>373,920</u>             |
| (2,689,958)              | Working Balance brought forward 1st April            | (2,721,870)                | (2,407,800)                |
| (2,427,476)              | Working Balance carried forward 31st March           | (2,547,390)                | (2,033,880)                |
| (3,500,000)              | Investment/Repayment Reserve at 31st March           | (5,000,000)                | (7,000,000)                |
| (1,000,000)              | Self Insurance Reserve at 31st March                 | (1,000,000)                | (1,000,000)                |
|                          | Analysis of Total Net Expenditure                    |                            |                            |
| (3,124,436)              | Net Direct Income (including recharges to/from GF)   | (3,505,910)                | (3,225,890)                |
| 448,740                  | Unallocated Recharges                                | 416,690                    | 363,700                    |
| 2,938,178                | Recharges from Staffing and Overhead Accounts        | 3,263,700                  | 3,236,110                  |
| <u>262,482</u>           |  | <u>174,480</u>             | <u>373,920</u>             |

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## Proposed changes to Housing Revenue Account Charges for 2014/15

| Service or Facility  | Current          | Proposed         | Increase |      |
|--|------------------|------------------|----------|------|
|  | Charge p.w.<br>£ | Charge p.w.<br>£ | £        | %    |
| <b>Charges for Flats with Communal Areas</b>   |                  |                  |          |      |
| Blocks with a door entry system  | £3.14            | £3.20            | £0.06    | 1.9% |
| Other blocks   | £2.09            | £2.13            | £0.04    | 1.9% |
| <b>Community Alarm Service Charges</b>   |                  |                  |          |      |
| Where the Council supplies the alarm *   | £4.26            | £4.34            | £0.08    | 1.9% |
| Where the user supplies the alarm *<br>* plus VAT where appropriate                              | £3.44            | £3.51            | £0.07    | 2.0% |
| <b>Garage Rents</b>  |                  |                  |          |      |
| Garages rented to a tenant or leaseholder *<br>* in excess of two garages will be subject to VAT | £7.93            | £8.09            | £0.16    | 2.0% |
| Other Garages (subject to VAT)   | £10.94           | £11.16           | £0.22    | 2.0% |

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## 30 Year Summary HRA Business Plan Table

| Year                                     | 2014.15       | 2015.16       | 2016.17       | 2017.18       | 2018.19       | 2023.24       | 2028.29       | 2033.34       | 2038.39        | 2043.44       |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|
|  | 1             | 2             | 3             | 4             | 5             | 10            | 15            | 20            | 25             | 30            |
|  | £'000         | £'000         | £'000         | £'000         | £'000         | £'000         | £'000         | £'000         | £'000          | £'000         |
| <b>INCOME</b>                            |               |               |               |               |               |               |               |               |                |               |
| Rental Income                            | 27,950        | 28,800        | 29,700        | 30,300        | 31,400        | 36,700        | 43,600        | 51,600        | 61,600         | 73,900        |
| Garage Rents Service Charges etc         | 1,441         | 1,450         | 1,460         | 1,480         | 1,490         | 1,570         | 1,650         | 1,750         | 1,850          | 1,960         |
| Other Income                             | 576           | 540           | 540           | 490           | 420           | 610           | 580           | 690           | 780            | 680           |
| <b>Total Income</b>                      | <b>29,967</b> | <b>30,790</b> | <b>31,700</b> | <b>32,270</b> | <b>33,310</b> | <b>38,880</b> | <b>45,830</b> | <b>54,040</b> | <b>64,230</b>  | <b>76,540</b> |
| Management                               | 4,939         | 5,010         | 5,110         | 5,240         | 5,340         | 5,890         | 6,520         | 7,200         | 7,940          | 8,680         |
| Responsive & Cyclical Maintenance        | 5,142         | 5,360         | 5,590         | 5,850         | 6,110         | 6,910         | 7,970         | 9,130         | 10,560         | 12,290        |
| Major Repairs and Improvements           | 10,367        | 10,250        | 10,300        | 9,800         | 10,200        | 5,890         | 13,250        | 12,140        | 14,260         | 19,940        |
| Reprovision/repurchase of Existing Homes | 900           | 1,400         | 1,150         | 1,150         | 1,100         | 1,090         | 1,200         | 1,330         | 1,470          | 1,620         |
| New Build Programme                      | 2,750         | 3,300         | 3,300         | 3,300         | 3,300         | 10,000        | 10,000        | 15,000        | 20,000         | 20,000        |
| Bad Debt Provision                       | 100           | 150           | 150           | 160           | 160           | 190           | 220           | 260           | 300            | 340           |
| Interest Payments                        | 7,193         | 7,193         | 7,193         | 7,193         | 7,193         | 7,193         | 7,193         | 7,193         | 6,589          | 4,844         |
| Scheduled Repayment of Debt              | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 10,000         | 10,000        |
| <b>Total Expenditure</b>                 | <b>31,391</b> | <b>32,663</b> | <b>32,793</b> | <b>32,693</b> | <b>33,403</b> | <b>37,163</b> | <b>46,353</b> | <b>52,253</b> | <b>71,119</b>  | <b>77,714</b> |
| less capital finding adustments          | 2,050         | 2,030         | 1,730         | 1,730         | 1,730         | 1,910         | 2,110         | 2,330         | 2,570          | 2,840         |
| <b>Surplus/(Deficit) for year</b>        | <b>626</b>    | <b>157</b>    | <b>637</b>    | <b>1,307</b>  | <b>1,637</b>  | <b>3,627</b>  | <b>1,587</b>  | <b>4,117</b>  | <b>(4,319)</b> | <b>1,666</b>  |
| HRA Reserves b/f                         | 9,408         | 10,034        | 10,191        | 10,828        | 12,135        | 34,920        | 44,685        | 72,450        | 81,243         | 70,148        |
| HRA Reserves c/f                         | 10,034        | 10,191        | 10,828        | 12,135        | 13,772        | 38,547        | 46,272        | 76,567        | 76,924         | 71,814        |
| Reserves @ 31st March                    |               |               |               |               |               |               |               |               |                |               |
| Working Balance                          | 2,034         | 2,000         | 2,000         | 2,000         | 2,000         | 2,200         | 2,400         | 2,600         | 2,900          | 3,200         |
| Insurance                                | 1,000         | 1,000         | 1,000         | 1,000         | 1,000         | 1,000         | 1,000         | 1,000         | 1,000          | 1,000         |
| Investment/Repayment                     | 7,000         | 7,191         | 7,828         | 9,135         | 10,772        | 35,347        | 42,872        | 72,967        | 73,024         | 67,614        |

