

# Public Document Pack

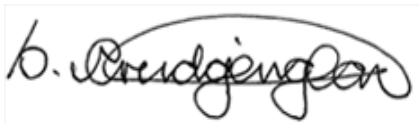
Daneshill House  
Danestrete  
Stevenage  
Hertfordshire

6 December 2017

Dear Sir/Madam

Notice is hereby given that a meeting of the Stevenage Borough Council will be held in the Council Chamber, Daneshill House, Danestrete, Stevenage on Thursday, 14 December 2017 at 7.00 pm and you are summoned to attend to transact the following business.

Yours faithfully



Scott Crudgington  
Chief Executive

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## AGENDA

**1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

**2. MINUTES - 11 OCTOBER 2017**

To approve as a correct record the Minutes of the Council meeting held on 11 October 2017.

Minutes attached  
Pages 5 – 14

**3. MAYOR'S COMMUNICATIONS**

To receive any communications that the Mayor may wish to put before Council.

**4. MAIN DEBATE - "WE ARE STEVENAGE YOUTH COUNCIL"**

To receive a presentation from the Stevenage Youth Council.

**5. PETITIONS AND DEPUTATIONS**

None

**6. QUESTIONS FROM THE YOUTH COUNCIL**

None

**7. QUESTIONS FROM THE PUBLIC**

None

**8. LEADER OF THE COUNCIL'S UPDATE**

In accordance with the Council's Standing Orders, the Leader of the Opposition shall be given the opportunity to raise one matter relevant to the Borough that has arisen since the last meeting of the Council. The Leader of the Council shall then have the opportunity to advise the Council of matters relevant to the Borough that have arisen since the last meeting.

**9. NOTICE OF MOTIONS**

To consider the following Motion submitted by Councillor S Taylor OBE CC –

‘That this Council requests that the Government urgently reconsider its decision not to give financial support to Stevenage Borough Council to fit sprinkler systems in our high rise flat blocks. In the wake of the Grenfell Tower fire, we would want to do all we can to ensure our residents are safe and feel safe. The considerable steps we have already taken in relation to fire safety have gone a long way towards that already but the fire service nationally continue to recommend the fitting of sprinkler systems.

The additional cost for fitting sprinkler systems, without Government support, will take much needed funds from our Housing Revenue Account which we are currently using to deliver against the urgent need for new council homes and to support our decent homes programme.’

**10. QUESTIONS FROM MEMBERS TO COMMITTEE CHAIRS/PORTFOLIO HOLDERS**

None

**11. 2017/2018 MID YEAR TREASURY MANAGEMENT REVIEW**

The report circulated at item 11 was considered by the Audit Committee on 8 November and the Executive on 28 November 2017. Both bodies agreed the following recommendations to Council–

1. That the 2017/2018 Treasury Management Mid Year review be approved.
2. That the latest approved countries for investment as listed in Appendix D to the report be approved.

Report and Appendices attached  
Pages 15 – 34

**12. AUDIT COMMITTEE - MINUTES**

To note the Minutes of the Audit Committee meetings held on 21 September and 8 November 2017.

Minutes attached  
Pages 35 - 42

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## STEVENAGE BOROUGH COUNCIL

### COUNCIL MINUTES

**Date: Wednesday 11 October 2017**

**Place: Council Chamber, Daneshill House, Danestrete, Stevenage**

**Present:** The Mayor P Stuart and Councillors L Briscoe, R Broom, J Brown, H Burrell, L Chester, E Connolly, M Downing, A Farquharson, J Fraser, J Gardner, M Gardner, E Harrington, S Hearn, R Henry, J Hollywell, M Hurst, C Latif, G Lawrence, Mrs J Lloyd, J Lloyd, A McGuinness, M McKay, J Mead, S Mead, A Mitchell CC, M Notley, R Parker CC, R Raynor, G Snell, S Speller, S Taylor OBE CC and J Thomas

**In Attendance:** Santino de Freitas - Stevenage Youth Mayor  
Kevin Fiorelli – Chair Stevenage Youth Council

**Start/End Time:** 7:00 pm  
10:10 pm

#### **1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillors D Bainbridge, P Bibby CC, D Cullen, L Martin-Haugh, C Saunders and A Webb.

Councillor S Taylor OBE CC declared an interest at item 9 as a member of the National Joint Negotiating Committee.

Councillor J Hollywell declared an interest at item 9 as a public sector employee.

At this juncture the Mayor informed Council that, for personal reasons, Councillor A Webb had stood down from her role as Deputy Mayor (2017/2018).

Councillor J Lloyd then spoke to thank Councillor Webb for her time as Deputy Mayor.

Council then considered a report, which was tabled at the meeting, seeking the appointment of a Deputy Mayor for the remainder of 2017/2018.

The Mayor informed Council that she was satisfied that the report should be considered as a matter of urgency under s100B(4) of the Local Government Act 1972 as the next ordinary meeting of the Council was not until 6 December 2017 during which time the role of Deputy Mayor would be required to fulfil civic commitments.

It was moved, seconded and **RESOLVED** that Councillor M Notley be appointed as Deputy Mayor for the remainder of the 2017/18 Municipal Year.

Councillor Notley then made the statutory declaration of acceptance of office.

The Deputy Mayor thanked those that had supported her nomination and announced that Valerie Ashley would be her consort for the 2017/18 Municipal Year.

## **2. MINUTES – ANNUAL COUNCIL – 17 MAY 2017**

It was **RESOLVED** that the Minutes of the Council meeting of 11 July are approved as a correct record and signed by the Mayor subject to the correction of a typographical error in line 1 of the second paragraph of item 3 ‘Mayor’s Communications.’

The line should read ‘Councillor Taylor spoke about Peter Metcalfe’s wisdom, intelligence and’ and not ‘Councillor Taylor spoke about Peter Metcalf’s wisdom, intelligence and’ as printed.

## **3. MAYOR’S COMMUNICATION**

The Mayor informed the Council of the sad death of Hertfordshire County Council Leader Robert Gordon.

Councillor Taylor then spoke in tribute to Councillor Gordon and those tributes were echoed by the Leaders of the Opposition Groups.

Council stood and observed a minute’s silence in remembrance.

The Mayor then informed the meeting that since the last meeting, the Mayoral Team had undertaken a number of engagements in the town and referred to a number of highlights including:

- the award of a Green Flag to Fairlands Valley Park, Town Centre Gardens and Hampson Park,
- visits to three of the Council’s play centres and
- a visit to the High Sheriff of Hertfordshire.

## **4. MAIN DEBATE - PREPARING FOR CHANGE - THE HOMELESS REDUCTION ACT**

The Mayor welcomed Council Officers Matt Ewan and Theo Addai to the meeting.

Council then received a presentation from the Officers on the Homelessness Reduction Act which covered the focus on homelessness prevention; a new ‘Duty to Refer’ on statutory agencies; the likely impact of the Act and its effect on funding; actions being taken by other authorities in

Hertfordshire; actions taken so far by the Council and the Northgate IT Project.

The Mayor thanked the Officers for their presentation.

In moving the Motion Councillor Thomas spoke of the difficulties facing the Council in meeting the demand for housing from local people and the need for councils to have access to resources to permit the building of more social housing.

In seconding the Motion Councillor S Mead said that she believed the Act did not adequately address the problems faced by both the Homeless and councils dealing with lack of resources.

A full debate ensued. Points raised included:

- Central Government could assist councils by taking a number of actions:
  - Lifting the borrowing cap that restricts the amount that councils can raise to fund house building
  - Allowing councils to set rent levels
  - Allowing councils to retain 100% of 'Right to Buy' receipts
  - Halting the introduction of Universal Credit and the withdrawal of direct payments to landlords
- The proximity of the Town to London distorts the housing market locally
- There is a misconception about the security of tenure for tenants in private rented accommodation with more than 50% of evictions actually made from social housing.
- Concern for the impact on children in care
- More attention needs to be paid to the underlying causes of homelessness
- Provision of more social housing is essential.
- Councils should have the ability to raise and retain funds to provide social housing.
- People need security of tenure in their homes
- There are many hidden homeless which disguise the real extent of the problem.

After the debate it was moved, seconded and **RESOLVED** that:

The stated aim of the Homelessness Reduction Act is to ensure that housing departments across the country actively work with all clients who are threatened with homelessness at a much earlier stage and deliver realistic solutions to their housing issues.

The Act outlines major changes to support that must be provided to all persons presenting as homeless or threatened with homelessness including those who are not deemed to be vulnerable or in priority need. It also doubles the period of time that any temporary accommodation may need to be provided.

This Council will continue to do all it can to prepare for this change in legislation which is likely to come into effect from April 2018 and will ensure that support and guidance is provided to all those who are deemed to be within the scope of the Act. We will also monitor the impacts of the Act from thereon and consider changes to the support provided when necessary to do so. We believe that Council housing must be at the forefront of meeting the current housing emergency and it would seem the Prime Minister agrees with that with a recent announcement at Conservative Party Conference, a welcome change from the previous government's housing policy.

