

Public Document Pack

Daneshill House
Danstrete
Stevenage
Hertfordshire

3 October 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 Wednesday, 11 October 2017 at 7.00 pm and you are summoned to attend to transact the following business.

Yours faithfully

Scott Crudgington
Chief Executive

AGENDA

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

2. **MINUTES - 11 JULY 2017**

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

Minutes attached

5 - 10

3. **MAYOR'S COMMUNICATIONS**

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

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

To receive a presentation on the potential impact of the Homeless Reduction Act 2017.

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 Mrs Joan Lloyd:

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 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 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

A Question from Councillor Parker

Noting that, in order to make local residents aware, the Manor Ward councillors have publicised the proposed Gresley Park development, and in particular the site for Travelling Showpeople, and objected to these at EHDC since mid 2016, and noting the concern amongst local residents, why was there no objection to these items in the response by SBC to EHDC on their proposed Local Plan, and no attempt to inform local residents about them by SBC, and what steps will now be taken by SBC to rectify these omissions and to object to this proposal?

B Question from Councillor Snell

Why did the welcome public realm improvements to the Town Centre take so long to complete and what commitments will the Council make to ensure that the improvements are maintained and well-kept for the future?

C Question from Councillor McGuinness

To ask the Council why the power outage of the August Bank holiday weekend caused so much damage to the IT infrastructure of the Council?

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

The report attached as Item 11 was considered by the Audit Committee on 6 September and the Executive on 19 September. Each body agreed the following recommendation to Council –

‘That the 2016/2017 Annual Treasury Management Review be approved.’

Report & Appendices attached

11 - 26

12. AUDIT COMMITTEE - DRAFT MINUTES

To note the draft Minutes of the meeting of the Audit Committee held on 6 September 2017.

Minutes attached

27 - 32

13. URGENT DECISION TAKEN OUTSIDE BUDGET & POLICY FRAMEWORK

To note a report submitted in accordance with the Council’s Constitution concerning on an urgent decision taken by the Executive that was outside the Budget & Policy Framework.

Report & Appendix attached

33 - 44

This page is intentionally left blank

STEVENAGE BOROUGH COUNCIL

COUNCIL MINUTES

Date: Tuesday 11 July 2017

Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present: Members: The Mayor (P Stuart), D Bainbridge, P Bibby CC, 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, L Martin-Haugh, A McGuinness, M McKay, J Mead, S Mead, A Mitchell CC, M Notley, R Raynor, C Saunders, G Snell, S Speller, S Taylor OBE CC, J Thomas and A Webb

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

Start/End Time: Start Time: 7:00 pm
End Time: 8:10 pm

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillor R Parker.

There were no declarations of interest.

At this juncture, the Mayor advised that she would be taking an urgent motion at item 9 on the agenda concerning the NHS Consultation – A Healthier Future which had recently been published and for which the consultation period ended before the next Council meeting.

2. MINUTES – ANNUAL COUNCIL – 17 MAY 2017

It was **RESOLVED** that the Minutes of the Council meeting of 17 May 2017 be approved as a correct record and signed by the Mayor.

3. MAYOR'S COMMUNICATION

The Mayor informed the Council of the sad death of former Councillor Peter Metcalfe. The Mayor called on the Leader of the Council to lead the tributes.

Councillor Taylor spoke about Peter Metcalf's wisdom, intelligence and sense of humour and paid tribute to the huge contribution he had made to the political life of the Town, helping the transition from the Development

Corporation to the Council.

Councillor Taylor then read a tribute from the Leader of the Minority Group Councillor Parker. Councillor Parker first met Peter Metcalfe, a former Chells Ward Councillor in 1966 and he spoke about his time working with him for the SDP between 1981 and 1988 and remembered his dedication, determination and great sense of humour. Councillor Parker said he had lost a wise mentor and had a great deal to thank him for.

Tributes were then taken from other Councillors and the Council's sincere condolences to Mrs Metcalfe and her family were recorded.

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. The Mayor referred to a number of highlights including a visit to Ingelheim – one of Stevenage's Twin Towns, the Stevenage Festival and a number of garden parties and school fetes as well as attending sports day at Lonsdale School.

4. MAIN DEBATE

The Mayor advised that there would be no main debate for this meeting.

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 advised that he would forego his opportunity to raise matters relevant to the Borough at this meeting.

There was no update from the Leader of the Council at this meeting.

9. NOTICE OF MOTIONS

As stated at the beginning of the meeting this Motion had not been included on the agenda, however, given the reason for urgency the Mayor agreed that it be considered on this occasion.

Councillor Jeanette Thomas, Portfolio Holder for Housing, Health and Older People proposed a motion in relation to the public consultation from the East & North Hertfordshire Clinical Commissioning Group (CCG) "A Healthier Future".

In moving the motion, Councillor Thomas advised that it was essential for the Council to work with the CCG to ensure the residents of Stevenage received the care and treatment they needed close to their homes.

In seconding the motion, Councillor Hollywell advised that there would be a direct impact on Stevenage residents if local health services were reduced.

Councillor Taylor, stressed the importance of working with the CCG and urged the health service to work with the Council to benefit the health of all residents in the Town.

It was moved, seconded and **RESOLVED**:

That this Council welcomes the opportunity to participate in the East & North Hertfordshire Clinical Commissioning Group "A Healthier Future" public consultation. This opportunity has been a long time coming though which has caused considerable concern to local people who wish to know how the impact of the Government's inability to fund NHS services appropriately will affect them.

It is recognised and evidenced that Stevenage has a number of specific public health challenges which are either directly or indirectly related to some of the proposals referenced within the consultation document. The funding of the NHS is of course a national matter but if / when it is reduced there will be significant local implications. This Council will oppose any proposals that may detrimentally impact upon local services and the people, a number of whom will be vulnerable, who receive and rely upon them.

Where it is clear that an area, like Stevenage, has particular health needs funding should be prioritised to provide the support and treatment that is necessary. The NHS and associated public services should invest properly in prevention activities so as to treat the causes as well as the symptoms of poor health. This requires long term strategic thinking, planning and joined up / genuine partnership working across the sectors, which has not been evident thus far.

10. QUESTIONS FROM MEMBERS TO COMMITTEE CHAIRS/PORTFOLIO HOLDERS

None.

11. ANNUAL SCRUTINY REPORT 2016/2017

The Chair of the Overview and Scrutiny Committee presented the Annual Scrutiny Report and thanked the Council's Scrutiny Officer and those

officers and Councillors participating in the scrutiny process to ensure that the Scrutiny remained a valuable asset for the Council.

It was moved, seconded and **RESOLVED**:

1. That the work undertaken by Overview & Scrutiny Committee and the Select Committees during 2016/17 is noted.
2. That the Scrutiny Officer and those Members who had taken part in the scrutiny process throughout the past year be thanked for their outstanding work to ensure that the scrutiny function remained a valuable asset for the Council.

12. PAY POLICY STATEMENT

It was moved seconded and **RESOLVED**:

1. That the Pay Policy Statement set out in accordance with the Localism Act, 2011 and the Data Transparency Code 2015, as attached at Appendix 1 to this report, is approved.
2. That the Pay Policy Statement be placed on the Council's website and that a notice of it be published in the next edition of Chronicle.

13. AUDIT COMMITTEE MINUTES – 28 MARCH AND 15 JUNE 2017

It was moved seconded and **RESOLVED** that the Minutes of the Audit Committee meeting of 28 March and 15 June are noted.

14. PRESENTATION OF FREEDOM OF THE BOROUGH CERTIFICATE

The Chamber was reminded that on 28 February the Council agreed a motion to posthumously award the Freedom of the Borough to the late Sherma Batson, MBE DL CC.

The Mayor welcomed to the meeting Members of Sherma's family including Howard Rooke, Ahisha Ferguson and Yvonne Batson.

The Leader of the Council, the Leader of the Opposition and a number of other Members and a member of the public spoke in remembrance of Sherma.

Councillor Taylor advised that this was the highest honour that the Council could bestow, and spoke about Sherma's unique, special and sustained contribution to the Town. Councillor Fraser advised that it would be difficult for anyone to rise to the standards set by Sherma and that he had no hesitation in supporting the award. Councillor Michelle Gardner spoke of her loss of Sherma and was pleased to inform Council that the Together Centre had recently been renamed the Sherma Batson Centre.

The Mayor then presented Howard Rooke, and Ahisha Ferguson, with a scroll to mark the posthumous award of the Freedom of the Borough to Sherma.

Howard Rooke thanked the Council for the award which he and the family recognised was the highest honour the Council could have given to Sherma. Following Ahisha reading a letter of thanks she had received from an individual who had benefited from a kidney transplant, Howard then spoke in tribute to his late wife and stressed the importance to all those present to sign up to the Organ Donor Register.

CHAIR

This page is intentionally left blank

Meeting: AUDIT COMMITTEE / EXECUTIVE
/ COUNCIL

**Council Agenda
Item:**

11

Portfolio Area: Resources

Date: 6 SEPTEMBER / 19 SEPTEMBER /
11 OCTOBER



ANNUAL TREASURY MANAGEMENT REVIEW OF 2016/17 INCLUDING PRUDENTIAL CODE

NON-KEY DECISION

Author – Anita Thomas Ext. 2430
Contributor – Lee Busby Ext. 2730
Lead Officer – Clare Fletcher Ext. 2933
Contact Officer – Clare Fletcher Ext. 2933

1. PURPOSE

- 1.1 To review the operation of the 2016/17 Treasury Management and Investment Strategy.