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**FINANCIAL ADMINISTRATION, BORROWING AND INVESTMENT STRATEGY AND PRUDENTIAL INDICATORS.**

**PART 1 – FINANCIAL ADMINISTRATION**

1. When a local authority is calculating its budget requirement and consequent council tax, the Chief Financial Officer is now required under Section 25 of the Local Government Act 2003 to report on:
  - (i) the robustness of the estimates made for the purposes of the calculations; and
  - (ii) the adequacy of the proposed financial reserves.
2. The emphasis is to ensure that the estimates are sufficient to cover regular recurring costs plus any reasonable risks and uncertainties and, in the event of unexpected expenditure, that there are adequate reserves to draw on. The calculations relate to the budget for the forthcoming year and the legal requirement may, therefore, be interpreted as reporting only on the 2014-15 estimates and the reserves up to 31 March 2015.
3. At South Cambridgeshire District Council, the Executive Director (Corporate Services) as the Chief Financial Officer considers the estimates for the financial year 2014-15 to be sufficiently robust and the financial reserves up to 31 March 2015 to be adequate.
4. The main area of risk is with regard to Retained Business Rates, introduced in 2013-14. As we are still in the first year of this new scheme, it is very difficult to forecast future income with any certainty, especially with high levels of outstanding appeals and little information from the Valuation Office Agency about which of these might be successful and when they might be decided, and very late and changing guidance from the Department for Communities and Local Government about how the forecasts are derived
5. Other risks include the actual realisation of savings which have been included in the estimates and the lack of certainty over New Homes Bonus where the 80% contribution may be cut or capped, the underlying growth in the number of dwellings may not be achieved and the next Government may either make fundamental changes to the scheme or withdraw / replace it.
6. As at the end of March 2015, the estimated balances are £6.7 million and £3.0 million on the General Fund and Housing Revenue Account respectively. The minimum balance for the General Fund is normally £1.5 million but it is now considered that the minimum balance for future years should temporarily be increased to £2.5 million during the present period of local government changes and economic uncertainty. The target balance as at 31 March 2019 is £2.5 million. The minimum balance for the Housing Revenue Account has been increased to £2 million because in future years any unexpected capital works may have to be financed from revenue and to provide cover for uninsured losses in excess of the insurance reserve.

