

# Public Document Pack



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To: All Members of the Council

14 February 2018

Dear Councillor

You are invited to attend a meeting of the Flintshire County Council which will be held at 2.00 pm on Tuesday, 20th February, 2018 in the Council Chamber, County Hall, Mold CH7 6NA to consider the following items

## A G E N D A

### 1 APOLOGIES FOR ABSENCE

**Purpose:** To receive any apologies.

### 2 DECLARATIONS OF INTEREST

**Purpose:** To receive any Declarations and advise Members accordingly.

### 3 CHAIRMAN'S COMMUNICATIONS

**Purpose:** To receive the communications as circulated.

### 4 PETITIONS

**Purpose:** To receive any Petitions.

### 5 PUBLIC QUESTION TIME (Pages 5 - 8)

**Purpose:** To receive any Public Questions.

### 6 QUESTIONS

**Purpose:** To note the answers to any questions submitted in accordance with County Council Standing Order No. 9.4(A).

### 7 QUESTIONS FROM MEMBERS ON COMMITTEE MINUTES

**Purpose:** The Minute Books, Edition 1 has been circulated to Members. Members are now entitled to ask questions on these minutes, subject to certain limitations, and answers will be provided at the meeting. Members are requested to bring to the meeting their copy of the Minute Book. Any questions must have been received by the Democratic Services Manager prior to the close of business on 14 February 2017.

**8 NOTICE OF MOTION**

**Purpose:** To consider any Notices of Motion.

**9 DISCRETIONARY RATE RELIEF SCHEME FOR 2017/18 AND 2018/19**

**Purpose:** To provide a verbal update following the meeting of Cabinet due to be held on the morning of the same day.

**10 COUNCIL FUND BUDGET 2018/19 – THIRD AND CLOSING STAGE  
(Pages 9 - 40)**

Report of Corporate Finance Manager, Chief Executive -

**Purpose:** To review the options for the stage three of the budget setting process, and then to set a balanced budget for 2018/19.

**11 COUNCIL FUND CAPITAL PROGRAMME 2018/19 – 2020/21 (Pages 41 - 64)**

Report of Chief Executive, Chief Officer (Organisational Change), Corporate Finance Manager -

**Purpose:** To approve schemes for inclusion within the Capital Programme over the 3 year period 2018/19 – 2020/21

**12 DRAFT HOUSING REVENUE ACCOUNT (HRA) BUDGET 2018/19 AND 30 YEAR BUSINESS PLAN (Pages 65 - 106)**

Report of Chief Executive, Chief Officer (Community and Enterprise), Corporate Finance Manager -

**Purpose:** To present for consideration the draft Housing Revenue Account (HRA) Budget for 2018/19, and the summary HRA 30 year Business Plan.

**13 PRUDENTIAL INDICATORS 2018/19 TO 2020/21 (Pages 107 - 118)**

Report of Corporate Finance Manager -

**Purpose:** To present to Council the recommendations of the Cabinet in relation to the setting of a range of Prudential Indicators.

Report of Corporate Finance Manager -

**Purpose:** To present to Members the draft Treasury Management Strategy 2018/19.

Yours sincerely



Robert Robins  
Democratic Services Manager

**WEBCASTING NOTICE**

This meeting will be filmed for live broadcast on the Council's website. The whole of the meeting will be filmed, except where there are confidential or exempt items.

Generally the public seating areas are not filmed. However, by entering the Chamber you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and / or training purposes.

If you have any queries regarding this, please contact a member of the Democratic Services Team on 01352 702345.