However the announcement follows in a long line of policy decisions and announcements since 2010 that make the situation worse rather than better. Without proper funding, the Homelessness Reduction Act will just become another example.

This Council calls on the Government to give Councils the fair funding to deliver not just a large-scale housing programme but also the range of vital services communities rely on.

We call on Government to take decisive action to tackle the chronic lack of affordable homes by taking the following action:

1. Ditch the planned ban on long-term council tenancies to give council tenants security in their home.
2. Drop your legislation to force the sale of council homes through their high value levy.
3. Clarify the law to make sure that councils can offer homes to local people first without facing challenge in the courts.
4. Lift the Housing Revenue Account borrowing cap.
5. Suspend right-to-buy, allowing councils to reinstate it only if they can prove a plan to replace homes sold one-for-one and like-for-like.
6. Scrap the punitive bedroom tax, which indiscriminately punishes social tenants for not downsizing even when there are no smaller properties available to move to.
7. Recycle housing benefit savings from the affordable housing programme into helping tackle the causes of the housing crisis, rather than relying on higher housing benefit spending to deal with its effects.
8. Build new homes for 'living rent' over the Parliament, with rents capped at a third of local incomes to give private renters the breathing room to save for a deposit on a first home.



9. Build 100 000 new affordable homes to rent and buy a year by the end of the parliament including at least 100,000 FirstBuy Homes where mortgage costs do not exceed a third of average local incomes.
10. Restore funding for the Decent Homes programme to help bring more council and housing association homes up to a decent standard, just as the last Labour government did during which time over a million more council and housing association homes were made warm, safe and dry.

It was requested that a copy of the Motion be forward to the Government.

## **5. PETITIONS AND DEPUTATIONS**

None.

## **6. QUESTIONS FROM THE YOUTH COUNCIL**

None.

## **7. QUESTIONS FROM THE PUBLIC**

None.

## **8. LEADER OF THE COUNCIL'S UPDATE**

The Leader of the Opposition enquired about the Quarter 1 Housing Performance Report and stated that of the 38 measures only 37% were on track. Of stage 1 & 2 complaints 56% and 57% respectively were upheld. He added that given the length of time that had elapsed since the housing service had moved back under the control of the Council he asked what actions the Executive were undertaking to improve the service.

In response, the Leader of the Council advised that the Executive were aware of the issues and the action that is being taken to improve performance. A number of steps were being taken including the recruitment of a new permanent housing management team to ensure the desired service standards are achieved, however a more detailed written reply to the question would be provided.

Council then received updates on the following:

- Public Realm Improvements;
- Opening of Debenhams;
- Park Place;
- Small Business Saturday;
- SME Herts Business Awards;
- British Aerospace;
- Neighbourhood Engagement and Development Fund;
- ARCH Community Champion Award;

- King Pin Square event;
- Twin Foxes;
- Celebrating 50 Years of Play;
- The 2017 Cycling Festival;
- Developing a Cultural Strategy for Stevenage;
- Successful PCC bids;
- Tackling Hate Crime in Stevenage.

The Leader thanked Members for their updates and informed Council that the Police and Crime Commissioner held a road safety fund and a successful bid had been made by the Council for road safety improvements in Scarborough Avenue.

## **9. NOTICE OF MOTIONS**

### **Motion moved by Councillor Mrs Lloyd**

Councillor S Taylor OBE CC declared an interest as a member of the National Joint Negotiating Committee.

Councillor J Hollywell declared an interest as a public sector employee.

In moving the Motion the Portfolio Holder for Resources spoke of the difficulties facing both employees and employers as a result of the 1% pay cap. It was acknowledged that the Government had recently announced a relaxation of the cap for certain public sector workers however any pay increases would have to be funded from existing budgets. No relaxation of the cap had been offered for Local Government employees.

In seconding the motion the Portfolio Holder for Communities, Community Safety and Equalities stressed the need for more funding to be made available to properly reward those working in the public sector.

In supporting the motion the Leader stated that the financial crisis of 2008 had not impacted on the banking sector that had caused the crash and that the Government should do more to recognise the contribution of those working in the public sector.

Following a point of clarification on the Motion the Mover and Seconded agreed a revision to the wording, the Motion then to read as follows:

‘This Council recognises and values the work of its employees and those across the public sector.

It acknowledges that the Government’s imposition of many years of a pay freeze and public sector pay cap of 1% has resulted in wages in the public sector falling behind both price inflation and the rise in earnings in the private sector. This has caused difficulties in recruitment and made public sector employees feel undervalued.

The Council urges the Government to scrap the public sector pay cap. We also urge the Government to adequately fund councils to pay their staff a decent pay rise in line with the cost of living.'

A full debate ensued. Points raised included:

- Pay restraint, even pay cuts, were not restricted to the public sector with many in the private sector also affected.
- Pay restraint had led to recruitment problems across the public sector
- Higher pay would lead to higher levels of taxation
- Public sector workers felt undervalued
- Austerity could be seen as a political weapon to divide the workforce

In reply the Portfolio Holder for Resources requested that a copy of the motion, if agreed, should be forwarded to both the Government and public sector unions.

Council was advised that as Stevenage Borough was a member of the National Pay Bargaining Board it would be impossible to independently grant higher pay awards to its employees even if it had the funds to do so.

After the debate it was moved, seconded and **RESOLVED**:

This Council recognises and values the work of its employees and those across the public sector.

It acknowledges that the Government's imposition over many years of pay freeze and public sector pay cap of 1% has resulted in wages in the public sector falling behind both price inflation and the rise in earnings in the private sector. This has caused difficulties in recruitment and made public sector employees feel undervalued.

The Council urges the Government to scrap the public sector pay cap. We also urge the Government to adequately fund councils to pay their staff a decent pay rise in line with the cost of living.

## **10. QUESTIONS FROM MEMBERS TO COMMITTEE CHAIRS/PORTFOLIO HOLDERS**

Council received three questions.

### **A. Question from Councillor R Parker CC**

In response to a question from Councillor Parker regarding the proposed Gresley Park development and the site for Travelling Show People the Portfolio Holder for Environment and Regeneration advised that the Council had formally objected to elements of the proposed plan to ensure that there would be sufficient infrastructure to meet both the needs of the site and local people in Manor ward.

The Portfolio Holder then responded to a supplementary question relating to the proposal to build 600 homes to the eastern edge of the town and the proposal to build a site for Travelling Show People. He replied that the Council would not object to a properly planned development on the Borough's borders and that the site for Travelling Show People would be managed by the developers; however the concerns raised would be highlighted.

**B. Question from Councillor G Snell**

In response to a question from Councillor Snell regarding the public realm improvements in the Town Centre the Portfolio Holder for Environment and Regeneration advised that the majority of the hard landscaping works to the public squares took place from the end of May through to early September. In addition the surfaces had been jet washed and sealed prior to handover.

The Portfolio Holder responded to a supplementary question concerning the removal of litter and the nuisance caused by pigeons in the town centre. He replied that measures taken to discourage pigeons at specific locations appeared to be effective and that revised litter cleaning arrangements had been implemented.

**C. Question from Councillor A McGuinness**

In response to a question from Councillor McGuinness regarding the ICT outage of the August Bank Holiday weekend and its subsequent impact on the Council's IT infrastructure the Portfolio Holder for Neighbourhoods and Cooperative Council advised the problem had been caused after an external contractor severed the underground cable between the Daneshill and Cavendish Road data centres. A compensation claim process was underway with that contractor.

The Portfolio Holder responded to a supplementary question relating to ICT issues facing the Council. In reply he advised Council that a full report would be made to the Executive and that the Member concerned would be invited to discuss the issues with Council Officers.

**11. ANNUAL TREASURY MANAGEMENT REVIEW OF 2016/2017 INCLUDING PRUDENTIAL CODE**

Council considered a report which had previously been presented to both the Executive and the Audit Committee who had recommended that the 2016/2017 Annual Treasury Management Review be approved.

In reply to a question concerning The Bank's forecasts for the UK economy and the impact of interest rate rises on the Capital and Revenue Programmes an undertaking to provide a written reply was given to Members.

It was moved, seconded and **RESOLVED** that the Annual Treasury Management Review is approved.

**12. AUDIT COMMITTEE – DRAFT MINUTES**

It was moved seconded and **RESOLVED** that the draft Minutes of the meeting of the Audit Committee held on 6 September 2017 are noted.

**13. URGENT DECISION TAKEN OUTSIDE BUDGET AND PLICY FRAMEWORK**

Council considered a report submitted in accordance with the Council's Constitution concerning an urgent decision, relating to changes to the Council's Capital Expenditure Outturn, taken by the Executive that was outside the Budget and Policy Framework.

It was moved seconded and **RESOLVED** that the urgent decision taken outside of the Budget and Policy Framework is noted.