**PART 2 – BORROWING AND INVESTMENT STRATEGY**

**Background**

7. With effect from 1<sup>st</sup> April 2004, the Local Government Act 2003:

- (i) included a power for a local authority to borrow for any purpose relevant to its functions under any enactment or for the purposes of prudent management of its financial affairs;
- (ii) included a power for a local authority to invest for any purpose relevant to its functions under any enactment or for the purposes of prudent management of its financial affairs; and
- (iii) requires a local authority to have regard to any guidance the Secretary of State may issue.

### Considerations

8. Revised investment guidance was issued in March 2010 by Department for Communities and Local Government (DCLG). The key points in the guidance are:
  - (i) the guidance makes even clearer that the investment priorities should be **security and liquidity**, rather than yield;
  - (ii) investment strategies should still go to the full council before the start of each year, but authorities are encouraged to consider submitting revised strategies at other times;
  - (iii) strategies should be published;
  - (iv) authorities should not rely just on credit ratings but also consider other information on credit risk;
  - (v) strategies should comment on the use of treasury management consultants; and
  - (vi) strategies should comment on the investment of money borrowed in advance of spending needs.
  
9. The Chartered Institute of Public Finance and Accountancy (CIPFA) has also issued in November 2011 a revised edition of its Treasury Management in the Public Services Code of Practice which identifies three key principles:
  - 1) public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities;
  - 2) their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds; and
  - 3) they should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practice should reflect this.
  
10. The proposed borrowing and investment strategy for 2014-15 is attached as **Appendix D1**. The proposed strategy does not comply with the Code which, as a minimum, stipulates for reports annually to full Council on the investment strategy and plan, a mid year position report and an end of year performance report.
  
11. The borrowing and investment strategy sets out the limits within which Council officers must operate. Once the strategy is approved, the Head of Finance, Policy and Performance issues a list of approved organisations/counterparties within each

category in the investment strategy, with which the Council can invest. This list is reviewed during the year to take account of:

- (i) mergers of organisations which are reducing the number of counterparties with which the Council can invest;
  - (ii) the current economic climate whereby organisations which are allowed in accordance with the investment strategy may be suspended from the list of approved organisations, and
  - (iii) the credit rating and financial standing of approved organisations which, where available, are checked before any investment decision is made.
12. The Prudential Code for Capital Finance in Local Authorities requires local authorities to set prudential indicators before the beginning of the financial year. These indicators include liquidity of investments, interest rate exposure, etc., and are shown in **Appendix D2**.

### **Options**

13. These include:
- (i) Continuing with the present policy which has produced good results. The Council is a member of the CIPFA Treasury Management benchmarking club. The results for 2012-13 show that South Cambridgeshire achieved a return of 2.03% on combined investments (less than and more than 365 days) compared to 1.24% for its comparator group and 1.11% for the overall group. South Cambridgeshire was second highest in the comparator group of 11 other organisations and fifth highest in the overall group of 69 other organisations. These good results were achieved at minimal cost and investment risk;
  - (ii) Continuing with the present policy and extending approved counterparties to include, for example, the proposed LGA Municipal Bond Agency and CCLA Local Authorities' Property Fund;
  - (iii) Adopting a risk free strategy by investing only with the Debt Management Office which is a government agency and should be totally secure. Interest rates with this organisation are generally substantially lower than rates in the money market and this would result in substantially lower interest on balances than the figure which is in the 2014-15 estimates; and
  - (iv) Out-sourcing investment but this is probably not economic for the amounts now available when considered against the Council's capital programme.

### **Implications**

14. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:
15. **Financial**  
The Council may currently earn less interest on its investments by having a restricted range of investments but this is considered to be more than offset by the reduced risk of default by counterparties.
16. **Staffing**  
The use of credit ratings requires some research by staff who deal with treasury management.

17. **Risk Management**

There is internal check with division of duties between dealing, administration and authorisation and any losses due to fraud should be covered by fidelity insurance. Credit and counterparty risk is currently managed by restricting the range of investment organisations to the main banks, building societies, etc. The use of credit ratings places greater reliance on the credit rating agencies which do not provide any indemnities against loss.