2. RECOMMENDATIONS

2.1 Audit Committee & Executive

That subject to any comments the 2016/17 Annual Treasury Management Review be recommended to Council for approval.

2.2 Council

That, subject to any comments from the Audit Committee and the Executive, the 2016/17 Annual Treasury Management Review be approved.

3. BACKGROUND

3.1 Regulatory requirement

- 3.1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management reviewing activities and the actual prudential and treasury indicators for 2016/17. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

- 3.1.2 During 2016/17 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 24/02/2016)
- a mid-year treasury update report (Council 7/12/2016)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

3.1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

3.1.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee and the Executive before they were reported to the Council.

3.2 Economy and Interest rates in 2016/17

3.2.1 The two major landmark events that commentators have reported as having had a significant influence on financial markets in the 2016/17 financial year were the UK EU referendum on 23 June 2016 and the election of President Trump in the USA on 9 November 2016. The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from 3rd quarter of 2018 to 4th quarter of 2019. At its 4 August 2016 meeting (the first meeting after the referendum result), the Monetary Policy Committee (MPC) cut Bank Rate from 0.5% to 0.25% and the Bank of England's Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, the Bank restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.

3.2.2 In the second half of 2016, the Bank's pessimistic forecasts for the UK economy were not realised. After a disappointing 1st quarter of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of no less than 1.8%. This meant that the MPC did not cut Bank Rate again after August but, since then, inflation has risen due to the effects of the sharp devaluation of sterling after the referendum but fell away slightly in July 2017. (July 2017 CPI - 2.6%).

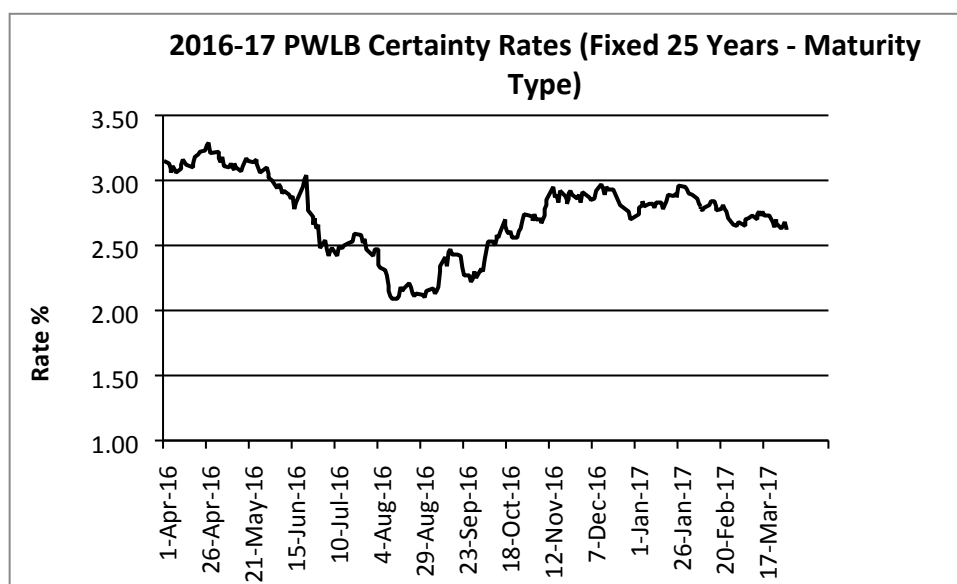
4. OVERALL TREASURY POSITION AS AT 31 MARCH 2017

4.1 At the beginning and the end of 2016/17 the Council's treasury position was as follows:

Table One: Treasury Position						
	2015/16			2016/17		
	31 March 2016 Principal £'000s	Rate / Return %	Average Life (Yrs)	31 March 2017 Principal £'000s	Rate / Return %	Average Life (Yrs)
Total Borrowing	209,757	3.37	17.64	209,494	3.38	16.66
Capital Financing Requirement	223,929			223,275		
Over/(under) borrowing	(14,172)			(13,781)		
Investments Portfolio	51,060	0.61		57,595	0.57	

5. TREASURY MANAGEMENT STRATEGY 2016/17

- 5.1 The original 2016/17 Treasury Management strategy had projected low but rising Bank Rate starting from 1st quarter of 2017 and gradual rises in medium and longer term fixed borrowing rates during 2016/17.
- 5.2 Continued uncertainty following the 2008 financial crisis promoted a cautious approach, whereby the Council's investments have been high grade, low risk having due regard to the "security, liquidity, yield" with security being the most important reflected in instant access and short (duration) call accounts being used. However, in the Treasury Management Review presented to Council on 28 February 2017 consideration has been given to slightly more diverse investments (see also para 5.9).
- 5.3 During 2016/17 there was major volatility in PWLB rates with rates falling during the 1st and 2nd quarters of 2016 to reach historically very low levels in July and August, before rising significantly during the 3rd quarter, and then partially easing back towards the end of the year.



5.4 The Council's Capital Expenditure and Financing 2016/17.

- 5.4.1 In 2016/17 the Council spent £24,231,000 on capital projects (General Fund and Housing Revenue Account). The total capital programme was funded from existing capital resources and no prudential borrowing was required. In addition no external loans were taken out during 2016/17 to fund existing borrowing requirements from previous years. Table two details capital expenditure and financing used in 2016/17.

Table Two: 2016/17 Capital Expenditure and Financing				
	2016/17	2016/17	2016/17	2016/17
	Original Estimate	Quarter 3 Revised Working Budget	Actual	Variance Actual to Quarter 3 Revised Working Budget
	£'000	£'000	£'000	£'000
Capital Expenditure:				
General Fund Capital Expenditure	7,101	6,958	4,829	(2,129)
HRA Capital Expenditure	25,316	21,842	19,402	(2,440)
Total Capital Expenditure	32,417	28,800	24,231	(4,569)
Resources Available for Capital Expenditure:				
Capital Receipts	(8,720)	(5,519)	(2,782)	2,737
Capital Grants /Contributions	(1,671)	(2,598)	(2,093)	505
Capital Reserves	(1,923)	(3,555)	(2,915)	640
Revenue contributions	(4,966)	(5,123)	(5,069)	54
Major Repairs Reserve	(15,137)	(12,005)	(11,372)	633
Total Resources Available	(32,417)	(28,800)	(24,231)	4,569
Capital Expenditure Requiring Borrowing	0	0	0	0

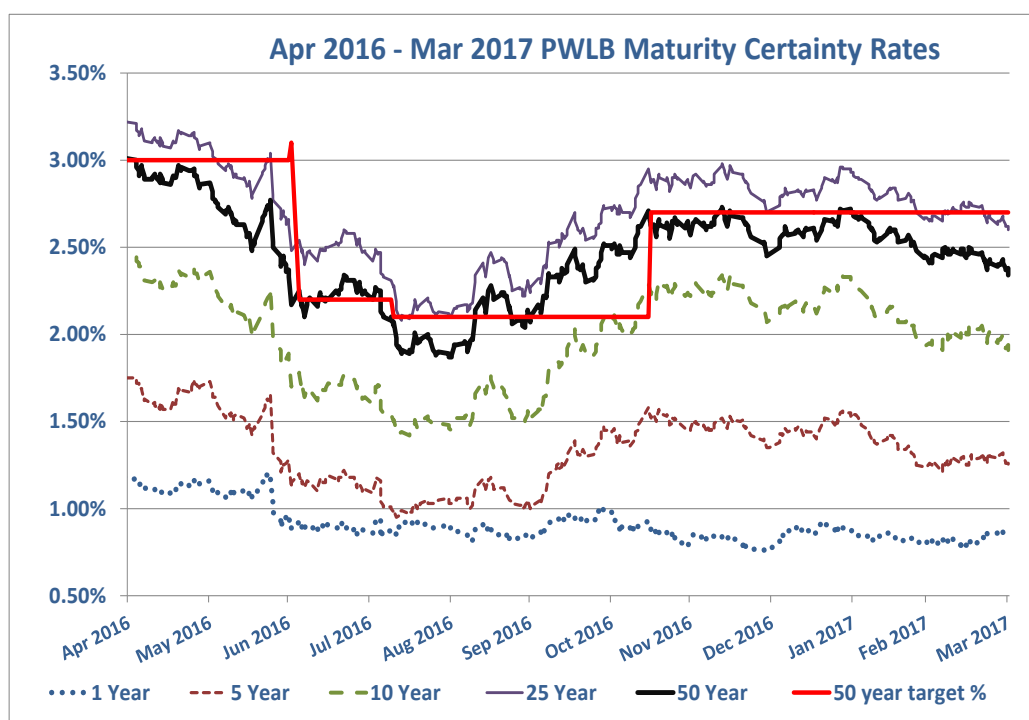
- 5.4.2 Since the original 2016/17 Treasury Management Strategy, Members have approved prudential borrowing for the garages asset management plan and the commercial property portfolio to support the Financial Security work stream. A proportion of the approved borrowing for these projects is expected to be taken out in 2017/18.
- 5.4.3 The Treasury Management review of 2016/17 Prudential Indicators have been updated to reflect changes to capital budgets which have been approved throughout the year. The actual capital expenditure for 2016/17 has already been reported to Executive on 17 July 2017.

5.5 The Council's overall need to borrow and Capital Financing Requirement

5.5.1 The Council's underlying need to borrow to fund its capital expenditure is termed the Capital Financing Requirement (CFR). It represents the amount of debt it needs to/has taken out to fund the programme (and includes both internal and external borrowing). The CFR is then reduced as debt repayments are made and Minimum Revenue Provisions (MRP – see also para 5.6) are made. A separate CFR is calculated for the General Fund and Housing Revenue Account and any transfers of assets (such as land or buildings) will impact on each fund's CFR. The CFR will go up on the fund "receiving" the assets and go down (by the same amount) on the fund "giving" the asset.