**CHAIR**

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**Meeting:**           **Audit Committee / Executive /  
Council**

**Agenda Item:**

Portfolio Area:    Resources

**Date:**             **8 November / 28 November /  
6 December 2017**



## **2017/18 MID YEAR TREASURY MANAGEMENT REVIEW**

### **NON-KEY DECISION**

Author – Anita Thomas	Ext No. 2430
Contributors – Lee Busby	Ext No. 2730
Lead Officer – Clare Fletcher	Ext No. 2933
Contact Officer – Clare Fletcher	Ext No. 2933

### **1. PURPOSE**

- 1.1 To update members on the Treasury Management activities in 2017/18 and review effectiveness of the 2017/18 Treasury Management and Investment Strategy including the 2017/18 prudential and treasury indicators.

### **2. RECOMMENDATIONS**

- 2.1 That subject to any comments from Executive and the Audit Committee, recommend to Council to approve the 2017/18 Treasury Management Mid Year 2017/18 review.
- 2.2 That subject to any comments from Executive and the Audit Committee, recommend Council approve the latest approved Countries for investments (paragraph 4.7.13 and Appendix D of the report refers).

### **3. BACKGROUND**

- 3.1 The Council is required under the Local Government Act 2003 to produce a Mid-Year Treasury Management Report reviewing treasury management activities including the 2017/18 prudential and treasury indicators. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management ((revised 2013) (the Code)) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 3.2. This report covers one of three reporting requirements under the code of practice, the other reports being;

- Annual Treasury Strategy (in advance of the year) (last reported to Council 28 February 2017)
- Annual Treasury Management Review after the year end (2016/17 was reported to Council 11 October 2017)

### 3.3 This report summarises:

- Capital expenditure for 2017/18;
- Impact of the expenditure on the Council's underlying indebtedness, (the Capital Financing Requirement);
- Reporting of the required prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rates currently available;
- Detailed debt activity; and
- Detailed investment activity.

## 4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

### 4.1 The Council's Capital Expenditure and Financing 2017/18

4.1.1 Capital expenditure<sup>1</sup> can be financed either by capital resources the Council has on its balance sheet (e.g. capital receipts & capital grants) or by making a revenue contribution to capital. If sufficient capital resources are not available to fund the expenditure the council would need to borrow to meet the funding gap. This borrowing may be taken externally in new loans or internally from cash balances held by the council (see also 4.2.2). The need to borrow is measured and reported through the prudential indicators.

4.1.2 The Treasury Strategy and Prudential Indicators for 2017/18 were originally approved by Council on the 28 February 2017. Since then, capital budget changes have been approved and the Prudential Indicators updated in the 2016/17 Annual Treasury Management Review (approved by Council on the 11 October 2017). The Treasury Management Mid-Year Review Indicators have been updated based on the 1st quarter capital programme reported to Executive (19 September 2017).

4.1.3 Table One (shown below) shows the original capital programme, the revised capital programme (approval Executive 19 September) and financing.

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<sup>1</sup> Council expenditure can be classified as capital when it is used to purchase assets with a life of more than one year, exceeds £5,000 in value and meets the guidelines laid out in CIPFA accounting practises.



<b>Table One: 2017/18 Capital Expenditure and Financing</b>		
	<b>2017/18 Original Estimate  £'000</b>	<b>2017/18 Revised Mid-Year Review* (Executive September 2017)  £'000</b>
<b>Capital Expenditure:</b>		
General Fund Capital Expenditure	7,799	25,993
HRA Capital Expenditure	16,335	17,301
<b>Total Capital Expenditure</b>	<b>24,134</b>	<b>43,294</b>
• Capital Receipts	(8,112)	(12,595)
• Capital Grants / Contributions	(1,032)	(1,347)
• Capital Reserves	(1,324)	(1,942)
• Revenue contributions	(114)	(110)
• Major Repairs Reserve	(9,683)	(8,430)
<b>Total Resources Available</b>	<b>(20,264)</b>	<b>(24,424)</b>
<b>Capital Expenditure Requiring Borrowing</b>	<b>(3,870)</b>	<b>(18,870)</b>

\* updated for Property Investment strategy

## **4.2 The Council's overall borrowing position.**

- 4.2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). It represents the amount of debt the Council needs to/has taken to fund the capital programme after repayments and Minimum Revenue Provision (MRP) are taken into account.
- 4.2.2 Whether physical borrowing is taken out depends on the level of cash balances held by the Council. Based on the Capital Strategy and Treasury Management Strategy, the treasury service manages the Council's cash position to ensure sufficient cash is available to meet the capital payments. This may be through borrowing from utilising cash balances held by the Council in the short to medium term or external bodies (such as the Government, through the Public Works Loan Board (PWLb) or the money markets).
- 4.2.3 The Council has not undertaken any new physical borrowing as at 8<sup>th</sup> November 2017.
- 4.2.4 In 2017/18 the average cash holding between April and September was £70.7Million (£59.3Million April to September 2016/17). While investment returns are low the "internal" borrowing rate is significantly cheaper than the cost of external borrowing and remains a prudent use of the Council's cash balances, unless the condition in para 4.3.1 apply.
- 4.2.5 As at the 30 September 2017 the Council had total external borrowing of £209,362,368, (projected to increase to £223,989,789 by 31 March 2018 if all approved borrowing is taken). When expenditure is incurred on the purchase of

commercial property the decision to take out the approved borrowing (£15million) will be reviewed. The General Fund has £2,947,368 external borrowing of which £1,500,000 with a local authority and the remainder with the PWLB. The HRA had external borrowing of £206,415,000 with the PWLB, with the majority of the HRA debt (£194,911,000) taken out in March 2012 to finance the payment required to central government for self-financing. This debt was arranged over a number of loans at fixed rates and with varying maturities. The remaining difference between the HRA debt portfolio and CFR at 31 March 2018 of is the result of asset transfers from General Fund to the HRA and HRA internal borrowing prior to self-financing.

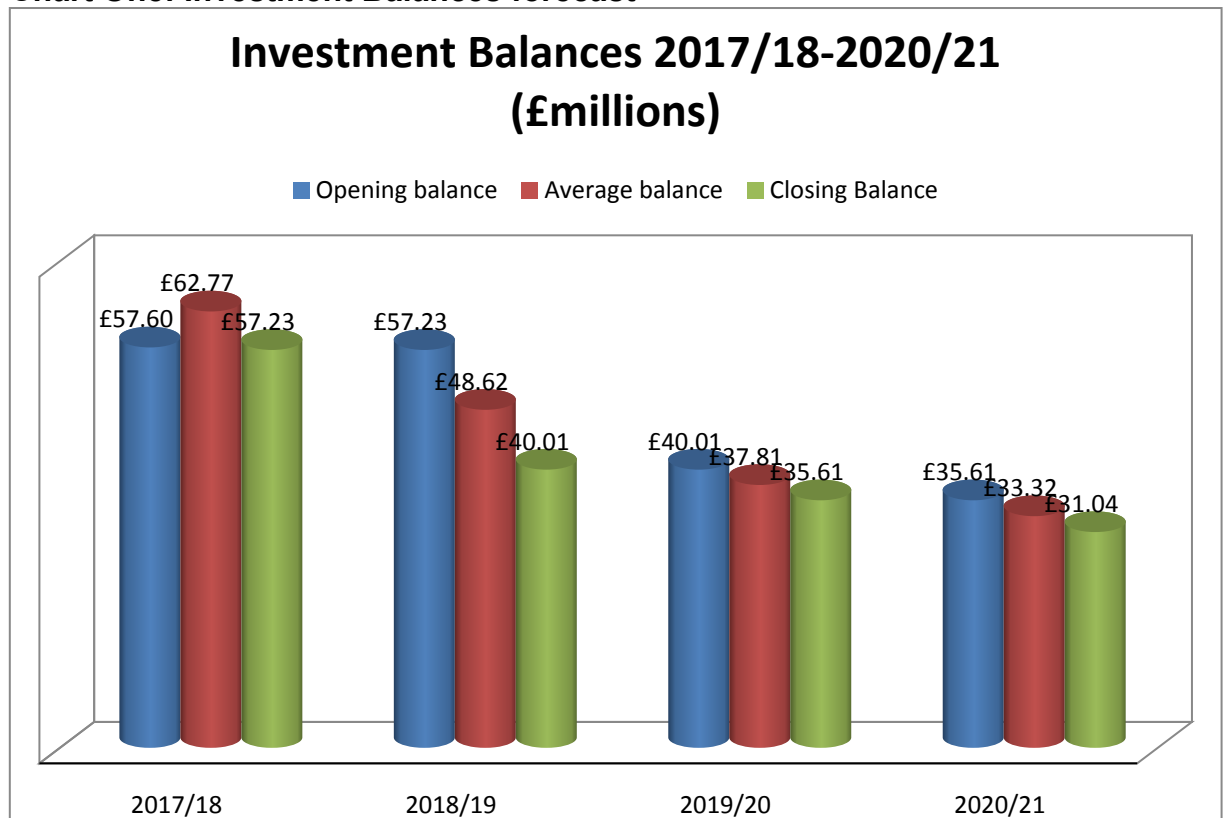
4.2.6 The HRA borrowing includes £11,504,000 used to fund the pre 2012 decent homes programme. This debt was called 'supported borrowing' under the former HRA subsidy system but now forms part of the HRA debt portfolio.