### **PART 3 – PRUDENTIAL INDICATORS**

18. The Prudential Code for Capital Finance in Local Authorities came in to effect from 1 April 2004, the objective being to provide a framework for capital programmes to ensure that:
- (i) capital expenditure plans are affordable;
  - (ii) all external borrowing and other long term liabilities are within prudent and sustainable levels; and
  - (iii) treasury management decisions are taken in accordance with professional good practice.
19. Prudential indicators must be set by Council before the beginning of the financial year but can be revised at any time. The Chief Financial Officer is required to establish procedures to monitor performance against the prudential indicators and to ensure that any borrowing is for capital purposes. The indicators are primarily to show whether a local authority is entering into long term commitments which it may not be able to afford in the future. The Council's main long term commitment is the £205 million debt resulting from the Government's Housing Revenue Account Self Financing reforms and the affordability and sustainability of this debt are addressed in the HRA business plan.
20. The prudential indicators are set out in **Appendix D2**.

**Background Papers:** the following background papers were used in the preparation of this report:

Revised investment guidance from the DCLG dated 11th March 2010  
Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA) 2011 edition  
Treasury Risk Management Toolkit for Local Authorities (CIPFA) 2012 edition  
The Prudential Code for Capital Finance in Local Authorities (CIPFA) 2011 edition

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## APPENDIX D1

### BORROWING AND INVESTMENT STRATEGY, 2014-2015

#### 1. Introduction

1.1 South Cambridgeshire District Council has adopted the Code of Practice for Treasury Management in the Public Services, 2011 edition, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and complied with the Guidance issued by the Department for Communities and Local Government (DCLG) on behalf of the Secretary of State, **with the exception of the reporting requirements to full Council.**

1.2 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- (a) increases in interest charges caused by increased borrowing to finance additional capital expenditure,
- (b) any increases in running costs from new capital projects, or
- (c) the loss of interest on balances or reserves arising from their use in financing the capital expenditure,

are limited to a level which is affordable within the projected income of the council for the foreseeable future.

#### 2. Defined Activities

2.1 Treasury Management is defined as the management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

#### 3. Policy

3.1 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3.2 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

- 3.3 The Council attaches a high priority to a stable and predictable revenue cost from treasury management activities. The Council's objectives in relation to debt and investment can accordingly be stated as follows:
- (a) To assist the achievement of the Council's service objectives by obtaining funding and managing the debt and treasury investments at a net cost which is as low as possible, consistent with a high degree of interest cost stability and a low risk to sums invested.
  - (b) This means the Council takes a low risk position but is not totally risk averse. Treasury management staff have the capability to actively manage treasury risk within the scope of the Council's treasury management policy and strategy.
  - (c) The following activities may be appropriate, depending on the circumstances at the time, to the extent that skills and resources are available:
    - (i) The Council will borrow at fixed or variable rate across a wide range of maturities, taking account of a liability benchmark which represents the lowest risk position
    - (ii) Within limits, however, the Council will seek to borrow more at maturities that it believes offer better value, and will consider early repayment and replacement of loans to rebalance portfolio risks as market conditions change
    - (iii) When investing surplus cash, the Council will not limit itself to making deposits with the UK Government, but may invest in other bodies including high investment grade financial institutions, or other organisations as set out in the investment policy.
- a) The Council will seek to limit the risk of adverse interest rate changes on the budget, and will maintain a level of treasury skills, knowledge and access to information commensurate with managing risks at this level.

#### 4. **Governance**

- 4.1 This Council will create and maintain, as cornerstones for effective treasury management:
- (a) a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
  - (b) suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

- 4.2 This Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs. The TMP is supplemented by a systems document covering treasury management



procedures; the detail of how to apply practices for use by officers in their 'day to day' work on treasury management

- 4.3 This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Finance and Staffing Portfolio Holder, and for the execution and administration of treasury management decisions to the Chief Financial Officer, who will act in accordance with the Council's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- 4.4 This Council nominates the Corporate Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