5.5.2 While cash balances are relatively high the Council continues to use internal borrowing in line with its Capital Strategy and Treasury Management Strategy. This position is kept under review taking into account future cash balances and forecast borrowing rates. Members should note that these cash balances relate in part to restricted use right to buy "one for one" receipts (£10.9million) and provisions (£8.6million) for future liabilities.

5.5.3 **PWLB certainty maturity borrowing rates** - the graph below shows how PWLB certainty rates have fallen to historically very low levels during the year.



- 5.5.4 As at the 31 March 2017 the Council had total external borrowing of £209,493,947. The debt repayment profile is shown in the following table:

Table Three: Maturity of Debt Portfolio for 2015/16 and 2016/17		
Time to maturity	31 March 2016 Actual £'000's	31 March 2017 Actual £'000's
Maturing within one year	263	4,004
1 year or more and less than 2 years	4,004	1,763
2 years or more and less than 5 years	2,289	789
5 years or more and less than 10 years	1,026	8,763
10 years or more	202,175	194,175
Total	209,757	209,494

- 5.5.5 The General Fund had £3,078,947 external borrowing, £1,500,000 was with another local authority and the remainder with the Public Works Loan Board (PWLb). The HRA had external borrowing of £206,415,000 all held with the PWLB, of which £11,504,000 relates to pre 2012 decent homes programme and the remainder £194,910,000 to self financing payment made to central government in 2012.
- 5.5.6 The HRA borrowing is constrained by legislation and is capped at £217,685,000. As at the 31 March 2017 the head room available for new HRA borrowing is £9,179,078.
- 5.5.7 The Council's CFR is one of the key prudential indicators and is shown in the table below.

Table Four: Capital Financing Requirement 2015/16 and 2016/17			
CFR Calculation	31-Mar-16 (£'000)	31-Mar-17 (£'000)	Movement in Year (£'000)
Opening Balance	230,082	223,929	
Closing Capital Financing Requirement (General Fund)	15,423	14,769	(654)
Closing Capital Financing Requirement (Housing Revenue Account)	208,506	208,506	0
Closing Balance	223,929	223,275	
Increase/ (Decrease)	(6,153)	(654)	(654)

5.5.8 The CFR for the HRA remained unchanged as no debt repayments were made in year, no borrowing was required and no assets were transferred between the General Fund and HRA. In 2017/18 there is a scheduled debt repayment of £3,741,000, however further borrowing of £3,500,000 to be taken in 2017/18 has been approved as part of the updated HRA business plan.

5.5.9 The General Fund's CFR reduced by £653,628 - the Minimum Revenue Provision (MRP) made in year.

5.6 Minimum Revenue Provision (MRP)

5.6.1 The Prudential Code, by which the Council has to make its borrowing decisions, requires the Council to demonstrate that borrowing is required and affordable. The MRP is a statutory requirement to ensure borrowing is affordable for the General Fund and does not apply to the HRA (the HRA affordability has been determined by central government in setting the HRA's debt cap (see also para 5.5.6)). The Council is required to make an annual MRP based on its policy approved by Council as part of the Treasury Management Strategy. The calculation of MRP is based upon prior years' borrowing requirement (regardless of whether that borrowing was internal or external) and the life of the asset for which the borrowing was required.

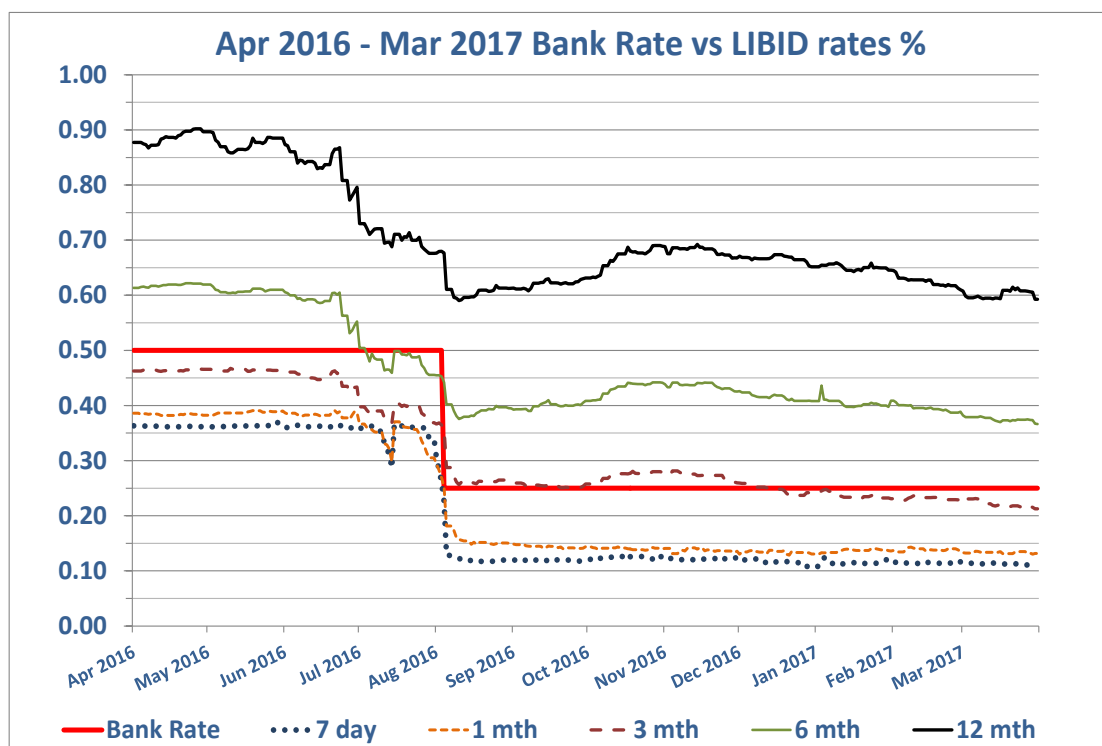
5.6.2 The MRP charged to the General Fund in 2016/17 was £653,628

5.7 Cash Balances and Investment rates

5.7.1 As at 31 March 2017 cash balances held by the Council were £57.595Million. During the year the average cash balance was £62Million, earning interest of £356,442 and achieving an average interest rate of 0.57%. The comparable rate was 0.20% (average 7-day LIBID rate). This compares with an original budget assumption of £375,770 based on average investment rate of 1.03% however higher cash balances offset the lower rate achieved.

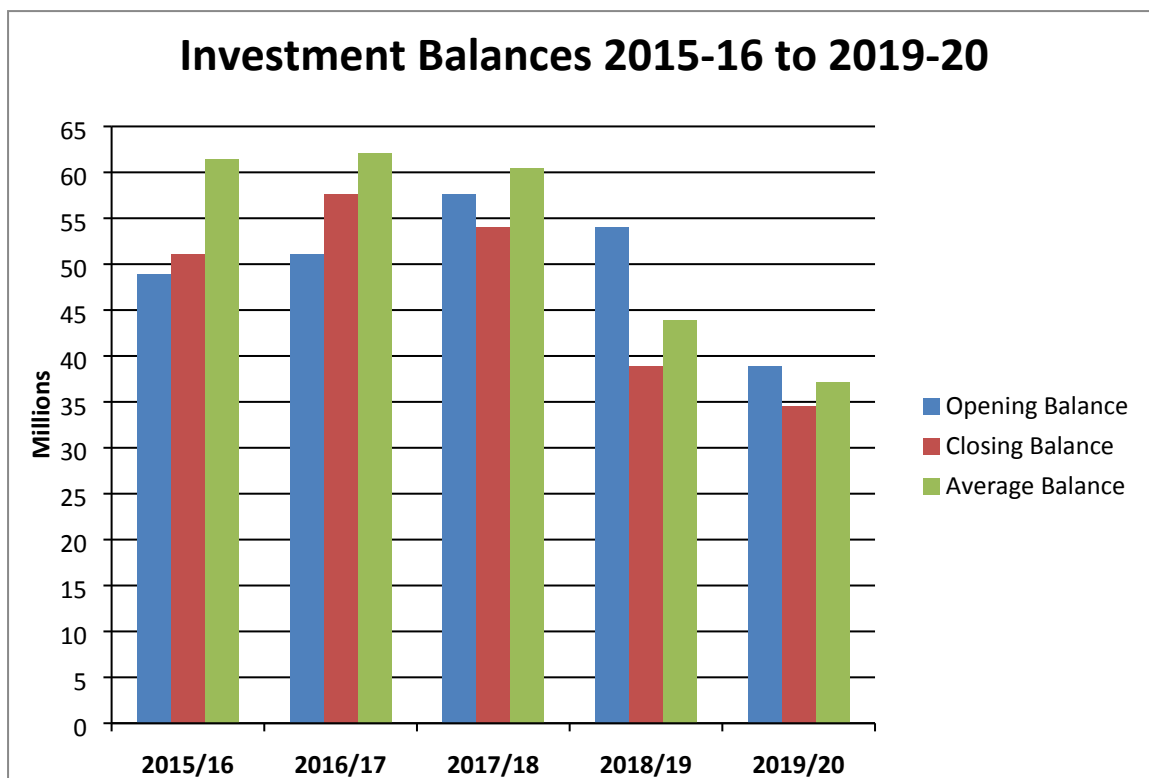
5.7.2 Members approved an increase in counter party limits . This was in part to avoid the use of Debt Management Office (DMO) as the investment of "last resort" as the interest rate is so low (currently 0.1%). No funds were placed with the DMO during 2016/17.