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**Public Question Time – Council 20<sup>th</sup> February 2018**

**Deadline for submission of questions is noon on 13<sup>th</sup> February**

	<b>Name of person asking question</b>	<b>Time and date question sent</b>	<b>Details of question</b>	<b>Supplementary questions</b>
1	Jane Bellis	15.41, 9/2/18	Why doesn't Flintshire CC spend to the full SSA level as most other councils in Wales do – I believe there is around 97% spent so I would like to know where the other 3% goes?	1 Can the council spend 50% of its reserves to bridge the funding gap for 18/19? We are all very aware of FCC's assets as we can see the empty buildings and land and know that 2/3rds of County hall are unoccupied. 2 Can the council withdraw from GWE as many heads feel that this does not provide value for money at all and the large figures spent here could be delegated to schools as a priority. 3 Can we increase our council tax by 10% to protect our schools and other council services (although this would be detrimental to a lot of families including my own who are already struggling to make ends meet I feel that it is our collective responsibility to work together to try and offset the massive amount of mis-spending that has gone on from UK Government right the way to individual County Councils)

	<b>Name of person asking question</b>	<b>Time and date question sent</b>	<b>Details of question</b>	<b>Supplementary questions</b>
2	Jane Heywood	17.46, 9/2/18	Is all of the monies received put into our schools or is some money kept aside?	What is the council doing to make sure that our children are not failed?
3	Joanne Davies	17.51, 9/2/18	If the council reserves only 97% of your SSA is spent will now be used to help save jobs in our local schools during these budget cuts of 2018/19?	
4	Carla Tellett	18.19, 9/2/18	Recent information on budget cuts that will affect Education services have suggested that for many years FCC has been delegated SSA for education of which it needed to allocate 100% to education but it hasn't, it has only allocated 97% - where is the remainder and can it not be used to reduce the shortfall caused by budget cuts?	
5	Sarita Birks	18.47, 9/2/18	Why has our council never spent the full 100% that they were meant to on education and where this 3% has been going all this time, and do they plan to use their reserves to fund our schools shortfall for 2018/19?	
6	Sarah Davies	19.51, 9/2/18	Why has Flintshire County Council only spent 97% of the SSA on education and where has the remaining 3% been spent?	Does the council plan to use the reserves to plug the real term reduction facing our schools and if not why ?
7	Helen Wall	22.17 9/2/18	In the light of the ever increasing budget constraints on our schools and the proposed cash flat settlement to schools for 2018/19, why does Flintshire not spend the recommended Standard Spending Assessment amount on education outlined by the Welsh Assembly Government as the majority of other Local Authorities in Wales do?	

	<b>Name of person asking question</b>	<b>Time and date question sent</b>	<b>Details of question</b>	<b>Supplementary questions</b>
8	Jody Murphy	7.51 10/2/18	Why is it that our schools and the future of our children are facing such crisis when the whole 100% of the budget for education is not being used? Money is wasted on things like the costs of an empty county hall yet our children's education is hanging in the balance.	
9	Dr R K Parsonage	8.40, 10/2/18	Over the past 10 years, how much money has been pledged to schools in Flintshire by developers under the Section 106 agreements? Has Flintshire received the whole amount, and if not, why not?	1 What exactly has this money been spent on, and in which specific areas? 2 How many hours of statutory education is the local authority legally obliged to provide to primary aged school pupils between 5 and 11 years per week?
10	Name redacted	23.56, 11/2/18	Your policy states that the provision you have agreed will be subject to change in response to the individual's needs. Could you therefore confirm that if your proposed budget cuts are passed my daughter will not have her one to one hours reduced on the basis of this financial decision, if her individual needs have not changed?	

	<b>Name of person asking question</b>	<b>Time and date question sent</b>	<b>Details of question</b>	<b>Supplementary questions</b>
11	Jan Young	3.46 12/2/18	Why do Flintshire only spend 97% of their SSA Grant?	<ol style="list-style-type: none"> <li>1. How do they spend the other 3%?</li> <li>2. Why are Flintshire children and schools the poorest funded year on year?</li> <li>3. Can Flintshire release reserves or sell some of their assets?</li> <li>4. How can we ask the Welsh Assembly Government to release more money when Flintshire don't spend their full SSA?</li> </ol>
12	Kirsty Roberts	14.52, 12/2/18	I would like to ask why our council has never spent the full 100% they were meant to on education and where this 3% has been going all this time, and do they plan to use their reserve to fund our schools shortfall for 2018/19	





## FLINTSHIRE COUNTY COUNCIL

<b>Date of Meeting</b>	Tuesday, 20 February 2018
<b>Report Subject</b>	Council Fund Budget 2018/19 – Third and Closing Stage
<b>Report Author</b>	Corporate Finance Manager and Chief Executive

### EXECUTIVE SUMMARY

Cabinet will be considering a report on the Council Fund Budget 2018/19 – Third and Closing Stage on the morning of 20 February which is attached as Appendix A. An update on this meeting will be provided to Council in the afternoon.