4.2.7 HRA borrowing is constrained by legislation (unlike the General Fund) and is capped at £217,685,000. As at the 31 March 2018 the "head room" available for new HRA borrowing is forecast to be £9,420,078.

### 4.3 Cash balances and cash flow management

4.3.1 Currently cash balances are estimated to be £57.2Million by 31 March 2018 but is dependent on current spending projections and approved borrowing included in the capital strategy and HRA business plan (General Fund - £15.37million and HRA - £3.5Million) for 2017/18. Decisions as to when this borrowing is actually taken will be considered based on cash balances and anticipated interest rates.

**Chart One: Investment Balances forecast**



## 4.4 Prudential Indicators

4.4.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators, (which affordability limits), are included in the approved Treasury Management Strategy and an update on those indicators is included in this report. During the year to 9 November 2017, the Council has operated within the treasury and prudential indicators set out in that strategy. Further explanation of key prudential indicators is given below and are shown in Appendix 1.

4.4.2 **Borrowing and the 2016/17 Capital Financing Requirement (CFR)** - The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). It represents the amount of debt the Council needs to/has taken to fund the capital programme after repayments and Minimum Revenue Provision (MRP) are taken into account.

4.4.2 The Council's original estimate and latest CFR for the year is shown below. The estimate of the CFR for 2017/18 has been updated for the Prudential borrowing approved as part of the property investment strategy (Council 17 May 2017).

<b>Table Two : Capital Financing Requirement 2017/18</b>			
	<b>2017/18</b>	<b>2017/18</b>	<b>2017/18</b>
	<b>Original Estimate</b>	<b>Revised Annual Treasury Management Review of 2016/17 (Approved Council October 2016)</b>	<b>Revised Mid-Year Review (Executive November 2016)</b>
<b>CFR Calculation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Opening Balance</b>	<b>223,929</b>	<b>223,929</b>	<b>223,929</b>
Closing Capital Financing Requirement (General Fund)	14,889	14,889	29,485
Closing Capital Financing Requirement (Housing Revenue Account)	208,386	208,386	208,265
<b>Closing Balance</b>	<b>223,275</b>	<b>223,275</b>	<b>237,750</b>
<b>Increase/ (Decrease)</b>	<b>(654)</b>	<b>(654)</b>	<b>13,821</b>

4.4.3 Total debt repayments made in the first half of 2016/17 relating to principle on PWLB loans were £131,579 (paid in August). A further repayment of £131,579 will be made in February 2017 in relation to General Fund debt and a repayment of £3,741,000 in respect of HRA debt in March 2018.

4.4.4 The Council could further reduce its CFR by:

- The application of additional capital financing resources (such as unapplied capital receipts) if available; or
- Charging more than the statutory revenue charge (Minimum Revenue Provision (MRP)) each year through a Voluntary Revenue Provision (VRP) which would increase the cost to the General Fund or HRA.

4.4.5 The **net borrowing position** of the Council at 31 March 2018 is estimated to be **£163,386K** of borrowing (total borrowings/loans of £220,619K less total investments held of £57,233K).

4.4.6 The **operational boundary and authorised limit** refer to the borrowing limits within which the treasury team operate. A temporary breach of the operational boundary is permissible for short term cash flow purposes however a breach of the authorised limit would require a report to Council. To date there have been **no breaches** of either limit in 2017/18. Both limits have been updated to reflect approved borrowing for the HRA and debt cap and approved prudential borrowing for the General Fund.

4.4.7 **Minimum Revenue Provision (MRP)**<sup>2</sup> – In 2017/18 the MRP charged to the General Fund is £653,630, based on previous years' borrowing. At present the only borrowing included in the five year capital programme relates to the ten year plan for the garages estate (£6.7million prudential borrowing over the period 2017/18 to 2020/21) and the investment property strategy (£15million in 2017/18). MRP will need to be made regardless of whether actual external borrowing has been taken and hence differs from the treasury management arrangements, the latter considers utilising cash balances when borrowing rates are higher than investment interest rates (as in paragraph 4.2.2).

4.4.8 The **ratio of financing costs to net revenue stream** is equal to General Fund interest costs divided by the General Fund net revenue income from Council Tax and RSG/NDR. For 2017/18 this indicator remains unchanged. In future years it increases due to approved borrowing for the investment property strategy which will contribute to General Fund financial security objectives.

4.4.9 The treasury management indicators for 2017/18 onwards have been calculated based on the 1st quarter capital programme reported to Executive 11 September 2016. There will subsequent updates to the capital programme including the capital bidding process for the period 2018/19 to 2021/22 and as such the data relating to future years is indicative only and will be subject to change. The full list of Treasury Prudential Indicators is shown in Appendix A.

## 4.5 Update on Treasury Management Strategy Position 2017/18

4.5.1 The Council's debt and investment position is managed by the treasury management section to ensure adequate liquidity for revenue and capital activities. In addition, investment decisions are based on the security of the

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<sup>2</sup> MRP- The Council must base its borrowing decisions in accordance with the Prudential Code which requires the Council to demonstrate a need to borrow and to show the cost of that borrowing for the General Fund is affordable. The Council's MRP policy, as required by CIPFA guidance, is approved annually by Council as part of the Treasury Management Strategy. The calculation of MRP is based upon prior years' borrowing requirement and the life of the assets for which borrowing was required.

investments and spread over a number of counter parties to manage the Council's exposure to risk.

4.5.2 The Council's **average investment returns** are modest due to historically low Bank of England Base Rate which is currently 0.5% (see also para 4.8.3) and the risk appetite in the treasury management strategy. As at 30 September 2017 the 2017/18 average rate of interest being earned on investments was 0.54% this compares to 0.57% earned in 2016/17. This exceeded the 7 day LIBID benchmark rate of 0.11% (source: CAPITA 30-9-17).

4.5.3 While costs for loans of between eight and ten years are around 2.02-2.24% (as at 26 October 2017) it is still prudent to utilise the Council's cash balances (as shown in paragraph 4.3.3) for short-term internal borrowing. However, borrowing costs are forecast to increase and officers will be determining whether it may be prudent to take some borrowing at lower interest rates based on the forecast reduction of future cash balances. The decision and timing of when to borrow is being monitored by officers.

4.5.4 The Council's treasury position for the first half of year was as follows;

<b>Table Four Treasury Position 2017/18</b>						
	<b>30 Sep 2017 Principal £'000s</b>	<b>Rate / Return %</b>	<b>Average Life (Yrs)</b>	<b>31 Mar 2018 Principal £'000s</b>	<b>Rate / Return %</b>	<b>Average Life (Yrs)</b>
Fixed rate loans - PWLB	207,862	3.38	16.65	203,990	3.38	16.09
Local Authority Loans	1,500	1.98	1.00	1,500	1.98	0.25
Approved Prudential Borrowing				15,370	Yet to be taken	Yet to be taken
Approved HRA Borrowing				3,500	Yet to be taken	Yet to be taken
<b>Total Borrowing</b>	<b>209,362</b>	<b>3.38</b>	<b>16.66</b>	<b>224,360</b>	<b>3.38</b>	<b>16.09</b>
CFR				237,750		
Over/(under) borrowing*				13,390		
<b>Investments Portfolio</b>	<b>69,450</b>	<b>0.54</b>		<b>54,119</b>	<b>0.54</b>	

*\* financed by internal borrowing*

4.5.5 The maturity structure of the debt portfolio was as follows (see also Appendix B):

<b>Table Six Maturity of Debt Portfolio for 2016/17 and 2017/18</b>		
<b>Time to maturity</b>	<b>31 March 2017 Actual £'000's</b>	<b>30 September 2017 Actual £'000's</b>
Maturing within one year	4,004	5,504
1 year or more and less than 2 years	1,763	263
2 years or more and less than 5 years	790	789
5 years or more and less than 10 years	8,763	8,632
10 years or more	194,174	194,174
<b>Total</b>	<b>209,494</b>	<b>209,362</b>

4.5.6 There are five investments with **maturities over one year**: £3Million with Birmingham CC (maturing April 2019), £1.3Million with Spelthorne BC (maturing June 2019), £2Million with LB Barking & Dagenham (maturing April 2020), £1Million with Newcastle CC (maturing April 2020) and £2.7Million with Barnsley MBC (maturing September 2021) . All other investments held during the first half of 2017/18 are due to mature within one year. A summary of the Council's exposure to fixed and variable rate investments is shown below in Table Seven. (See also Appendix B).