5.7.3 After the EU referendum, Bank Rate was cut from 0.5% to 0.25% on 4 August and remained at that level for the rest of the year. Market expectations as to the timing of the start of monetary tightening started the year at 3rd quarter of 2018, but then moved back to around the end of 2019 in early August before finishing the year back at 3rd quarter of 2018. Deposit rates continued into the start of 2016/17 at previous depressed levels but then fell during the first two quarters and fell even further after the 4 August MPC meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to fresh lows in March 2017. The following chart shows Bank rate and LIBID rates in 2016/17.



5.7.4 Cash balances were £57million at the end of the year partly due to retention of one for one right to buy receipts ring fenced for HRA new social housing schemes (£10.9Million), provisions and reserves held for specific purposes and HRA balances (£19.7Million) the latter is forecast to be used in the next five years as mentioned in paragraph 5.5.2.

5.7.5 The following chart shows the historic level of cash balances and the current projections to 2019/20.



5.7.6 The Council invests its surplus cash balances in accordance with the Treasury Management Strategy approved by Council on 24 February 2016. The policy set out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data and counterparty limits dependant on level of cash balances held.

5.7.7 There were no breaches to this policy in 2016/17 with the investment activity during the year conforming to the approved strategy and the Council had no liquidity difficulties.

5.8 Other Prudential Indicators

5.8.1 The treasury management indicators for 2017/18 onwards have been updated based on the updated Capital Strategy approved by Council in February 2017 and subsequently updated in the 3rd and 4th quarter capital updates reported to Executive in March and July 2017.

5.8.2 The net borrowing position for the Council as at 31 March 2017 was £151.899Million (total borrowings/loans of £209.494Million less total investments held of £57.595Million).

5.8.3 The operational boundary and authorised limit refers 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. There were no breaches of either limit in 2016/17.

- 5.8.4 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, Revenue Support Grant and retained business rates. The 2016/17 indicator is 8.53%.
- 5.8.5 The full list of treasury prudential indicators is shown in Appendix A and has been updated for the 2016/17 outturn position and the revised 2017/18 capital programme.

5.9 Treasury Position Post 31 March 2017

- 5.9.1 The 2017/18 Treasury Management Strategy incorporated a number of updates to the investment strategy and the parameters in which officers work to invest the Council's cash balances.
- 5.9.2 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 £9.3Million is held in deposits of 12 month plus duration (currently balances are £70million and year end balances are forecast to be £67Million).
- 5.9.3 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. The maximum amount held to date in money market funds under the 2017/18 strategy was £23.8Million.
- 5.9.4 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.

6. IMPLICATIONS

6.1 Financial Implications

- 6.1.1 This report is of a financial nature and reviews the treasury management function for 2016/17. Any consequential financial impacts identified in the July Capital strategy and 4th quarter revenue budget monitoring report have been incorporated into this report.

- 6.1.2 During the financial year Officers operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

6.2 Legal Implications

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

6.3 Equalities and Diversity Implications

- 6.3.1 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.
- 6.3.2 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.

6.4 Risk Implications

- 6.4.1 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.

6.5 Policy Implications

- 6.5.1 This report confirms treasury decisions have been made in accordance with the policy.

BACKGROUND PAPERS

- BD1 Mid year Treasury update (Council 7 December 2016)
<http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20160712-Item11.pdf>
- BD2 Treasury Management Review including Prudential Code Indicators 2017/18 (Council 28 February 2017)
<http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20170228-Item12.pdf>

APPENDICES

- Appendix A Prudential Indicators
- Appendix B Investment and Borrowing Portfolio.

This page is intentionally left blank

Treasury Management Prudential Indicators		Appendix A			2016/17 Treasury Management Outturn			
	2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20
Capital Expenditure (Based on Capital Strategy July 2017):	Actual	Original Estimate February 2016	Revised September 2016	Revised Estimate February 2016	Actual	Revised February 2017	Revised February 2017	Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
General Fund	5,585	6,629	9,903	6,958	4,829	12,605	6,386	5,574
HRA	20,549	25,316	28,025	21,842	19,402	18,808	36,368	30,837
Total	26,134	31,945	37,928	28,800	24,231	31,413	42,753	36,411
	2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20
Ratio of financing costs to net revenue stream:	Actual	Original Estimate February 2016	Revised September 2016	Revised Estimate February 2016	Actual	Revised February 2017	Revised February 2017	Revised February 2017
	%	%	%	%	%	%	%	%
General Fund Capital Expenditure	6.74%	8.61%	8.90%	8.90%	8.53%	8.58%	8.20%	8.33%
HRA Capital Expenditure	15.36%	15.56%	15.43%	15.43%	15.12%	15.74%	15.31%	15.31%
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.								
	2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20
Authorised Limit for external debt	Actual	Original Estimate February 2016	Revised September 2016	Revised Estimate February 2016	Actual	Revised February 2017	Revised February 2017	Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	16,234	15,700	15,580	15,580	15,580	15,296	16,622	18,507
Borrowing - HRA	212,506	212,386	212,506	212,506	212,506	212,265	212,265	212,265
Total	228,740	228,086	228,086	228,086	228,086	227,561	228,887	230,772
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.								
	2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20
Operational Boundary for external debt	Actual	Original Estimate February 2016	Revised September 2016	Revised Estimate February 2016	Actual	Revised February 2017	Revised February 2017	Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	11,234	10,700	10,580	10,580	10,580	10,296	11,622	13,507
Borrowing - HRA	208,506	208,386	208,506	212,506	212,506	208,265	208,265	208,265
Total	219,740	219,086	219,086	223,086	223,086	218,561	219,887	221,772
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.								
	31/03/2016	2016/17	2016/17	2016/17	2016/17	31/03/2018	31/03/2019	31/03/2020
Gross & Net Debt	Actual	Original Estimate February 2016	Revised September 2016	Revised Estimate February 2016	Actual	Revised February 2017	Revised February 2017	Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Gross External Debt - General Fund	3,342	3,079	3,079	3,079	3,079	2,816	1,053	789
Gross External Debt - HRA	206,415	206,415	206,415	206,415	206,415	202,674	202,674	202,674
Gross External Debt	209,757	209,494	209,494	209,494	209,494	205,490	203,727	203,463
Less Investments	(51,060)	(35,808)	(43,164)	(46,663)	(57,595)	(45,131)	(33,524)	(23,256)
Net Borrowing	158,697	173,686	166,330	162,831	151,899	160,359	170,203	180,208
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 2019/20 £6.5M is required to be								
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.								
	31/03/2016	2016/17	2016/17	2016/17	2016/17	31/03/2018	31/03/2019	31/03/2020
Capital Financing Requirement	Actual	Original Estimate February 2016	Revised September 2016	Revised Estimate February 2016	Actual	Revised February 2017	Revised February 2017	Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Capital Financing Requirement GF	15,423	14,889	14,769	14,769	14,769	14,485	15,811	17,696
Capital Financing Requirement HRA	208,506	208,386	208,506	208,506	208,506	208,265	208,265	208,265
Total Capital Financing Requirement	223,929	223,275	223,275	223,275	223,275	222,750	224,076	225,961
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).								
	2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20
Incremental Impact on Capital Investment Decisions	Actual	Original Estimate February 2016	Revised September 2016	Revised Estimate February 2016	Actual	Revised February 2017	Revised February 2017	Revised February 2017
	£	£	£	£	£	£	£	£
Increase (Decrease) in Council Tax (band D)	0.00	0.00	0.00	0.00	0.00	0.00	0.56	3.51
Increase (Decrease) in average rent per week	(0.11)	(0.03)	0.04	(0.05)	(0.08)	(0.03)	21.22	(3.40)
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 November 2015 to January 2016.								
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 November 2015 to January 2016.								
	2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20
Upper limit for fixed interest rate exposure	Actual	Original Estimate February 2016	Revised September 2016	Revised Estimate February 2016	Actual	Revised February 2017	Revised February 2017	Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Fixed Rate Borrowing - General Fund	16,234	15,700	15,580	15,580	15,580	15,296	16,622	18,507
Fixed Rate Borrowing - HRA	212,506	212,386	212,506	212,506	212,506	212,265	212,265	212,265
Fixed Rate Investments	100%	100%	100%	100%	100%	100%	100%	100%
Net Fixed Rate Borrowing	NA	NA	NA	NA	NA	NA	NA	NA
	2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20
Upper limit for variable interest rate exposure	Actual	Original Estimate February 2016	Revised September 2016	Revised Estimate February 2016	Actual	Revised February 2017	Revised February 2017	Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Variable rate borrowing - General Fund	16,234	15,700	15,580	15,580	15,580	15,296	16,622	18,507
Variable rate borrowing - HRA	212,506	212,386	212,506	212,506	212,506	208,765	208,765	216,717
Gross Variable Rate	228,740	228,086	228,086	228,086	228,086	224,061	225,387	235,224
Variable rate investments	100%	100%	100%	100%	100%	100%	100%	100%
	2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20
Upper limit for total principal sums invested for over 364 days	Actual	Original Estimate February 2016	Revised September 2016	Revised Estimate February 2016	Actual	Revised February 2017	Revised February 2017	Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Sums invested for over 364 days	5,000	5,000	5,000	10,000	10,000	10,000	10,000	10,000