## 5. **Strategy**

- 5.1 On 1<sup>st</sup> April 1996 the Council became debt-free but under the Government scheme for Housing Revenue Account (HRA) Self-financing was required to take on debt of around £205 million on 28 March 2012. The Council raised this money from the Public Works Loan Board in order to take advantage of the special (lower) rate available only to local authorities with debt under HRA Self-financing. The debt transactions were arranged on 26 March 2012 and effected on 28 March 2012.
- 5.2 The HRA Business Plan includes 41 maturity loans in tranches of £5 million each at fixed rates of interest with maturities every six months from March 2037 to March 2057 (25 to 45 years). Any Public Works Loan Board debt has to be held for at least one year before it can be prematurely repaid and, therefore, a strategy for monitoring debt with a view to debt rescheduling will be incorporated in future investment strategies.
- 5.3 Following HRA Self-financing the Council has adopted a two pool approach whereby long term loans are split between the Housing Revenue Account and General Fund, the principles to be applied are:
- (a) Future charges to the HRA in relation to borrowing are not influenced by General Fund decisions, giving a greater degree of independence, certainty and control
  - (b) Un-invested balance sheet resources which allow borrowing to be below the capital financing requirement (CFR) are properly identified between General Fund and HRA
- 5.4 The Chief Financial Officer will only have delegated authority to deal in investments which are denominated in sterling and any payments or repayments in respect of the investments are to be payable only in sterling.
- 5.5 Credit arrangements are forms of credit which do not involve the borrowing of money and are defined by Section 7 Local Government Act 2003. The Chief Financial Officer shall only commit the Council to credit arrangements which have been approved either specifically or as part of the financing of the capital programme by the Cabinet and/or Council.
- 5.6 The Council's policy on the minimum revenue provision, being a provision for debt repayment to be set aside each year regardless of when debt repayment is actually made, will be either the asset life method calculated by dividing the cost of an asset by its estimated useful life, or an agreed percentage. The impact on HRA Self-

financing is excluded from the calculation of the minimum revenue provision under statutory guidance issued by the Department of Communities and Local Government.

5.7 Any decision to outsource all or part of the treasury management function will require the approval of the Cabinet.

## 6. Operations and Prudential Indicators

6.1 The Chief Financial Officer will formulate:

- (a) a borrowing and investment strategy before the start of the financial year to be approved by Executive and Council;
- (b) a borrowing and investing plan in March of each year for the next five years which will incorporate the expenditure and income in the capital programme and capital and revenue financing decisions approved by the Council; and
- (c) short-term borrowing/investing plans at the beginning of each week for the current week.

6.2 The prudential indicators including those relating to treasury management are being approved by Council in February 2014 as part of the Medium Term Financial Strategy.

6.3 Where the planned capital programme indicates a borrowing need, other than for short term borrowing, and where investment interest rates are forecast to be below borrowing rates for the year internal borrowing will be considered; or where appropriate external borrowing with the following approved organisations:

- Public Works Loans Board
- UK Local Authorities (excluding Parish Councils) and LGA Municipal Bond Agency.

6.4 Investments will only be in non negotiable fixed time, callable and on call deposits to the following approved organisations and within the following limits:

| Groups of organisations  | Maximum investment limit to any one organisation within a group (£ million) | Maximum proportion which may be held by each group at any time during the financial year |
|--|---|--|
| The Treasury (the UK Debt Management Office's Debt Management Account)         | unlimited   | 100%   |
| Money Market Funds subject to the highest possible credit rating.              | 7.5   | 30%  |
| UK Local Authorities (excluding Parish Councils) and LGA Municipal Bond Agency | 7.5   | 75%  |
| UK Banks (which are also retail)   | 7.5   | 60%  |
| South Cambs Housing Ltd  | 7.5   | 30%  |

|   |     |      |
|---|-----|------|
| Subsidiaries of UK Banks (provided the subsidiaries are UK-incorporated deposit takers under the Financial Services and Markets Act 2000 and provided loans are for a maximum period of three months) | 1.0 | 10%  |
| Other Banks, Property Funds and Financial Institutions specifically approved by the Finance and Staffing Portfolio Holder (or formerly by Cabinet or Finance, Resources and Staffing Committee)       | 2.5 | 20%  |
| Building Societies  |     | 100% |
| with assets greater than £10,000 million  | 7.5 |      |
| with assets between £10,000 million and £5,000 million  | 3.0 |      |
| with assets between £1,500 million and £5,000 million   | 2.0 |      |

## 7. Investment Security

- 7.1 The Chief Financial Officer shall review at least annually the list of approved organisations and make appropriate amendments to individual organisations on the list, but not to the principles on which it is compiled without the approval of the Cabinet.
- 7.2 The guidance (paragraph 1) determines specified investments as investments denominated in sterling, for less than twelve months, not in share or loan capital and with a high credit quality or with the Government or local authority. Non-specified investments may have greater potential risk and are any investments which are not specified. The groups of organisations set out above are restricted in order to give priority to security and will be used for both specified (less than twelve months) and non-specified investments (twelve months or more).