<b>Table Seven : Fixed and Variable Rate Investment Totals</b>		
	<b>31 March 2017 Actual £'000's</b>	<b>30 September 2017 Actual £'000's</b>
Fixed rate principal	35,295	50,100
Variable rate principal	22,300	19,350
<b>Total</b>	<b>57,595</b>	<b>69,450</b>

4.5.7 Included in the 2017/18 Treasury Management strategy was an increase in the treasury limit for **“fixed rate more than 12 months to maturity”** when balances are in excess of £30million (Recommendation 2.3 Treasury Management Review including Prudential Code – Council 28 Feb 2017). Since implementation £10Million is held in deposits of 12 month plus duration. As part of the mid-year review no changes are proposed to the current treasury limits. Since the instant access limit was removed in the last treasury management policy update there have been no instances where short term borrowing has been required to address short term cash flow difficulties.

- 4.5.8 The total limit on the amount invested in **Money Market Funds** was revised (Recommendation 2.5 Treasury Management Review including Prudential Code – Council 28 Feb 2017) and since then a third Money Market fund has been added to the portfolio – Amundi.
- 4.5.9 There have been **no breaches** of treasury **counter party limits**. Any breach would be notified to the Chief Finance Officer. There have been no pressures on counter party limits and no investments have been deposited with the DMO since October 2014 when Treasury Management limit changes were implemented.
- 4.5.10 The use of **enhanced cash funds** was also approved in February. These funds are now referred to as “Ultra Short Dated Bond” (USDB) funds (Recommendation 2.7 Treasury Management Review including Prudential Code – Council 28 Feb 2017). Officers are liaising with the Council’s treasury management advisors to find a suitable USDB funds that meet the Council’s investment timescales and risk criteria. Currently no investments have been made with USDB funds.
- 4.5.11 The latest list of “Approved Countries for Investments” has been updated and is detailed in Appendix D.
- 4.5.12 Following the approval of the Property Investment Strategy ( Council 17<sup>th</sup> May 2017) the **Operational Boundary and Authorised Limit** for the General Fund was increased by £15Million to facilitate the borrowing required for the strategy. Further changes to these limits are not required at present.
- 4.5.13 **Other Treasury Management Issues** - The EU has now set a deadline of 3 January 2018 for the introduction of regulations under **MIFID II**. These regulations will govern the relationship that financial institutions, conducting lending and borrowing transactions, will have with local authorities from that date. Stevenage Borough Council is required to complete forms sent by each institution dealing with this SBC and for each type of investment instrument we use, apart from cash deposits with banks and building societies. Officers are liaising with the council’s advisers, Capita, to ensure all paperwork is in place before 3 January 2018.

## 4.6 Economic Review & Interest Rate Outlook

- 4.6.1 In March 2017 the Prime Minister triggered Article 50 of the Lisbon Treaty, the formal process to leave the EU. This is thought to have contributed to a further decline in the value of sterling contributing to inflationary pressures.
- 4.6.2 **Inflation** - The Bank of England inflation reports during 2017 expected that Consumer Price Index (CPI) inflation would peak at just under 3% in 2017 before falling back nearer to its target rate of 2% in two years’ time. Inflation (CPI) was 3.0% in September, and at the 14 September Monetary Policy Committee (MPC) meeting the forecast was revised to peak at over 3%. CPI rates for 2017/18 are shown in the following table.

	<b>April 2017</b>	<b>May 2017</b>	<b>June 2017</b>	<b>July 2017</b>	<b>August 2017</b>	<b>September 2017</b>
CPI Rate	2.7%	2.9%	2.6%	2.6%	2.9%	3.0%

- 4.6.3 **Interest Rate** – The MPC warned markets and forecasters that the Bank Rate will need to rise in light of inflation pressures and other economic data. On 2 November the MPC increased the Bank Rate to 0.5% as anticipated. Currently short sterling rates are indicating that financial markets do not expect a second increase until May 2018 with a third increase in November 2019. Any medium term interest forecast are caveated due to continuing uncertainty around the Brexit negotiations, consumer and business confidence. Should interest rates increase by 0.25% annual interest costs would rise by £2,500 for every £1million of new borrowing taken.
- 4.6.4 **UK Growth** – Following strong growth in 2016, the UK economy slowed in the first (+0.3%) and second quarter at (+0.3%) which meant that growth in the first half of 2017 was the slowest since 2012. The main reason for this has been the sharp increase in inflation (see para 4.8.1) and resulting reduction in consumer disposable income and spending power. The services sector of the economy (around 75% of GDP), has seen weak growth as consumers cut back on their expenditure. However, more recently there has been strong growth in the manufacturing sector (11% of GDP) as a weaker pound generates increased demand for exports. It has helped that growth in the EU, the UK's main trading partner, has improved significantly over the last year.
- 4.6.5 **Wage inflation** – Unemployment has fallen to 4.3%, the lowest level since 1975, however improvements in productivity have been weak. Whole-economy average weekly earnings (AWE) increased by 2.2% in the three months to August 2017, compared with the same period a year ago. The MPC now has a more tolerant view of low wage inflation as this now seems to be a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour force faces competition from overseas labour depressing the negotiating power of UK labour.

## 5. IMPLICATIONS

### 5.1 Financial Implications

- 5.1.1 This report is of a financial nature and reviews the treasury management function for the 2017/18. Any consequential financial impacts of the Strategy will be incorporated into November Capital Strategy update and the 2nd Quarter 2017/18 budget monitoring report.

### 5.2 Legal Implications

- 5.2.1 Approval of the Prudential Code Indicators and the Treasury Management Strategy Indicators are intended to ensure that the Council complies with relevant legislation and best practice.



### **5.3 Risk Implications**

- 5.3.1 The current policy of not borrowing externally only remains financially viable while cash balances are high and the differentials between investment income and borrowing rates remain. Should these conditions change the Council may need to borrow at higher rates which would increase revenue costs.

### **5.4 Equalities and Diversity Implications**

- 5.4.1 This purpose of this report is to review the implementation of the Treasury management policy in 2016/17. Before investments are placed with counter parties the Council has the discretion not to invest with counter parties where there are concerns over sovereign nations' human rights issues.
- 5.4.2 The Treasury Management Policy does not have the potential to discriminate against people on grounds of age; disability; gender; ethnicity; sexual orientation; religion/belief; or by way of financial exclusion. As such a detailed Equality Impact Assessment has not been undertaken.

## **BACKGROUND DOCUMENTS**

BD1 Prudential Code Indicators and Treasury Management Strategy 2017/18 (28 February 2017 Council)

<http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20170228-Item12.pdf>

BD2 Annual Treasury Management Review of 2016/17

<http://www.stevenage.gov.uk/content/committees/182083/182095/182099/Council-11-October-2017-Item11.pdf>

## **APPENDICES**

Appendix A – Prudential Indicators for Mid Year Review.