This page is intentionally left blank

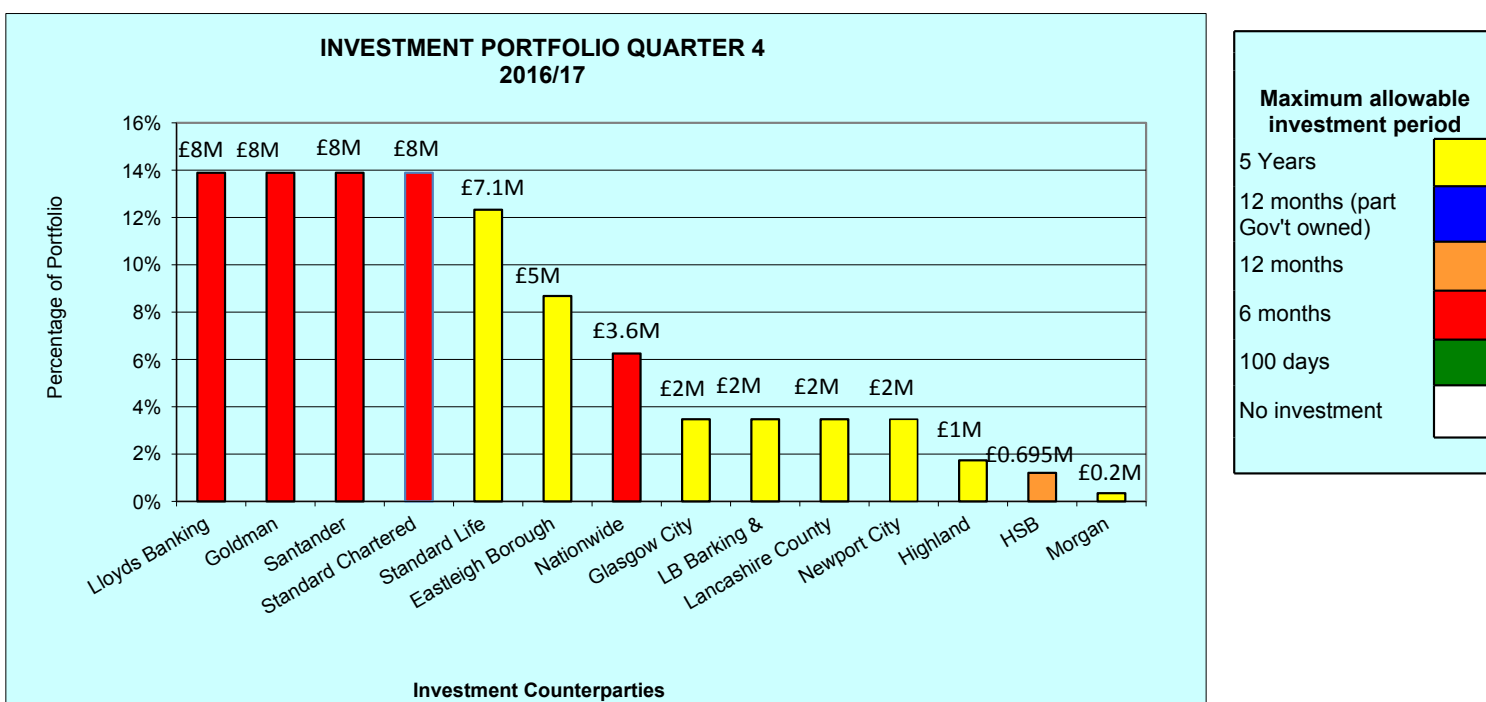
INVESTMENT PORTFOLIO (31st March 2017)

Appendix B

Average interest rate for 2015/16 0.61%
Average interest rate for 2016/17 0.57%

Borrower	Nation	Sovereign Rating (Fitch)	Amount £'s	From	To	Rate %
Money Market Funds (Instant Access)						
Standard Life	UK	AA	7,100,000			0.29
Morgan Stanley	UK	AA	200,000			0.22
60 Day Notice						
Santander UK	UK	AA	8,000,000			0.50
95 Day Notice						
Standard Chartered Bank	UK	AA	7,000,000			0.52
Fixed Term Deposit						
HSBC	UK	AA	695,000	31-Mar-17	03-Apr-17	0.10
Eastleigh Borough Council	UK	AA	5,000,000	17-Feb-17	04-Apr-17	0.30
Goldman Sachs	UK	AA	1,700,000	20-Oct-16	20-Apr-17	0.73
Nationwide B.S	UK	AA	3,600,000	20-Oct-16	20-Apr-17	0.42
Lloyds Banking Group	UK	AA	5,000,000	20-Dec-16	20-Jun-17	0.60
Newport City Council	UK	AA	2,000,000	08-Jun-15	10-Jul-17	0.98
Goldman Sachs	UK	AA	2,300,000	16-Jan-17	17-Jul-17	0.64
Lloyds Banking Group	UK	AA	3,000,000	23-Jan-17	24-Jul-17	0.60
Goldman Sachs	UK	AA	4,000,000	13-Feb-16	14-Aug-17	0.77
Standard Chartered Bank	UK	AA	1,000,000	15-Feb-17	15-Aug-17	0.59
Glasgow City Council	UK	AA	2,000,000	05-Dec-14	05-Dec-17	1.40
Highland Council	UK	AA	1,000,000	14-Apr-16	16-Apr-18	0.98
Lancashire County Council	UK	AA	2,000,000	06-Sep-16	06-Sep-18	0.58
LB Barking & Dagenham	UK	AA	2,000,000	09-Jan-17	09-Apr-20	0.98
			57,595,000			

Following the result of the referendum to leave the European Union, the UK sovereign rating was downgraded to AA (previously AA+) on the 29th June 2016.



LOAN PORTFOLIO QUARTER 4 (31st March 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
			11,504,000			

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
			194,911,000			

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	1,578,947	19/08/2013	19/02/2022	9 1/2 years
			3,078,947			

Total Borrowing

209,493,947

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: 6 September 2017

Time: 6:00 pm

Place: Shimkent Room, Daneshill House, Danestrete, Stevenage

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

In Attendance: P Hornsby – Shared Anti-Fraud Service
K Storey – EY (Ernst and Young)
C Wood – Shared Internal Audit Service

Start/End Time: Start Time: 6:00 pm
End Time: 7:55 pm

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

An apology for absence was received on behalf of Councillor G Lawrence.

There were no declarations of interest.

The Committee was advised that the agenda had not been published 5 clear working days prior to the meeting due to technical issues however the Chair of the Committee had agreed to the meeting going ahead due to the number of items scheduled for discussion.

The Chair indicated that Item 6, the Shared Anti-Fraud Service report, would be dealt with after Item 2.

2. MINUTES – AUDIT COMMITTEE – 15 JUNE 2017

Due to technical issues this report was not published five clear working days prior to the meeting. However the Chair of the Committee determined that it be considered on this occasion as this matter was scheduled to be considered on this date.

It was **RESOLVED** that the Minutes of the meeting of the Committee held on 15 June 2017 are approved as a correct record and signed by the Chair.

3. ANNUAL AUDIT AND CERTIFICATION FEES 2017/2018

Due to technical issues this report was not published five clear working days prior to the meeting. However the Chair of the Committee determined that it be considered on this occasion as this matter was scheduled to be considered on this date.

The Committee received the Annual Audit and Certification Fees letter from the Council's external auditors EY.

The Committee was advised that the audit fee was charged against a scale set by the regulators.

It was noted that the planned fee for the Certification of Housing Benefit Subsidy for 2016/17 of £12857 could be amended dependent on the amount of pre-work undertaken by the Joint Revenues and Benefits Service and the number of additional checks that needed to be carried out as a result of any audit findings.

The Committee was further advised that EY had been appointed as the Council's external auditors for a five year period from 2018/2019.

The Chair informed the Committee that she, and the Vice-Chair, had attended a training session facilitated by EY and encouraged other committee members to do likewise should the opportunity be made available.

It was **RESOLVED** that the Audit Fee letter is noted.

4. SHARED INTERNAL AUDIT SERVICE ANNUAL REPORT

Due to technical issues this report was not published five clear working days prior to the meeting. However the Chair of the Committee determined that it be considered on this occasion as this matter was scheduled to be considered on this date.

The Internal Audit Manager presented the Shared Internal Audit Service (SIAS) annual report and advised the Committee of progress with the SIAS restructure.

In reply to a question the Committee was advised that the focus of the restructure had been to provide a more responsive service in light of changing customer demand.

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

5. SHARED INTERNAL AUDIT SERVICE PROGRESS REPORT

Due to technical issues this report was not published five clear working

days prior to the meeting. However the Chair of the Committee determined that it be considered on this occasion as this matter was scheduled to be considered on this date.

The Internal Audit Manager presented the SIAS report for the period to 18 August 2017.

The Committee was advised that following the publication of the agenda the final report for the overtime audit had been published. The report gave a moderate level of assurance and contained four medium level recommendations.

In response to a Member request the Internal Audit Manager undertook to provide details of those audits to be carried forward.

It was **RESOLVED** that the Internal Audit Progress Report for the period to 18 August 2017 is noted.

6. SHARED ANTI-FRAUD SERVICE REPORT – SEPTEMBER 2017

Due to technical issues this report was not published five clear working days prior to the meeting. However the Chair of the Committee determined that it be considered on this occasion as this matter was scheduled to be considered on this date.

This item was dealt with after item 2.

The Committee received a report detailing the key activities of the Shared Anti-Fraud Service (SAFS).