## 8. Credit risk assessment

- 8.1 The criteria for high credit quality will apply (except to public sector bodies) to both specified (less than twelve months) and non-specified investments (twelve months or more) and will apply to organisations as set out in paragraph 6.4 with a credit rating as set out in **Annex 1** and a bank financial strength rating greater than D+. The credit rating and bank financial strength rating of all approved organisations will be checked on a weekly basis and of a specific approved organisation immediately before an investment is made with that organisation. Ratings watch (heightened probability of rating change in the short term) and ratings outlook (credit rating may change in the next one to two years) will also be taken in to account.

## 9. Investment Consultants

- 9.1 External contractors offering information, advice and/or assistance are currently not used by the Council as treasury management performance is benchmarked against other organisations and a consistently good performance has been achieved for several years.

## **10. Investment Training**

- 10.1 The needs of the Council's treasury management staff for training in investment management are reviewed as part of the annual performance and development review scheme and are addressed by attendance at seminars (usually the CIPFA Local Government Treasury Management Conference with periodic attendance at seminars offered by external organisations) and by keeping up to date with codes of practice and guidance issued by CIPFA and DCLG and information in the quality financial press.

## **11. Investment of money borrowed in advance of need**

- 11.1 The Chief Financial Officer may undertake short term borrowing where it is associated with specific investments for longer periods and, thereby, take advantage of interest rate differentials or may undertake long term borrowing, with the approval of Finance and Staffing Portfolio Holder, where there is a clear link to the capital programme which supports the need for future borrowing.

## **12. Delegation and Reporting**

- 12.1 Delegation may be summarised as:

- (a) to the Chief Financial Officer and/or Head of Finance, Policy and Performance:
  - (i) temporary borrowing/investing for up to 364 days
  - (ii) investments up to five years
  - (ii) capital financing
  - (iii) credit arrangements;
- (b) to the Chief Financial Officer and Finance and Portfolio Holder:
  - (i) long term borrowing
- (c) to the Cabinet:
  - (i) external management / use of external consultants; and
- (d) to the Council:
  - (i) approval and any revisions to the annual investment strategy

- 12.2 The Chief Financial Officer shall present to:

- (a) the Finance and Staffing Portfolio Holder quarterly updates on treasury management activity; and
- (b) Corporate Governance Committee an annual report on the activities of the Treasury Management operation and on the exercise of Treasury Management powers delegated to them at the earliest practicable opportunity after the end of the financial year but in any case by the end of September.

To be approved by Council  
27 February 2014

Long and Short Term Credit Ratings

| Audit Commission grading (for the purpose of standardisation) |  | Fitch     |   | Moody's   |   | Standard & Poor's |   |            |  |
|---|--|-----------|---|-----------|---|-------------------|---|------------|--|
|   |  | Long Term | Short Term less than or equal to one year | Long Term | Short Term less than or equal to one year | Long Term         | Short Term less than or equal to one year |            |  |
| Investment Grade  | Extremely strong Grade   | AAA       | F1+                                       | Aaa       | P-1                                       |                   | AAA                                       | A-1+       |  |
|   | Very Strong Grade  | AA+       | F1+                                       | Aa1       | P-1                                       |                   | AA+                                       | A-1+       |  |
|   |  | AA        | F1+                                       | Aa2       | P-1                                       |                   | AA  | A-1+       |  |
|   |  | AA-       | F1+                                       | Aa3       | P-1                                       |                   | AA-                                       | A-1+       |  |
|   | Strong, but susceptible to adverse conditions grade (strong grade) | A+        | F1+   F1                                  | A1        | P-1                                       |                   | A+  | A-1+   A-1 |  |
|   |  | A         | F1  | A2        | P-1                                       | P-2               | A   | A-1+       |  |
|   |  | A-        | F1   F2                                   | A3        | P-1                                       | P-2               | A-  | A-1+   A-2 |  |
|   | Adequate grade   | BBB+      | F2  | Baa1      | P-2                                       |                   | BBB+                                      | A-2        |  |
|   |  | BBB       | F2   F3                                   | Baa2      | P-2                                       | P-3               | BBB                                       | A-2   A-3  |  |
|   |  | BBB-      | F3  | Baa3      | P-3                                       |                   | BBB-                                      | A-3        |  |
| Sub-investing Grade   | Speculative grade  | BB+       | B   | Ba1       | Not Prime (NP)                            |                   | BB+                                       | B-1        |  |
|   |  | BB        | B   | Ba2       | NP  |                   | BB  | B-2        |  |
|   |  | BB-       | B   | Ba3       | NP  |                   | BB-                                       | B-3        |  |
|   | Very speculative grade   | B+        | B   | B1        | NP  |                   | B+  | -          |  |
|   |  | B         | B   | B2        | NP  |                   | B   | -          |  |
|   |  | B-        | B   | B3        | NP  |                   | B-  | -          |  |
|   | Vulnerable grade   | CCC       | C   | Caa1      | NP  |                   | CCC+                                      | C          |  |
|   |  | CCC       | C   | Caa2      | NP  |                   | CCC                                       | C          |  |
|   |  | CCC       | C   | Caa3      | NP  |                   | CCC-                                      | C          |  |
|   |  | CC        | C   | -         | NP  |                   | CC  | C          |  |
| C   |  | C         | Ca  | NP        |   | C                 | C   |            |  |
| Defaulting grade  | D  | D         | C   | NP        |   | D                 | D   |            |  |