Appendix B – Investment and Loan Portfolios

Appendix C – Specified & Non-Specified Investment Criteria

Appendix D – Approved Countries for Investments

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Treasury Management Prudential Indicators	Appendix A		2017/18 Treasury Management Strategy - Mid year review			
	2016/17	2017/18	2017/18	2017/18	2018/19	2019/20
Capital Expenditure (Based on 1st quarter Capital Strategy September 2017):	Original Estimate Actual	Original Estimate January 2017*	Revised (September 2017 TM report)	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18
	£000	£000	£000	£000	£000	£000
General Fund	4,829	7,799	12,605	25,993	7,866	5,574
HRA	19,402	16,335	18,808	17,301	37,939	30,837
Total	24,231	24,134	31,413	43,294	45,805	36,411
	2016/17	2017/18	2017/18	2017/18	2018/19	2019/20
Ratio of financing costs to net revenue stream:	Original Estimate Actual	Original Estimate January 2017*	Revised (September 2017 TM report)	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18
	%	%	%	%	%	%
General Fund Capital Expenditure	8.53%	7.97%	7.13%	7.13%	16.68%	17.79%
HRA Capital Expenditure	15.12%	15.60%	15.60%	15.60%	15.34%	15.13%
General Fund: Net revenue stream is the RSG, NNDR grant and Council Tax raised for the year.						
HRA: The net revenue stream is the total HRA income shown in the Council's accounts from received rents, service charges and other incomes. The ratio of financing costs to net revenue stream reflects the high level of debt as a result of self financing.						
	2016/17	2017/18	2017/18	2017/18	2018/19	2019/20
Authorised Limit for external debt	Original Estimate Actual	Original Estimate January 2017*	Revised (September 2017 TM report)	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18
	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	15,580	15,580	15,580	34,485	35,511	37,096
Borrowing - HRA	212,506	212,506	212,506	217,685	217,685	217,685
Total	228,086	228,086	228,086	252,170	253,196	254,781
The authorised limit in that it is the level up to which the Council may borrow without getting further approval from Full Council. The Council may need to borrow short term for cash flow purposes, exceeding the operational boundary. The authorised limit allows for £9m headroom, which is in addition to our capital plans.						
	2016/17	2017/18	2017/18	2017/18	2018/19	2019/20
Operational Boundary for external debt	Original Estimate Actual	Original Estimate January 2017*	Revised (September 2017 TM report)	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18
	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	10,580	10,580	10,296	31,985	33,011	34,596
Borrowing - HRA	212,506	208,506	208,265	210,765	210,765	210,765
Total	223,086	219,086	218,561	242,750	243,776	245,361
The operational boundary differs from the authorised limit in that it is the level up to which the Council expects to have to borrow. The Council may need to borrow short term for cash flow purposes, exceeding the operational boundary. The operational boundary allows for £1m headroom in addition to our capital plans.						
	31-Mar-17	31-Mar-18	31-Mar-18	31-Mar-18	31-Mar-19	31-Mar-20
Gross & Net Debt	Original Estimate Actual	Original Estimate January 2017*	Revised (September 2017 TM report)	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18
	£000	£000	£000	£000	£000	£000
Gross External Debt - General Fund	0	2,816	2,816	18,186	21,205	24,560
Gross External Debt - HRA	206,415	202,674	202,674	202,433	202,433	202,433
Gross External Debt	206,415	205,490	205,490	220,619	223,638	226,993
Less Investments	(57,595)	(45,131)	(45,131)	(57,233)	(40,154)	(35,829)
Net Borrowing	148,820	160,359	160,359	163,386	183,484	191,164
The Gross External Debt is the actual debt taken out by the Council plus any relevant long term liabilities. The Gross External Debt should not exceed the Operational Boundary for external debt. For 2020/21 £12.595M is required to be borrowed - this is an estimated loan						
The Net Borrowing is defined as gross external debt less investments. The net borrowing requirement may not, except in the short term, exceed the total capital financing requirement in the preceding year, plus the estimates of any additional financing.						
	31-Mar-17	31-Mar-18	31-Mar-18	31-Mar-18	31-Mar-19	31-Mar-20
Capital Financing Requirement (CFR)	Original Estimate Actual	Original Estimate January 2017*	Revised (September 2017 TM report)	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18
	£000	£000	£000	£000	£000	£000
Capital Financing Requirement GF	14,769	14,769	14,485	29,485	30,511	32,096
Capital Financing Requirement HRA	208,506	208,506	208,265	208,265	208,265	208,265
Total Capital Financing Requirement	223,275	223,275	222,750	237,750	238,776	240,361
The Capital Financing Requirement (CFR) reflects the amount of money the Council would need to borrow to fund it's capital programme. This is split between the Housing Revenue Account CFR (HRACFR) and the General Fund CFR (GFCFR).						
	2016/17	2017/18	2017/18	2017/18	2018/19	2019/20
Incremental Impact on Capital Investment Decisions	Original Estimate Actual	Original Estimate January 2017*	Revised (September 2017 TM report)	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18
	£000	£000	£000	£000	£000	£000
Increase (Decrease) in Council Tax (band D)	0.00	0.00	0.00	0.00	11.68*	14.45*
Increase (Decrease) in average rent per week	(0.08)	(0.38)	0.01	0.01	0.07	0.00
General Fund -This is an indicator of the affordability of the capital programme and its effect on the Council Tax. This indicator shows change in Borrowing Cost and MRP charged to the Revenue Budget because of movement in Capital Strategy from February 2017 to September 2017.						
HRA -This is an indicator of the affordability of the capital programme and its effect on the rent payer. From 2012/13 under self financing, the cost of borrowing, in terms of interest cost, and any provision for the future reduction in debt liability, is covered by no longer making contributions to CLG in the form of negative subsidy payments. The reported figures reflect the change on investment interest due to movement in HRA Capital Programme from February 2017 to September 2017.						
	2016/17	2017/18	2017/18	2017/18	2018/19	2019/20
Upper limit for fixed interest rate exposure	Original Estimate Actual	Original Estimate January 2017*	Revised (September 2017 TM report)	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18
	£000	£000	£000	£000	£000	£000
Fixed Rate Borrowing - General Fund	15,580	15,580	30,296	34,485	35,511	37,096
Fixed Rate Borrowing - HRA	212,506	212,506	212,265	217,685	217,685	217,685
Fixed Rate Investments	100%	100%	100%	100%	100%	100%
Net Fixed Rate Borrowing	NA	NA	NA	NA	NA	NA
	2016/17	2017/18	2017/18	2017/18	2018/19	2019/20
Upper limit for variable interest rate exposure	Original Estimate Actual	Original Estimate January 2017*	Revised (September 2017 TM report)	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18
	£000	£000	£000	£000	£000	£000
Variable rate borrowing - General Fund	15,580	15,580	30,296	34,485	35,511	37,096
Variable rate borrowing - HRA	212,506	212,506	212,265	217,685	217,685	217,685
Gross Variable Rate	228,086	228,086	242,561	252,170	253,196	254,781
Variable rate investments	100%	100%	100%	100%	100%	100%
	2016/17	2017/18	2017/18	2017/18	2018/19	2019/20
Upper limit for total principal sums invested for over 364 days	Original Estimate Actual	Original Estimate January 2017*	Revised (September 2017 TM report)	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18	Revised Mid Yr review 17-18
	£000	£000	£000	£000	£000	£000
Sums invested for over 364 days	10,000	10,000	10,000	10,000	10,000	10,000
				GF	HRA	Total
Gross Debt & CFR for 2017/18 Estimated				Estimate	Estimate	Estimate
				£000	£000	£000
Opening balance for 2017/18 CFR plus estimates of additional capital financing requirement for the current and the next two financial year				34,672	212,006	246,677
Estimated Gross Debt 2017/18				18,186	202,674	220,860
Actual Gross Debt is the actual borrowing for any purpose plus other relevant long-term liabilities. It should not, except in the short term, exceed the CFR in the previous year plus the estimates of any increase in the CFR at the end of the current and next two financial years. If in any of these years, there is a reduction in the CFR, this reduction is ignored in estimating the cumulative increase in the CFR which is used for this comparison with external debt.						

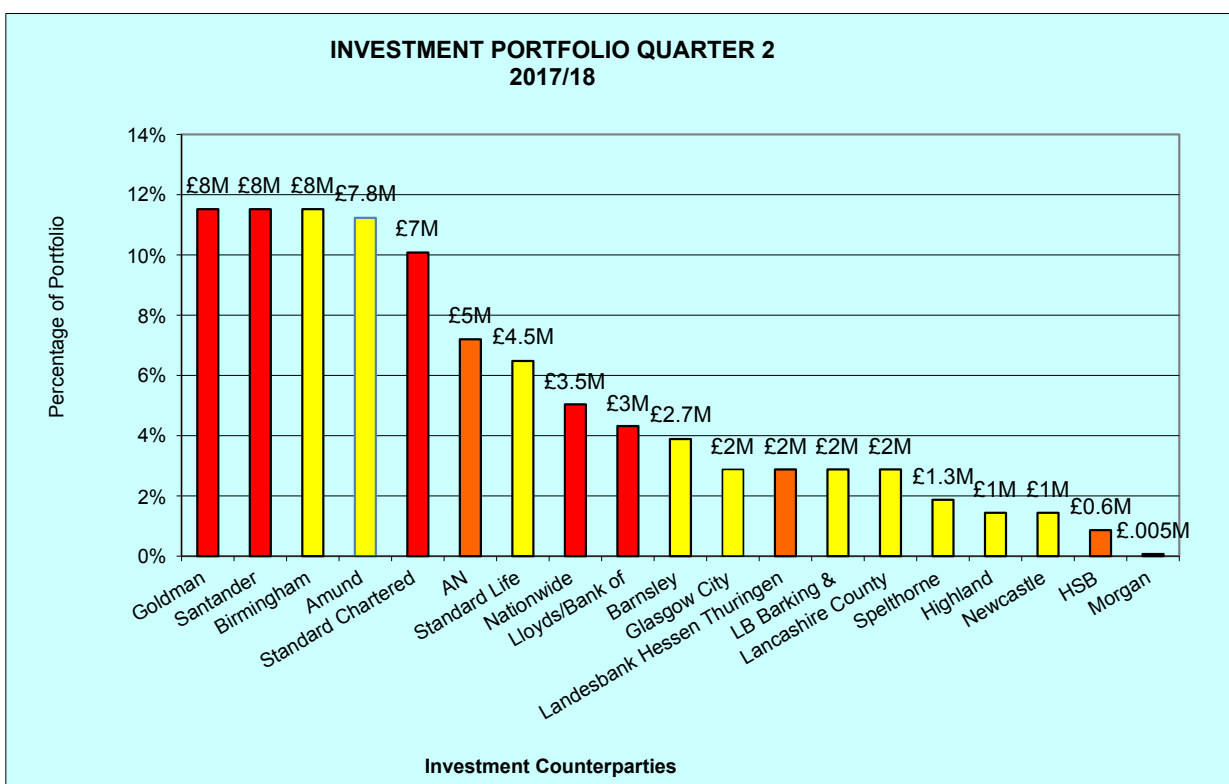
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## INVESTMENT PORTFOLIO QUARTER 2 (30th Sept 2017)

## Appendix B

Average interest rate for 2016/17 0.57%  
Average interest rate for 2017/18 (Quarter 2) 0.54%