Members asked whether the cash recovered through anti-fraud activities represented value for money given the Council's contribution of £140k to fund the anti-fraud service. In reply the Committee was advised that part of the benefit of the service could not be measured solely in cash terms. In addition to recovered monies the Council had recovered a number of HRA properties and in addition consider the deterrent value of the service. The Assistant Director (Finance and Estates) undertook to feedback to the Committee the number of council homes that had been recovered as a result of anti-fraud activities.

In reply to a further question the Committee was advised that due to data protection legislation it was impossible to respond to enquiries made by the public concerning potential or on-going fraud cases in terms of the action taken from the information supplied. However in the event of a successful prosecution a press release would be issued.

It was **RESOLVED**:

1. That the progress of the Shared Anti-Fraud Service against the Anti-Fraud Action Plan 2017/2018 is noted

2. That the action taken by the Council to prevent and deter fraud and protect public funds is noted.

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

Due to technical issues this report was not published five clear working days prior to the meeting. However the Chair of the Committee determined that it be considered on this occasion as this matter was scheduled to be considered on this date.

The Assistant Director (Finance and Estates) presented the Annual Treasury Review of 2016/2017.

It was noted that historically low interest rates had resulted in difficulty for the Council to achieve good returns on its investments, however Council's cash balances were higher on average than assumed in the original budget which offset the lower than expected interest returns.

In reply to a question the Committee was advised that the Council had risk assessed its level of cash balances.

It was confirmed that no external loans had been taken out in 2016/17 to fund existing borrowing requirements from previous years.

It was **RESOLVED** that the 2016/2017 Annual Treasury Management Review be recommended to Council for approval.

Councillor H Burrell left the meeting at the conclusion of this item.

8. URGENT PART I BUSINESS

None.

9. 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

10. STRATEGIC RISK REGISTER QUARTER 1 2017/2018

Due to technical issues this report was not published five clear working days prior to the meeting. However the Chair of the Committee determined that it be considered on this occasion as this matter was scheduled to be considered on this date.

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.

11. URGENT PART II BUSINESS

Final Internal Audit Report – Digital Information Management 2016/2017

Due to technical issues this report was not published five clear working days prior to the meeting. However the Chair of the Committee determined that it be considered on this occasion as this matter was scheduled to be considered on this date.

In response to comments made by the Committee the Interim Senior IT Manager undertook to bring a follow-up report to the next meeting of the Committee.

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

CHAIR

This page is intentionally left blank

Meeting: COUNCIL

Agenda Item:

12

Portfolio Area: Resources

Date: 11 OCTOBER 2017

URGENT DECISION OUTSIDE BUDGET & POLICY FRAMEWORK

Authors –	Jackie Cansick	Ext.2216
Contributor –	Clare Fletcher	Ext.2933
Lead Officers –	Clare Fletcher	Ext.2933
Contact Officer –	Clare Fletcher	Ext.2933

1. PURPOSE

- 1.1 In accordance with the Council's Constitution, to report on an urgent decision taken by the Executive that was outside the Budget & Policy Framework.

2. RECOMMENDATIONS

- 2.1 That this report be noted.

3. BACKGROUND

- 3.1 At its meeting on 17 July the Executive considered the 2016/2017 Capital Expenditure Outturn (report appended). This report included a recommendation that the 2017/18 General Fund capital programme net changes totalling £4,024,160 be approved.
- 3.2 The total changes included the increase in the 2017/18 capital budget for Registered Providers (fully funded by the use of one for one receipts) of £2,165,000 which is higher than the amount delegated to the Executive and as contrary to the Council's Budget & Policy Framework would require approval at Council however, the next Council meeting (this meeting) is in October and after the grant is projected to be spent.
- 3.3 The Council's Constitution states that the Leader, Executive, or an individual Member of the Executive may take a decision which is contrary to the Council's policy framework if the decision is a matter of urgency and it is not practical to convene a quorate meeting of the Council and the Chair of the Overview and Scrutiny Committee agrees that the decision is a matter of urgency. In this instance the Chair of the Overview & Scrutiny Committee agreed that due to the reason for urgency the matter could be decided by the Executive.

- 3.4 The relevant recommendation was therefore included in the attached report that was considered by the Executive (see recommendation 2.5) and approved.
- 3.5 The decision of the Executive was reported to the Overview & Scrutiny Committee and in accordance with the provisions of the Council's Constitution is reported to this Council meeting.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 As set out in attached report.

5. IMPLICATIONS

- 5.1 All relevant implications are set out in the attached report.

BACKGROUND PAPERS

BD1 – Council's Constitution - Budget & Policy Framework Rules
<http://www.stevenage.gov.uk/content/committees/96416/Part-4c-Budget-Policy-Framework-Oct16.pdf>

APPENDICES

Appendix A – Report to Executive 17 July 2017 - 2016/17 Capital Expenditure Outturn

Meeting: EXECUTIVE

Agenda Item:

Portfolio Area: Resources

Date: 17 JULY 2017



2016/17 CAPITAL EXPENDITURE OUTTURN KEY DECISION

Author – Anita Thomas Ext 2430
Contributors- Lee Busby Ext Ext 2730
Lead Officer – Clare Fletcher Ext 2933
Contact Officer – Clare Fletcher Ext 2933

1. PURPOSE

- 1.1 To update Members on the outturn position on the 2016/17 capital programme including the resources used to fund that expenditure.
- 1.2 To update Members on the Council's Capital Strategy and any changes to the 2017/18 capital programme.
- 1.3 To update Members on the actual 2016/17 Minimum Revenue Provision (MRP) and the MRP for 2017/18.
- 1.4 To update Members on the resources available to fund the Capital Strategy.

2. RECOMMENDATIONS

- 2.1 That the 2016/17 General Fund capital expenditure outturn of £4,829,306 be noted, (subject to the 2016/17 external audit of accounts).
- 2.2 That the 2016/17 HRA capital expenditure outturn of £19,402,180 be noted (subject to the 2016/17 external audit of accounts).
- 2.3 That the funding applied to the 2016/17 General Fund capital programme be approved as summarised in paragraph 4.2.4.
- 2.4 That the funding applied to the 2016/17 HRA capital programme be approved as summarised in paragraph 4.5.1.
- 2.5 That the 2017/18 General Fund capital programme net changes of £4,024,160 be approved as summarised in paragraph 4.3.7 including, the additional expenditure

above the amount delegated to the Executive for the reasons outlined in paragraph 4.3.6. This decision to be taken as a matter of urgency in accordance with the Budget & Policy Framework rules set out in the Constitution and with the agreement of the Chair of the Overview & Scrutiny Committee.

- 2.6 That the 2017/18 HRA capital programme total increase of £2,557,700 be approved as summarised in paragraph 4.6.1 and detailed in Appendix B to this report.

3. BACKGROUND

- 3.1 The 2016/17 capital programme was last approved by Members at the March Executive as part of the 3rd quarter monitoring report. At March Executive the 2016/17 revised General Fund capital programme was projected to be £6,957,730 and the 2016/17 revised HRA capital programme was projected to be £21,842,350 a total of £28,800,080.
- 3.2 The 2016/17 outturn position included in this report is subject to the Council's external auditors by 30 September 2017 and the accounts may change as a result of any audit findings. The audited accounts will be presented to the September Audit and Statement of Accounts Committees.

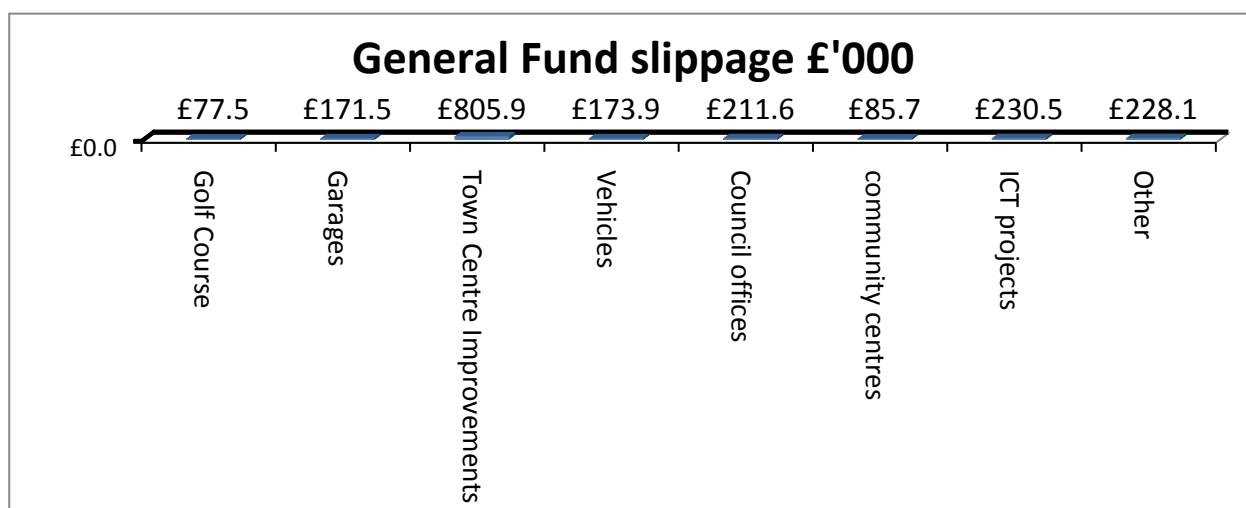
4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2016/17 GENERAL FUND CAPITAL PROGRAMME

- 4.1.1 The actual outturn for General Fund capital spend was £2,128,424 lower than that estimated in the March 2017 Executive. The main reason for this is a timing difference whereby spend totalling £1,984,680 due to be spent in the final quarter of 2016/17 will now be spent in 2017/18. Appendix B shows the slippage by scheme which is summarised in the table below.