SCDC Investment Criteria



## APPENDIX D2

### Prudential Code for Capital Finance in Local Authorities Prudential Indicators for 2014-15

#### 1. Capital Expenditure

The actual capital expenditure that was incurred in 2012-13 and the estimates of capital expenditure to be incurred for the current and future years are:

|                         | <b>2012-13<br/>Actual</b><br>£ million | <b>2013-14<br/>Estimate</b><br>£ million | <b>2014-15<br/>Estimate</b><br>£ million | <b>2015-16<br/>Estimate</b><br>£ million | <b>2016-17<br/>Estimate</b><br>£ million |
|-------------------------|--|--|--|--|--|
| General Fund            | 3.207                                  | 3.351                                    | 11.863                                   | 3.082                                    | 8.274                                    |
| Housing Revenue Account | 7.248                                  | 11.554                                   | 14.017                                   | 14.950                                   | 14.750                                   |
| Total                   | 10.455                                 | 14.905                                   | 25.880                                   | 18.032                                   | 23.024                                   |

#### 2. Affordability

Estimates of the ratio of financing costs to net revenue stream for the current and future years are:

|                         | <b>2012-13<br/>Actual</b><br>£ million | <b>2013-14<br/>Revised</b><br>£ million | <b>2014-15<br/>Estimate</b><br>£ million | <b>2015-16<br/>Estimate</b><br>£ million | <b>2016-17<br/>Estimate</b><br>£ million |
|-------------------------|--|---|--|--|--|
| General Fund            | -3%                                    | -2%                                     | 1%                                       | 2%                                       | 3%                                       |
| Housing Revenue Account | 28%                                    | 27%                                     | 25%                                      | 25%                                      | 25%                                      |

The negative figures reflect the Authority's General Fund position as a net investor, the interest earned being used to help fund the budget.

The other affordability indicator is the incremental impact of capital investment decisions on the council tax as shown below and, on the average weekly housing rents and this is considered to be not applicable as the increase in housing rents on the HRA is based on Government guidance and not on the amount of HRA capital expenditure.

|              | <b>2014-15<br/>Estimate</b><br>£ million | <b>2015-16<br/>Estimate</b><br>£ million | <b>2016-17<br/>Estimate</b><br>£ million |
|--------------|--|--|--|
| General Fund | £2.33                                    | £8.12                                    | £10.83                                   |

### 3. Capital Financing Requirement

The capital financing requirement is capital expenditure which has not been fully financed from a local authority's own resources in the year but has been covered by raising external or internal debt. The capital requirement at 31 March 2013 is £208.826 million; thereafter:

|                         | <b>31/3/2013</b><br><b>Actual</b><br>£ million | <b>31/3/2014</b><br><b>Revised</b><br>£ million | <b>31/3/2015</b><br><b>Estimate</b><br>£ million | <b>31/3/2016</b><br><b>Estimate</b><br>£ million | <b>31/3/2017</b><br><b>Estimate</b><br>£ million |
|-------------------------|--|---|--|--|--|
| General Fund            | 3.703  | 3.960   | 11.737   | 12.143   | 12.740   |
| Housing Revenue Account | 205.123  | 205.123   | 205.123  | 205.123  | 205.123  |
| Total                   | 208.826  | 209.083   | 216.860  | 217.266  | 217.863  |

The General Fund capital financing requirement fluctuates due to financing internally refuse vehicles, part of the purchase of wheeled bins and cash overdrawn on equity share repurchases, but this financing is then partly repaid over the period.

### 4. External Debt

HRA self-financing required the Council to take on external debt of £205.123 million at the end on 2011/12.