The Council has developed the budget for 2018/19 in three stages:

- Stage 1: Portfolio Business Plan proposals
- Stage 2: Secondary and Corporate proposals
- Stage 3: Final Balancing Stage

The Cabinet report provides an update on each stage and a full presentation of the report will be made at both the Cabinet and Council meetings.

**Stage Three:** this is the closing stage and the Council will need to set a balanced budget to meet its legal duty. It is the collective responsibility of the whole Council to set the budget on the advice of Cabinet. The options remaining to achieve a legal balanced budget are set out in the Cabinet report for consideration. The scope for further service reductions for this financial year has been exhausted. The portfolio resilience statements which demonstrate the risks to service capacity and performance of any further budget reductions have been accepted by the Overview and Scrutiny Committees and Cabinet. The position of the three specific requests made to Welsh Government for financial assistance is also set out within the report. Beyond a financial intervention by Welsh Government the only remaining options to balance the budget are drawing upon reserves and balances and Council Tax income.

### RECOMMENDATIONS

1	That the Council receives and considers the recommendations of Cabinet for balancing the budget for 2018/19.
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## REPORT DETAILS

<b>1.00</b>	<b>BALANCING THE BUDGET FOR 2018/19</b>
1.01	The Council has developed the budget for 2018/19 in three stages:
1.02	<b>Stage One:</b> Portfolio Business Plan proposals, endorsed by Cabinet, were reviewed by the respective Overview and Scrutiny Committees throughout October and approved by Council on 14 November. These proposals were all approved except for the proposal to introduce charging for green waste collection which was called in for further review by the Environment Overview and Scrutiny Committee. The Committee subsequently confirmed agreement to the proposals at its meeting in January and the proposals are now in the process of being implemented. Stage One is now closed.
1.03	<b>Stage Two:</b> secondary proposals and options were considered at the Corporate Resources Overview and Scrutiny Committee on 6 December and considered by Council on 12 December. All proposals were approved except for schools funding and public car parking charges which were referred for further consideration by the Education and Youth and Environment Overview and Scrutiny Committees respectively. Feedback from these two meetings was reported to Council on 30 January and at that stage remained unresolved. The position on both will need to be settled as part of balancing the budget at this third and final stage.
1.04	<b>Stage Three:</b> this is the closing stage the Council will need to set a balanced budget to meet its legal duty. It is the collective responsibility of the whole Council to set the budget on the advice of Cabinet. The options remaining to achieve a legal balanced budget are set out in this report for consideration. The scope for further service reductions for this financial year has been exhausted. The portfolio resilience statements which demonstrate the risks to service capacity and performance of any further budget reductions have been accepted by the Overview and Scrutiny Committees and Cabinet. The position of the three specific requests made to Welsh Government for financial assistance is set out within the report. Beyond a financial intervention by Welsh Government the only remaining options to balance the budget are drawing upon reserves and balances and Council Tax income.
1.05	Cabinet will consider the report on the morning of 14 February (Appendix attached) which details the remaining options to balance the budget for 2018/19 to meet the Council's statutory duty. A verbal report will be made to Council alongside the presentation of the budget.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	As contained within the report to Cabinet of 20 February 2018 which is attached.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	As contained within the report to Cabinet of 20 February 2018 which is attached.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	As contained within the report to Cabinet of 20 February 2018 which is attached.