General Fund - Schemes	Q3 Revised Budget	2016-17 Actuals	(Under)/Overs pend	Slippage to 2017-18
Leisure & Community Services	405,770	271,056	(134,714)	103,420
Housing Services	753,460	592,379	(161,081)	0
Environment	2,815,380	2,223,587	(591,793)	544,424
Regeneration	1,926,200	1,160,613	(765,587)	860,276
Resources	1,056,920	581,671	(475,249)	476,560
TOTAL	6,957,730	4,829,306	(2,128,424)	1,984,680

- 4.1.2 The General Fund slippage is summarised by spend type in the following chart. Of the expenditure projected to be spent in 2017/18, 41% relates to Town Centre improvements that are currently underway in the Town.



- 4.1.3 In addition there is slippage on the garage improvement programme of £171,510. The work requires the recruitment of a programme manager, surveyors and disposal surveyor all of which have been difficult to recruit to. Officers are now looking at restructuring the work streams to help progress the project. This may have a knock on impact on the 2017/18 projected expenditure and some of the anticipated garages disposal sites are now projected to be realised in 2018/19.
- 4.1.4 The most significant under spend in 2016/17 was for disabled facilities and improvement grants. Both of these budgets are reactive; spend on the nature and speed of works coming forward is dependent on applications. Disabled Facilities grants are 100% funded from a ring fenced grant from the Better Care Fund. The 2017/18 grant allocation exceeds the 2017/18 original budget and the 2017/18 budget has been increased to reflect this. Consequently, the 2016/17 under spend has not been requested for carry forward.

4.2 2016/17 GENERAL FUND CAPITAL RESOURCES

- 4.2.1 The actual General Fund capital receipts received in 2016/17 were £5,970,229 compared to budgeted receipts at £6,192,525 a reduction of £222,296. The projected receipts for 2017/18 are also projected to be £365,480 lower and the Estates team have been asked to identify potential alternative sites to ensure the financial security of the capital programme.
- 4.2.2 The Council has a statutory requirement to make a General Fund Minimum Revenue Provision (MRP) to reflect the cost of borrowing over the life of the assets funded this way. The Council makes this payment one year in arrears for assets funded via borrowing in the previous years, regardless of whether physical borrowing has taken place. The MRP charge calculated for 2017/18 remains unchanged at £654,370.
- 4.2.3 The capital programme also uses grants and contributions from Government and third parties such as developers in the form of S106 agreements. Most of this income is linked to specific projects and cannot support an unrelated scheme in the capital programme. The current capital strategy contains S106 monies that have been earmarked to support current and future capital schemes.

- 4.2.4 The resources used and available to fund future capital expenditure are summarised in the following table:

General Fund Resources	Received in Year £	Used in Year £	Available to Fund Future Year Expenditure £
Usable Capital Receipts	(5,970,229)	134,929	(6,433,954)
Local Authority right to buy share	(350,019)	378,455	(939,071)
Section 106 Receipts	(333,246)	301,706	(344,011)
Grant and Other Contributions General Fund	(773,687)	935,478	(143,670)
Capital Allocated Reserve	(1,210,090)	2,377,438	0
Total	(8,637,271)	4,128,007	(7,860,706)

4.3 GENERAL FUND CAPITAL EXPENDITURE 2017/18

- 4.3.1 Members approved the 2017/18 General Fund capital programme at the March Executive. This report identifies an increase in the budget by £4,024,160 to £12,605,280.
- 4.3.2 **Slippage** - The 2017/18 programme has increased by £1,984,680 of scheme slippage from 2016/17, (paragraphs 4.1.2-4.1.4 refers).
- 4.3.3 **Increased expenditure**- The 2017/18 General Fund budget has also been **increased by £2,165,000** for expenditure on grants to Registered Housing Providers for housing nomination rights. The funding of this grant is from 'one for one' receipts retained from Right to Buys. These receipts are restricted in their use and must be used to provide additional social housing.
- 4.3.4 The Council predominately uses one for one receipts to fund its own new build programme, Members are aware that only a 30% contribution can be made to any one additional property AND the funds must be spent within three years. An alternative to handing the receipts back to the government with interest at 4% above the base rate is to grant the monies to housing associations for nomination rights. Previous capital reports identified that £1Million needed to be granted in this way to avoid handing back receipts. The latest projection is higher due to the re-profiling of capital schemes and the 2016/17 slippage. The total spend on the Council's own new build programme remains unchanged however, some spend is now projected to be in 2017/18 and 2018/19.
- 4.3.5 The revised use of one for one receipts by the Assistant Director (Housing Development) has meant that the projected £1.099Million return of receipts (in 2017/18 and 2018/19) to the government with an estimated interest of £100,000 has been avoided and additional nomination rights have been obtained.
- 4.3.6 The increase in the 2017/18 capital budget for Registered Providers (fully funded by the use of one for one receipts) of £2,165,000 is higher than the amount delegated to the Executive and would require approval at Council. The next Council meeting

is in October and after the grant is projected to be spent. The Leader, Executive, or an individual Member of the Executive may take a decision which is contrary to the Council's policy framework if the decision is a matter of urgency and it is not practical to convene a quorate meeting of the Council and the Chair of the Overview and Scrutiny Committee agrees that the decision is a matter of urgency. If a Council meeting cannot be convened it is recommended that the Executive approve the change to the budget.

4.3.7 The changes to the 2017/18 budget are summarised in the table below:

General Fund - Schemes budget changes and impact on 2017/18.	Spend re-profiled from 2016-17	Budget increases	Budget reductions	Use of 1.4.1 receipts to registered Providers	Spend re-profiled to 2018/19	Total
Leisure & Community Services	103,420	0	0	0	0	103,420
Housing Services	0	0	0	0	0	0
Disabled facilities grant	0	57,000	0	0	0	57,000
Grants to registered providers	0	0	0	2,165,000	0	2,165,000
Total Housing (General Fund)	0	57,000	0	2,165,000	0	2,222,000
Environment & Regeneration	1,404,700	4,910	(56,430)	0	(131,000)	1,222,180
Resources	476,560	0	0	0	0	476,560
TOTAL GENERAL FUND IMPACTS 2017/18	1,984,680	61,910	(56,430)	2,165,000	(131,000)	4,024,160

4.3.8 Capital Expenditure for disabled facilities grants has increased in 2017/18 as outlined in paragraph 4.1.4. The grant awarded has increased which has enabled the disabled adaptations policy to be amended to include discretionary grant awards where the recipient is unable to contribute or where the works exceed the £30,000 limit. The extra funding, which must be used to help people stay in their own homes, is funded in total from grant.

4.3.9 **Reductions in expenditure-** the reductions in projected spend relate to the timing and delivery of vehicles for Stevenage Direct Services.

4.3.10 The delivery of the capital programme is subject to focus and detailed review by senior Officers, through a new Assets and Capital Board. This is a priority area for improvement. Officers recognise that the delivery of capital projects against planned spend has been an area of challenge, resulting in some schemes being slipped or re-prioritised. The ability to complete approved capital schemes has in some cases been compromised by mobilisation of contracts, staffing constraints which can arise from recruitment difficulties and vacancies in key posts. A number of actions are underway to improve the delivery of the capital programme. This includes reviewing and focus on forecasting, budgeting and operational capacity to deliver the schemes and following the Senior Management Review, working to ensure sufficient capacity and capability is in place to deliver schemes. Officers are holding

regular capital and asset review meetings to ensure that any issues can be identified earlier and corrective action taken if needed.

4.3.11 For 2017/18, a detailed review is underway, with clinics set up to review the delivery plans for key areas of the capital programme – from building and asset projects, to technology investment, and fleet management. Assistant Directors have been tasked to review their service strategies and capital plans which, in some areas, is likely to impact on the current capital strategy. In particular reviews of the fleet and ICT strategies are due to be concluded shortly which inform the capital delivery plans for 2017/18. It is expected that the outcomes from these reviews and those mentioned in 4.3.10 will be incorporated into the 1st Quarter capital strategy update, which will be reported to Executive in September. In addition the capital bidding process for future years is being updated to ensure delivery is possible within available resources ahead of schemes being approved.

4.4 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

4.4.1 The actual outturn for HRA capital spend was £19,402,180, £2,440,171 lower than that estimated in the March 2017 Executive. The main reason for this is slippage of £2,374,180 on schemes which were due to be spent in the final quarter and £1Million related to an under spend on buy backs. The following table identifies the areas of slippage.

Housing Revenue Account	Q3 Approved Budget	Actuals 2016/17	(Underspend) / Overspend	Slippage to 2017-18
	£	£	£	£
New Build and Housing acquisitions	8,435,490	6,596,766	(1,838,724)	1,838,730
Major Works	12,855,790	12,483,868	(371,922)	371,920
Equipment and ICT	551,070	321,546	(229,524)	163,530
TOTAL	21,842,350	19,402,180	(2,440,171)	2,374,180

4.4.2 As part of the new build and acquisitions programme, five schemes were progressed in 2016/17: Archer Road, Vincent Court, Kilner Close, Twin Foxes and March Hare. In addition seven properties were bought on the open market and two buy backs were completed, providing 21 new homes in total.