The prudential indicators for external debt will be:

- i. Authorised limit

|                             | <b>2012-13</b><br><b>Estimate</b><br>£ million | <b>2013-14</b><br><b>Estimate</b><br>£ million | <b>2014-15</b><br><b>Estimate</b><br>£ million | <b>2015-16</b><br><b>Estimate</b><br>£ million | <b>2016-17</b><br><b>Estimate</b><br>£ million |
|-----------------------------|--|--|--|--|--|
| Borrowing                   | 212.5  | 212.5  | 218.0  | 219.0  | 220.0  |
| Other Long Term Liabilities | 0  | 0  | 0  | 0  | 0  |
| Total                       | 212.5  | 212.5  | 218.0  | 219.0  | 220.0  |

The authorised limit is the maximum limit consisting of HRA debt of £205 million and £7.5 million to take advantage of interest rate differentials and to meet immediate cash flow requirements. The authorised limit is the statutory affordable borrowing limit under Section 3 (1) Local Government Act 2003.

Net borrowing is set out in the table below and one of the key indicators of prudence is that net debt is not in excess of the capital financing requirement.

|             | <b>2012-13</b><br><b>Estimate</b><br>£ million | <b>2013-14</b><br><b>Estimate</b><br>£ million | <b>2014-15</b><br><b>Estimate</b><br>£ million | <b>2015-16</b><br><b>Estimate</b><br>£ million | <b>2016-17</b><br><b>Estimate</b><br>£ million |
|-------------|--|--|--|--|--|
| Borrowing   | 212.5  | 212.5  | 218.0  | 219.0  | 220.0  |
| Investments | -15.0  | -23.0  | -27.0  | -27.0  | -27.0  |
| Net debt    | 197.5  | 189.5  | 191.0  | 192.0  | 193.0  |



Another indicator to highlight where an authority may be borrowing in advance of need is the ratio of the net debt to gross debt.

|                        | <b>2014-15</b> | <b>2015-16</b> | <b>2016-17</b> |
|------------------------|----------------|----------------|----------------|
| Net debt to gross debt | 88%            | 88%            | 89%            |

ii. Operational boundary

The operational boundary for external debt is based on the same estimates as the authorised limit but reflects the most likely scenario and is expected to be £212 million for both borrowing and other long term liabilities for each of the three years.

iii. Actual debt

The third indicator for external debt is actual debt at the end of the last financial year and was £205.123 million.

## 5. Maturity Structure of Borrowing

As the Council will only undertake a minimal amount of short-term borrowing to take advantage of interest rate differentials and to meet immediate cash flow requirements and the HRA debt is at fixed rates, the upper limits to be set for borrowing will be:

|  | <b>2015-16</b> | <b>2016-17</b> |
|--|----------------|----------------|
| Upper limit for fixed interest rate exposure | 100%           | 100%           |
| Upper limit for variable rate exposure       | 100%           | 0%             |

## 6. Treasury management

The Prudential Code requires the Authority to have adopted the CIPFA Code of Practice for Treasury Management in the Public Services: South Cambridgeshire has adopted this Code.

i. Liquidity of Investments

The procedure for determining the maximum periods for which funds may be prudently committed is to formulate the five years investing plan. No investments will be made for more than five years. The prudential indicators for principal sums invested for longer than 364 days being the maximum limit shall be:

|                   |   |  |  |  |
|-------------------|---|--|--|--|
| Investment period | <b><i>Longer than 364 days but less than two years</i></b><br>£ million | <b><i>Longer than one year and 364 days but less than three years</i></b><br>£ million | <b><i>Longer than two years and 364 days but less than four years</i></b><br>£ million | <b><i>Longer than three years and 364 days but less than five years</i></b><br>£ million |
| Maximum limit     | 5.0   | 4.0  | 3.0  | 3.0  |

ii. Interest rate Exposure

The Council will only undertake a minimal amount of short-term borrowing to take advantage of interest rate differentials and to meet immediate cash flow requirements; the upper limits for interest rate exposures are based on gross investments. These upper limits for the forthcoming financial year and the following two years will be:

| Upper limit on gross investments | <b><i>2014-15</i></b> | <b><i>2015-16</i></b> | <b><i>2016-17</i></b> |
|----------------------------------|-----------------------|-----------------------|-----------------------|
| Fixed rate                       | 100%                  | 100%                  | 100%                  |
| Variable rate                    | 50%                   | 50%                   | 50%                   |