<b>5.00</b>	<b>APPENDICES</b>
5.01	As contained within the report to Cabinet of 20 February 2018 which is attached.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Council Report 30 January 2018 – Stages One and Two of the Council Fund Budget 2018/19 and planning for Stage 3</p> <p><a href="http://committeemeetings.flintshire.gov.uk/documents/s47123/Council%20Fund%20Budget%20201819%20Stage%202.pdf?LLL=0">http://committeemeetings.flintshire.gov.uk/documents/s47123/Council%20Fund%20Budget%20201819%20Stage%202.pdf?LLL=0</a></p> <p>Council Report 12 December 2017 – Financial Forecast and Stage Two of the Budget 2018/19</p> <p><a href="http://committeemeetings.flintshire.gov.uk/documents/s46489/Council%20Fund%20Budget%20201819%20-%20Stage%202.pdf?LLL=0">http://committeemeetings.flintshire.gov.uk/documents/s46489/Council%20Fund%20Budget%20201819%20-%20Stage%202.pdf?LLL=0</a></p> <p>Council Report 14 November 2017 – Council Fund Budget 2018/19 – Stage One</p> <p><a href="http://committeemeetings.flintshire.gov.uk/documents/s46017/Council%20Fund%20Budget%20201819.pdf?LLL=0">http://committeemeetings.flintshire.gov.uk/documents/s46017/Council%20Fund%20Budget%20201819.pdf?LLL=0</a></p> <p><b>Contact Officer:</b> Colin Everett, Chief Executive  Gary Ferguson, Corporate Finance Manager  <b>Telephone:</b> 01352 702271  <b>E-mail:</b> gary.ferguson@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	As set out in the attached report

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## CABINET

<b>Date of Meeting</b>	Tuesday, 20 February 2018
<b>Report Subject</b>	Council Fund Budget 2018/19 – Third and Closing Stage
<b>Cabinet Member</b>	Leader of the Council and Cabinet Member for Finance
<b>Report Author</b>	Corporate Finance Manager and Chief Executive
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

The Council has developed the budget for 2018/19 in three stages:

**Stage One:** Portfolio Business Plan proposals, endorsed by Cabinet, were reviewed by the respective Overview and Scrutiny Committees throughout October and approved by Council on 14 November. These proposals were all approved except for the proposal to introduce charging for green waste collection which was called in for further review by the Environment Overview and Scrutiny Committee. The Committee subsequently confirmed agreement to the proposals at its meeting in January and the proposals are now in the process of being implemented. Stage One is now closed.

**Stage Two:** Secondary proposals and options were considered at the Corporate Resources Overview and Scrutiny Committee on 6 December and considered by Council on 12 December. All proposals were approved except for schools funding and public car parking charges which were referred for further consideration by the Education and Youth and Environment Overview and Scrutiny Committees respectively. Feedback from these two meetings was reported to Council on 30 January and at that stage remained unresolved. The position on both will need to be settled as part of balancing the budget at this third and final stage.

**Stage Three:** This is the closing stage. The Council will need to set a balanced budget to meet its legal duty. It is the collective responsibility of the whole Council to set the budget on the advice of Cabinet. The options remaining to achieve a legal balanced budget are set out in this report for consideration. The scope for further service reductions for this financial year has been exhausted. The portfolio resilience statements which demonstrate the risks to service capacity and performance of any further budget reductions have been accepted by the Overview and Scrutiny Committees and Cabinet. The position of the three specific requests made to Welsh

Government for financial assistance is set out within the report. Beyond a financial intervention by Welsh Government the only remaining options to balance the budget are Council Tax income and drawing upon reserves and balances.

A full presentation of the report will be made at both the Cabinet and Council meetings.

**List of Tables:**

- Table 1: Stage One Budget Proposals Approved and Adopted
- Table 2: Stage Two Budget Proposals Approved and Adopted
- Table 3: Revised Financial Forecast
- Table 4: Financial Value of Council Tax Increases
- Table 5: Proposed Budget

<b>RECOMMENDATIONS</b>	
1	Cabinet to recommend a final position to Council on schools funding and a target level of income for public car parks for 2018/19 as the two outstanding issues from Stage Two of the budget process.
2	Cabinet to consider the options to set a balanced budget for 2018/19 and to make a recommendation to Council.
3	Cabinet to consider what further approaches should be made to Welsh Government for assistance in funding allocations and flexibilities.