Borrower	Nation	Sovereign Rating (Fitch)	Amount £'s	From	To	Rate %
<b>Money Market Funds (Instant Access)</b>						
Amundi	UK	AA	7,800,000			0.25
Standard Life	UK	AA	4,500,000			0.22
Morgan Stanley	UK	AA	50,000			0.17
<b>95 Day Notice</b>						
Standard Chartered Bank	UK	AA	7,000,000			0.52
<b>Fixed Term Deposit</b>						
HSBC	UK	AA	600,000	20-Apr-17	19-Oct-17	0.7300
Goldman Sachs	UK	AA	1,700,000	20-Apr-17	19-Oct-17	0.7300
Santander	UK	AA	8,000,000	24-May-17	24-Nov-17	0.7000
Glasgow City Council	UK	AA	2,000,000	05-Dec-14	05-Dec-17	1.4000
Nationwide B.S	UK	AA	3,500,000	22-Jun-17	22-Dec-17	0.3600
Landesbank Hessen Thuringen Giroze	GER	AAA	2,000,000	10-Jul-17	10-Jan-18	0.3800
Goldman Sachs	UK	AA	2,300,000	17-Jul-17	17-Jan-18	0.6800
Lloyds/Bank of Scotland	UK	AA	3,000,000	24-Jul-17	24-Jan-18	0.3600
Birmingham C.C.	UK	AA	5,000,000	24-Apr-17	24-Jan-18	0.5800
Goldman Sachs	UK	AA	4,000,000	14-Aug-17	14-Feb-18	0.5300
Highland Council	UK	AA	1,000,000	14-Apr-16	16-Apr-18	0.9800
Australia & NZ Banking Group	AUS	AAA	5,000,000	05-Sep-17	05-Sep-18	0.5000
Lancashire County Council	UK	AA	2,000,000	06-Sep-16	06-Sep-18	0.5800
Birmingham C.C.	UK	AA	3,000,000	24-Apr-17	24-Apr-19	0.8000
Spelthorne B.C.	UK	AA	1,300,000	22-Jun-17	21-Jun-19	0.7000
LB Barking & Dagenham	UK	AA	2,000,000	09-Jan-17	09-Apr-20	0.9800
Newcastle C.C.	UK	AA	1,000,000	03-Apr-17	03-Apr-20	0.9800
Barnsley MBC	UK	AA	2,700,000	15-Sep-17	15-Sep-21	0.9800
			<b>69,450,000</b>			



## LOAN PORTFOLIO QUARTER 2 (30th September 2017)

### Decent Homes Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/Maturity	4.11	2,500,000	24/03/2011	24/03/2018	7 years
PWLB	Fixed Rate/Maturity	4.11	1,241,000	31/03/2011	31/03/2018	7 years
PWLB	Fixed Rate/Maturity	4.75	2,000,000	04/03/2010	04/03/2035	25 years
PWLB	Fixed Rate/Maturity	4.28	1,800,000	25/05/2010	25/05/2035	25 years
PWLB	Fixed Rate/Maturity	4.24	963,000	17/08/2010	17/08/2035	25 years
PWLB	Fixed Rate/Maturity	4.65	3,000,000	25/03/2010	25/09/2035	25 1/2 years
			<b>11,504,000</b>			

### Self Financing Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/Maturity	2.92	500,000	28/03/2012	28/03/2026	14 years
PWLB	Fixed Rate/Maturity	3.01	8,000,000	28/03/2012	28/03/2027	15 years
PWLB	Fixed Rate/Maturity	3.08	8,700,000	28/03/2012	28/03/2028	16 years
PWLB	Fixed Rate/Maturity	3.15	9,600,000	28/03/2012	28/03/2029	17 years
PWLB	Fixed Rate/Maturity	3.21	10,600,000	28/03/2012	28/03/2030	18 years
PWLB	Fixed Rate/Maturity	3.26	11,000,000	28/03/2012	28/03/2031	19 years
PWLB	Fixed Rate/Maturity	3.30	16,000,000	28/03/2012	28/03/2032	20 years
PWLB	Fixed Rate/Maturity	3.34	17,500,000	28/03/2012	28/03/2033	21 years
PWLB	Fixed Rate/Maturity	3.37	17,600,000	28/03/2012	28/03/2034	22 years
PWLB	Fixed Rate/Maturity	3.40	17,300,000	28/03/2012	28/03/2035	23 years
PWLB	Fixed Rate/Maturity	3.42	15,300,000	28/03/2012	28/03/2036	24 years
PWLB	Fixed Rate/Maturity	3.44	21,000,000	28/03/2012	28/03/2037	25 years
PWLB	Fixed Rate/Maturity	3.46	18,200,000	28/03/2012	28/03/2038	26 years
PWLB	Fixed Rate/Maturity	3.47	19,611,000	28/03/2012	28/03/2039	27 years
PWLB	Fixed Rate/Maturity	3.48	4,000,000	28/03/2012	28/03/2040	28 years
			<b>194,911,000</b>			

### Prudential Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
Lancashire C.C.	Fixed Rate/Maturity	1.98	1,500,000	03/07/2013	03/07/2018	5 years
PWLB	Fixed Rate/EIP	2.37	1,447,368	19/08/2013	19/02/2022	9 1/2 years
			<b>2,947,368</b>			

### Total Borrowing

**209,362,368**

**Appendix C**  
**Specified and Non-specified Investment Criteria**  
**(including Treasury Limits and Procedures)**

**TM Review Update**

Table 1

**Specified Investments** are sterling denominated with maturities up to maximum of one year and must meet the following minimum high credit quality criteria:

Investment Counterparty	Investment Instrument	Minimum High Credit Quality Criteria	Investment Duration
Banks or Building Societies	Overnight Deposit	Fitch: Short Term F1 and Long Term A and Moody, Standard & Poor, equivalent where rated, the lowest rating used where different OR Part-nationalised or Nationalised UK banking institutions (subject to regular reviews of government share percentage).	Maximum duration as per Treasury Advisor's (Capita's) colour coded Credit List, and less than one year
	Notice Account		
	Short Term Deposit		
Debt Management Office or UK Local Authority	Any deposit	No limit.	
Money Market Funds	Instant Access	AAA rated	Instant Access

Table 2

**Non-Specified Investment** are sterling denominated with a maturity longer than one year but no longer than five years, and must meet the following criteria:

Investment Counterparty	Investment Instrument	Minimum High Credit Quality Criteria	Investment Duration
Banks or Building Societies	Any deposits with maturity up to a maximum of five years	Fitch: Short Term F1+ and Long Term AA- and Moody, Standard & Poor, equivalent where rated, the lowest rating used where different	Maximum duration suggested by Treasury Advisor's (Capita's) colour coded Credit List, and not in excess of five years
Debt Management Office or UK Local Authority		No Limit.	

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Table 3 **Treasury Limits**

Investment Instrument	Cash balances less than £30Million	Cash balances higher than £30Million
	Limits	Limits
Variable Rate Investments (Excluding Enhanced Cash Funds)	Maximum holding £30M	Maximum holding 100%
Counterparty limits (to encompass all forms of investment)	Maximum £5M	Maximum £8M
Instant Access Or Overnight Deposit	Maximum holding 100%	
Fixed Rate less than 12 month maturity	Maximum holding 100%	
Fixed Rate more than 12 months to maturity (includes all types of Fixed Rate Investments i.e. Certificates of Deposits )	Maximum £5M	Maximum £10M
Money Market Funds - Traditional Instant Assess (Counterparty Limit per Fund)	Maximum £5M per MMF	Maximum £8M per MMF
	No limit on total cash held	
Enhanced Cash Funds	Maximum £3M	
Certificates of Deposits	Maximum £5M	
Property Funds	Maximum of £3M - No durational limit. Use would be subject to consultation and approval	

Procedures of Applying the Criteria and Limits	
	Before the Treasury Team makes an investment, the Team will follow the follow procedure to ensure full compliance with the Specified and Non-Specified Criteria and Treasury Limits:
1	Check that the Counterparty is on the Counterparty List (also known as Current Counterparty Report for Stevenage) produced by Capita, specifically meeting the Council's Specified and Non-specified Minimum High Credit Quality Criteria in the above Table 1 & 2. If it is not on the list, the Treasury Team will not invest with them.
2	If the Counterparty is on the list, then the Treasury Team refers to the Credit List produced by Capita in colour coding, to determine the maximum investment duration suggested for the deposit, as per the column of Suggested Duration (CDS Adjusted with manual override).
3	Refer to the Treasury Limits in the above Table 3 to ensure the amount invested complies with the Treasury Limits.



## APPENDIX D: Approved Countries (with Approved counterparties) for Investments (October 2017)

*Based on lowest available rating*

### AAA

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

### AA+

- Finland
- U.S.A.