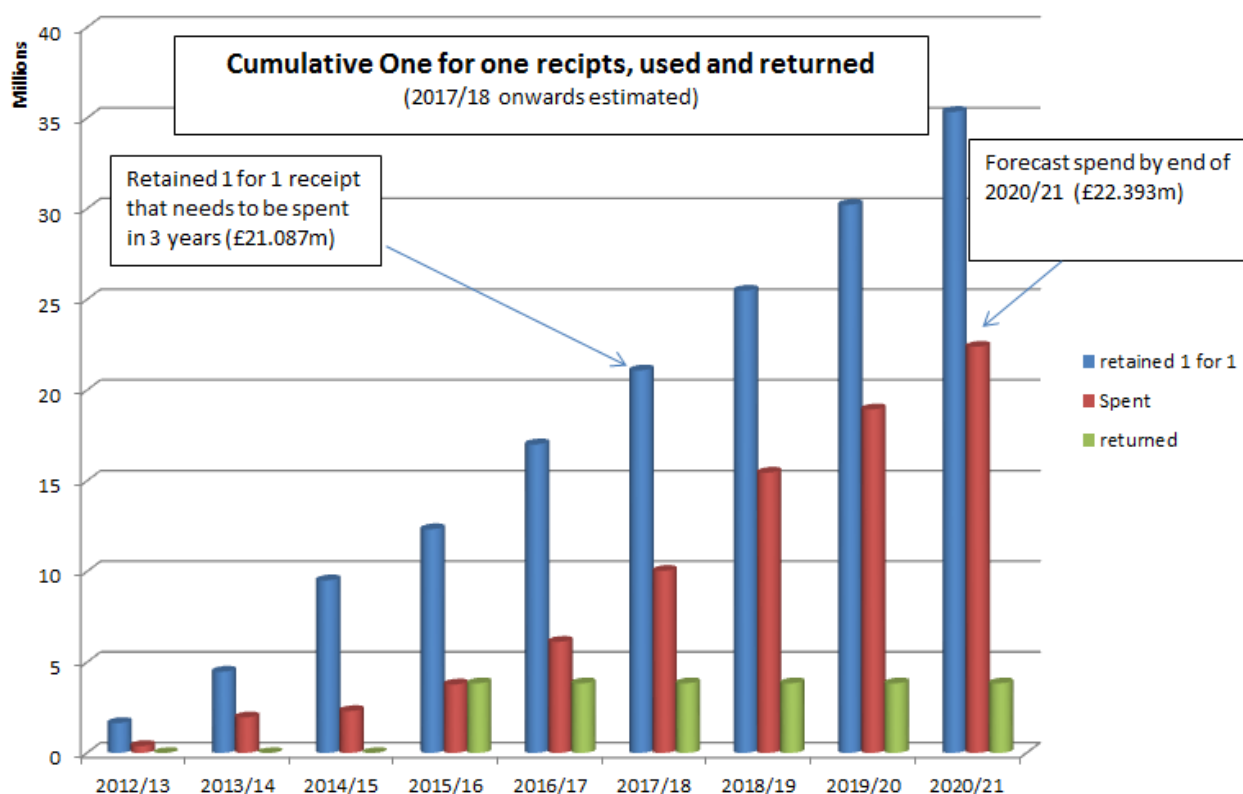
4.4.3 The number of properties made decent in 2016/17 was 616 which exceeded the target of 610.

4.5 HOUSING REVENUE ACCOUNT CAPITAL RESOURCES

4.5.1 The value of resources available, (including capital receipts) to support the future capital programme (as at 31 March 2017) is £22,652,248. The resources are summarised in the following table:

Housing Revenue Account Resources	Brought Forward £	Received in Year £	Used in Year £	Available to Fund Future Year Expenditure £
Major Repairs Reserve (Depreciation)	(4,652,265)	(11,227,415)	11,371,903	(4,507,777)
Usable Capital Receipts	(6,762,767)	(763,435)	285,409	(7,240,793)
One for One Receipts	(8,538,692)	(4,348,876)	1,983,890	(10,903,677)
S20 Contributions	0	(17,160)	17,160	0
Other Contributions	(306,902)	(368,295)	675,197	0
TOTAL	(20,260,626)	(16,725,182)	14,333,560	(22,652,248)
Revenue contribution			5,068,620	
TOTAL CAPITAL FINANCED			19,402,180	

- 4.5.2 60 Right to Buy (RTB) sales were completed in 2016/17, (projected sales 61). The resulting HRA capital receipt was £7,516,084 (before the deduction of administration costs) (2015/16, £10,857,610 – 106 sales) of which £873,445 (2015/16, £879,807) was paid to the Government as ‘pooled’ HRA receipts and £4,348,876 was restricted use one for one receipts.
- 4.5.3 The HRA RTB receipts used in year were £2,269,299 leaving balances of £18,144,470 to fund the future years’ capital programme. However this includes, £10,903,677 of one for one receipts. As Members are aware there is a three year deadline to spend these receipts and if un- spent the receipt must be returned to government plus interest (calculated at 4% above base rate).
- 4.5.4 Due to the lead times for these new build schemes including finding suitable residential development sites, the grant of planning permission, procurement and build the three year deadline is becoming more challenging. Officers have reviewed the projected spend and the opportunities to support local social housing providers in return for nomination rights so that one for one receipts can be utilised where ever possible (see also para 4.3.3). The revised programme as outlined in paragraph 4.3.7 now means no receipts are due to be handed back in 2017/18 and 2018/19. However this may change based on the number of receipts received during the year. The chart below shows the actual and estimated (cumulated) one for one receipts including returned receipts to the government.



- 4.5.5 In the first quarter of 2017/18, 13 Right to Buy sales were completed generating one for one receipts of £1,313,000. Officers will continue to monitor these receipts considering development opportunities available and interest payments that may become due. Should a receipt be held for the three years and remain unspent the interest payment would be approximately £135,220 on a £1 Million receipt (assuming bank base rate remains unchanged at 0.25%)

4.6 HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE 2017/18

- 4.6.1 The projected 2017/18 HRA capital programme is estimated to be £18,807,920 which is £2,526,300 lower than the approved 2017/18 working budget. The changes to the 2017/18 budget are summarised in the table below:

Housing Revenue Account - Budget changes and impact on 2017/18.	Approved budget (March Executive)	Spend re-profiled from 2016-17	Spend re-profiled to 2018/19 and beyond	Total
New Build Schemes	5,630,810	1,838,720	(3,558,810)	3,910,720
Other Major Works	14,452,090	371,920	(1,341,660)	13,482,350
HRA ICT and Equipment	1,251,320	163,530	0	1,414,850
TOTAL HRA IMPACTS 2017/18	21,334,220	2,374,170	(2,735,470)	18,807,920

5. IMPLICATIONS

5.1 Financial Implications

- 5.1.1 This report is financial in nature and consequently financial implications are included in the above.

5.2 Legal Implications

- 5.2.1 None identified at this time.

5.3 Policy Implications

- 5.3.1 The approval of the revised budget framework includes a link for the Council's service planning requirements to ensure service priorities are identified. In addition the budget framework represents a development of a policy led budgeting approach across Council services and the overall Capital Strategy.

5.4 Equality and Diversity Implications

- 5.4.1 This report is of a technical nature reflecting the projected spend for the General Fund and HRA capital programme. None of the budget changes reported will change any existing equalities and diversity policies and it is not expected that these budget changes will impact on any groups covered by statutory equalities duties.

5.5 Risk Implications

- 5.5.1 The significant risks associated with the capital strategy are largely inherent within this report.
- 5.5.2 If the HRA procurement of contracts is delayed it could lead to works not being completed to the current profile.
- 5.5.3 A significant risk exists that works deferred due to lack of funding become urgent in year, requiring completion on grounds of health and safety. A reasonable assessment has been made in the prioritisation process to try to keep this risk to a minimum. However, it cannot be forecast fully.
- 5.5.4 There is a risk in achieving the level of qualifying HRA spend to fully utilise retained one for one receipts. Should qualifying schemes slip or new schemes fail to be developed the three year deadline for spending these receipts will not be met and will have to be returned to the Government plus interest (base rate plus 4%). The current new build programme has a number of schemes where development sites have yet to be identified. In addition it includes sums set aside for open market acquisitions and buy backs which are dependent on suitable properties coming onto the market. Should the new schemes and/or purchases slip or fail to be delivered there is a risk that one for one receipts will have to be returned and interest payments made. It is estimated that if the current unidentified programme (open market acquisitions and new schemes) slip by three months from December 2017, £158,000 would need to be repaid (as it exceeded 3 year timescale) in 2017/18 with associated interest costs estimated at £20,000 – the next repayment would be due in 2019/20 quarter 3.
- 5.5.5 There are risks around achieving the level of disposals budgeted for. The estimated dates of receipts very much rely on a series of steps being successful at estimated dates. The level of receipts for the General Fund is a significant source of funding for its capital programme. The Council manages this risk by reviewing and updating

the Strategy quarterly, including resources where a sale is likely to complete. This will enable action to be taken where a receipt looks doubtful.

BACKGROUND DOCUMENTS

BD1 - Capital Strategy Update January 2017 (Executive)

<http://www.stevenage.gov.uk/content/committees/160923/160931/160995/20170124-Item7.pdf>

BD2 - Capital Strategy February 2017 (Council)

<http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20170228-Item5B.pdf>

BD3 - Capital Strategy March 2017 (Executive)

<http://www.stevenage.gov.uk/content/committees/160923/160931/160995/20170314-Item9with-Corrected-BDs.pdf>

APPENDIX

A - General Fund Capital Programme

B - HRA Capital Programme