**REPORT DETAILS**

<b>1.00</b>	<b>ARRIVING TO THIS FINAL STAGE OF THE BUDGET 2018/19</b>
1.01	<p><b>Budget Process and Timeline</b></p> <p>The annual budget for 2018/19 has been developed in three stages.</p>
1.02	<p><b>Stage One:</b> Portfolio Business Plan proposals, endorsed by Cabinet, were reviewed by the respective Overview and Scrutiny Committees throughout October and approved by Council on 14 November. These proposals were all approved except for the proposal to introduce charging for green waste collection which was called in for further review by the Environment Overview and Scrutiny Committee. The Committee subsequently confirmed agreement to the proposals at its meeting in January and the proposals are now in the process of being implemented. Stage One is now closed.</p> <p><b>Stage Two:</b> secondary proposals and options were considered at the Corporate Resources Overview and Scrutiny Committee on 6 December and considered by Council on 12 December. All proposals were approved except for schools funding and public car parking charges which were referred for further consideration by the Education and Youth and Environment Overview and Scrutiny Committees respectively. Feedback from these two meetings was reported to Council on 30</p>

January and at that stage remained unresolved. The position on both will need to be settled as part of balancing the budget at this third and final stage.

The options for Council Tax income were shown as a range and deferred for Stage Three of the budget setting process. It is our annual practice, and a legislative requirement, to defer taking a final position on Council Tax levels until the final stage of the budget process.

Three specific requests for support from Welsh Government were made in the Stage Two proposals, and an update on these is included in the report. Welsh Government was also requested to provide supplementary financial support specifically for schools funding and social services.

Impact and consequence statements have been prepared as needed for the Stage One and Two budget proposals. A summary of these was reported to Council at the last meeting and can be accessed via the hyperlink listed under Background papers at the end of the report

**Stage Three:** This is the closing stage. The Council will need to set a balanced budget to meet its legal duty. It is the collective responsibility of the whole Council to set the budget following a recommendation from Cabinet. The options remaining to achieve a legal and balanced budget are set out in this report for consideration.

A summary of the earlier stages is set out below.

**1.03 Stage One – Portfolio Business Plans**

The Stage One budget proposals total £3.029m

**Table 1: Stage One Budget Proposals Approved and Adopted**

<b>Portfolio</b>	<b>£m</b>
Social Services	0.450
Community & Enterprise	0.837
Education & Youth	0.070
Organisational Change 1	0.416
Organisational Change 2	0.286
Streetscene & Transportation	0.800
Planning & Environment	0.160
Corporate Services	0.010
<b>Total</b>	<b>3.029</b>

**Note 1:** details of the service portfolio business plan efficiency proposals can be accessed via the hyperlink listed under Background Papers at the end of the report.

**1.04 Stage Two – Secondary / Corporate budget proposals**

The Stage Two proposals, excluding the two areas referred to Overview and Scrutiny Committees - schools funding and public car parking charges - total £2.418m and are summarised in the table below.

**Table 2: Stage Two Budget Proposals Approved and Adopted**

Efficiency Item	£m
<b>Efficiencies:</b>	
Theatre Clwyd Tax Relief	0.075
County Hall Partial Demolition	0.300
Integrated Care Fund (note 2)	0.500
<b>Cost Pressure Provision Reductions:</b>	
Council Tax Reduction Scheme	0.323
Pensions Auto Enrolment	0.100
Price Inflation	0.139
Social Care Commissioning Costs	0.831
Autism Spectrum Disorder	0.100
Planning Fee Income	0.050
<b>Total</b>	<b>2.418</b>

**Note 1:** Full details of the above proposals can be accessed via the hyperlink listed under Background Papers at the end of the report.

**Note 2:** the request for continuation of the Integrated Care Fund (ICF) contribution to an extension of residential care home services to prevent hospital admissions and facilitate hospital discharges has been made to Welsh Government as one of the three specific national requests to assist with the budget. This will in effect be a regional decision amongst the Health Board and local authorities as the commissioners of ICF funded services in North Wales. Given the continuity and expansion of ICF funding, and the centrality of these local services to the integration of health and social care services under Welsh Government policy there is a high probability of a positive decision to continue this funding into 2018/19.