### AA

- Abu Dhabi (UAE)
- France

### AA-

- Belgium
- Qatar

**The UK is exempt from the sovereign rating criteria as recommended by Capita**

**The above list includes the possible countries the Council may invest with. Not all of these countries are used or will be used in treasury management investments**

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## STEVENAGE BOROUGH COUNCIL

### AUDIT COMMITTEE

#### (MEETING JOINTLY IN PART WITH THE STATEMENT OF ACCOUNTS COMMITTEE)

#### MINUTES

**Date: Thursday 21 September 2015**

**Time: 6.00 p.m.**

**Place: Shimkent Room, Daneshill House, Danestrete, Stevenage**

**Present:** Councillors: M McKay (Chair), J Gardner (Vice-Chair)  
H Burrell, L Chester, G Lawrence and G Snell.

**Independent Member:** B Mitchell

**Also Present:** N Harris (EY)

**Started:** 6.00 p.m.

**Ended:** 7:00 p.m.

#### **1. APPOINTMENT OF PERSON TO PRESIDE**

It was **RESOLVED** that Councillor Mrs J Lloyd be appointed to preside over the part of the meeting that was held jointly with the Statement of Accounts Committee.

A copy of appendix 4 to the report, a letter from Wilks, Head and Eve regarding the valuation of Ridlins Athletics Track and amended pages 26, 27, 32, 33, 44, 45, 105, 114 and 115 of the accounts were then circulated to Members.

#### **2. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillors R Broom and D Cullen.

There were no declarations of interest.

#### **3. 2016/2017 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT**

The Audit Committee and the Statement of Accounts Committee meeting jointly received a presentation from the Accountancy Services Manager on the Statement of Accounts 2016/17.

The Committee was advised that following the external audit, which was completed after the Statement of Accounts had been produced, the outturn positions for the General Fund and the Housing Revenue Accounts remained unchanged.

In addition the Committee was advised that two new disclosure notes had been introduced, that external valuer Wilks Head and Eve had been engaged to undertake a full review of the General Fund asset valuations and that the triennial pension fund had been carried out as at 31 March 2016.

In reply to a Member question the Assistant Director Finance and Estates agreed that in future SOA reports reference would be made to the governance and assurance for the figures stated for pension fund assets and liabilities.

Members expressed concerns that the presentation of the accounts made them difficult to understand, especially for non-public sector accountants and members of the public. In reply the Committee was advised that the format of the accounts was largely mandated by statute however both the External Auditor and the Assistant Director Finance and Estates undertook to feedback Members' concerns and make representations on their behalf to their respective professional bodies.

Members requested that more detail be provided in the Statement of Accounts. In reply the Committee was advised that detail was provided in the notes to the Accounts and that the Council's Budget Book and the quarterly monitoring reports produced for the Executive provided further detail.

**Note** – *At this point in the meeting the Statement of Accounts Committee **RESOLVED** to adjourn until the rise of the Audit Committee.*

The Audit Committee expressed no material concerns with the report or the recommendations contained therein.

In reply to a Member question the Assistant Director Finance and Estates undertook to provide an explanatory note about the ring fencing of the Housing Revenue Account reserve.

The Committee then considered the report from the Council's External Auditors EY.

The Committee was advised that all outstanding audit tasks had been completed and that EY had issued an unqualified audit opinion for both the Council's accounts and the Value for Money statement.

The External Auditor requested that thanks be recorded in the Minutes to the Accountancy Services Manager and her team for their assistance in compiling the report.

It was noted that the report had been produced earlier than in previous years as a 'dry run' for 2018 when statute would require filing of the Council's accounts to be brought forward. The Chair requested that thanks be recorded to all parties for meeting this earlier deadline. The Chair welcomed this prompt reporting and hoped that it would continue into 2018.

It was **RESOLVED** that the Annual Report to those charged with Governance for 2016/17, the Council's Letter of Representation, the Financial Report including the Statement of Accounts 2016/17 and the Annual Governance Statement be recommended to the Statement of Accounts Committee for approval.

**4. URGENT PART 1 BUSINESS.**

None.

**5. EXCLUSION OF THE PRESS AND PUBLIC**

Not required.

**PART II**

**6. URGENT PART II BUSINESS**

None.

**Chair**

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## STEVENAGE BOROUGH COUNCIL

### AUDIT COMMITTEE MINUTES

**Date: 8 November 2017**

**Time: 6:00 pm**

**Place: Shimkent Room, Daneshill House, Danestrete, Stevenage**

**Present:** Councillors: M McKay (Chair), J Gardner (Vice-Chair),  
H Burrell, L Chester, G Lawrence and G Snell.  
Independent Member: B Mitchell

**In Attendance:** K Storey – EY (Ernst and Young)  
C Wood – Shared Internal Audit Service

**Start/End Time:** Start Time: 6:00 pm  
End Time: 7:00 pm

#### **1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received on behalf of Councillors R Broom and D Cullen.

There were no declarations of interest.

#### **2. MINUTES – AUDIT COMMITTEE – 6 SEPTEMBER 2017**

It was **RESOLVED** that the Minutes of the meeting of the Committee held on 6 September 2017 are approved as a correct record and signed by the Chair subject to the correction of a typographical error at Item 6.

The second line of the fourth paragraph should read 'the Council's contribution of £100k to fund the shared anti-fraud service' and not 'the Council's contribution of £140k to fund the shared anti-fraud service' as stated.

#### **3. MINUTES – AUDIT COMMITTEE – 21 SEPTEMBER 2017**

It was **RESOLVED** that the Minutes of the meeting of the Committee held on 21 September 2017 are approved as a correct record and signed by the Chair.

#### **4. ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2017**

The Committee received the Annual Audit Letter from the Council's external auditors EY.

The Committee was advised that the auditor's fee for 2016/2017 had yet to

be agreed due to the extra work carried out regarding property valuations. This Committee would be advised of the fee once agreed with the Council.

It was **RESOLVED** that the Annual Audit Letter is noted.

## **5. 2017/18 MID YEAR TREASURY MANAGEMENT REVIEW**

The Committee considered a report which updated Members on Treasury Management activities in 2017/2018 and reviewed the effectiveness of the 2017/2018 Treasury Management and Investment Strategy.

The Committee was advised of a typographical error in the report at paragraph 4.3.1 and an updated Investment Balances graph was circulated to Members at the meeting.

The Committee was further advised that the report had been published prior to the recent increase of 0.25% in interest rates. As many of the Council's investments were at fixed rates it was forecast that the net impact to interest income would be an increase in the region of £25k per annum.

In reply to a question concerning overnight deposits the Committee was advised that the facility to invest overnight remained but the Council tended to use 30 day accounts.

In reply to a further question regarding provisions for the town centre regeneration project the Committee was advised that any such provision would need to be included in the overall capital strategy, notwithstanding the fact that the capital strategy could be amended provided the due process was followed.

The Committee did not wish to forward any comments on the report to Council for consideration.

It was **RESOLVED**:

1. That Council is recommended to approve the 2017/2018 Treasury Management Mid-Year review
2. That Council is recommended to approve the latest list of approved Countries for investments.

## **6. SHARED INTERNAL AUDIT SERVICE – PROGRESS REPORT**

The Committee received a report which provided Members with an update of the progress made by the Shared Internal Audit Service in delivering the Council's 2017/2018 Internal Audit Plan.

The Internal Audit Manager advised the Committee that since the report had been written the number of Audit Plan days delivered had increased to



43% and that a total of 25% of audits had been completed.

In reply to a question concerning the Commercialisation Agenda the Committee was advised that recruitment against the Commercial Manager post had been put on hold pending the appointment of the Assistant Director Direct Services and was currently under review.

In reply to a further question the Committee was advised that the driver for the cancellation of the carry forward research project on the Medium Term Financial Strategy had been the desire to determine the value added of the 'lean review' into the Repairs and Voids Service by carrying out additional testing requested by the Council's management.

It was **RESOLVED** that the Internal Audit Progress Report for the period to 20 October 2017 is noted.

## **7. URGENT PART I BUSINESS**

None.

## **8. EXCLUSION OF PRESS AND PUBLIC**

It was **RESOLVED** that:

1. Under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in paragraphs 1-7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to information) (Variation) Order 2006.
2. Members considered the reasons for the following reports being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

## **PART II**

## **9. PART II MINUTES – AUDIT COMMITTEE – 6 SEPTEMBER**

It was **RESOLVED** that the Part II Minutes of the meeting of the Committee held on 6 September 2017 are approved as a correct record and signed by the Chair.

## **10. DIGITAL INFORMATION MANAGEMENT**

The Committee received a report which updated Members on progress toward addressing the recommendations resulting from the Digital Information Management Audit.

Members asked a number of questions about the report which were answered by the Officer.

It was **RESOLVED** that the report is noted.

**11. STRATEGIC RISK REGISTER QUARTER 2 2017/2018**

The Committee received a report on the latest Strategic Risk Register for Stevenage Borough Council and were advised of the latest developments on risk management issues.

It was **RESOLVED**:

1. That the latest Strategic Risk Register is noted.
2. That the developments on risk management issues are noted.

**12. URGENT PART II BUSINESS**

None

**CHAIR**