### **Stage Two – Unresolved Budget Options**

1.05

#### **School Funding**

The Education and Youth Overview and Scrutiny Committee considered the options for schools funding on 18 January and the outcome was reported to Council on 30 January. Given the overall budget provision, the Council does not have the financial capacity to provide any uplift in sustained funding for schools over and above the 2017/18 funding level – thereby resulting in a ‘cash flat’ settlement position at this stage. Welsh Government had been requested to provide supplementary support to the Council specifically for schools. Thus far the Welsh Government has not varied its position that core funding can only be distributed to councils through the local government funding formula, and has not agreed to provide any additional support as a special case. The only local options available to the Council are (1) further use of reserves and balances as a temporary measure which cannot be sustained year on year and (2) a specific



	<p>increase in Council Tax over and above that which will be required to balance the budget as it stands. The Council, and the schools and teaching communities, reserve the option to re-approach Welsh Government for supplementary funding given the level of risk to schools which is shown as 'red' on the impact assessment of a 'cash flat' settlement (as reported to Council at the last meeting).</p> <p>This report does not review the schools funding issue in detail as this was the subject of a full debate at both the Education and Youth Overview and Scrutiny Committee and Council. The full Scrutiny Committee report can be accessed via the hyperlink listed under Background Papers at the end of the report.</p>																		
1.06	<p><b>Public Car Parking</b></p> <p>The Environment Overview and Scrutiny Committee considered the optional schemes to increase public car parking charges at its meeting on 16 January. The outcome was reported to Council on 30 January.</p> <p>At Stage Two of the budget an additional income target from public car parking charges was shown based on a working set of proposals to raise charges across the public car parks where charging is in place or is planned. The options for charging are still under review following the debate at the Scrutiny Committee, and are not due to be reported back to Cabinet prior to this meeting. Council has been advised that in the absence of a final decision on a revised charging scheme it will have to set a target income figure within the Council Fund budget; Cabinet would then have to meet this figure in making its final decisions. An income target of £0.468m was set out at Stage Two. Realistically, Cabinet will have to adopt a scheme which is projected to bring in additional car parking charging income of £0.450m upwards in a full financial year as a required contribution to the annual budget. The scheme should be introduced at the earliest point in the financial year to avoid slippage in achieving the target.</p>																		
1.07	<p>The financial impact of both (1) the approved and adopted and (2) the outstanding budget options from Stages One and Two are shown in the table below. Having taken both into account the remaining budget gap to be balanced stands at £5.771m.</p> <p><b>Table 3: Revised Financial Forecast</b></p> <table border="1" data-bbox="300 1518 1479 1899"> <thead> <tr> <th data-bbox="300 1518 1235 1554">Item</th> <th data-bbox="1235 1518 1479 1554">£m</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 1554 1235 1590">Original Forecast Budget Gap</td> <td data-bbox="1235 1554 1479 1590">11.601</td> </tr> <tr> <td data-bbox="300 1590 1235 1626">Revised Forecast Budget Gap at the Provisional Settlement</td> <td data-bbox="1235 1590 1479 1626">13.501</td> </tr> <tr> <td data-bbox="300 1626 1235 1662">Less: Stage 1 Budget Proposals Approved</td> <td data-bbox="1235 1626 1479 1662">(3.029)</td> </tr> <tr> <td data-bbox="300 1662 1235 1697">Less: Final Settlement Revised Reduction in Grant</td> <td data-bbox="1235 1662 1479 1697">(1.037)</td> </tr> <tr> <td data-bbox="300 1697 1235 1733">Less: Stage 2 Budget Proposals Approved</td> <td data-bbox="1235 1697 1479 1733">(2.418)</td> </tr> <tr> <td data-bbox="300 1733 1235 1818">Less: Stage 2 Outstanding Options (Schools Funding and Public Car Parking Charges) note 1</td> <td data-bbox="1235 1733 1479 1818">(1.881)</td> </tr> <tr> <td data-bbox="300 1818 1235 1854">Add: New and Emergent Cost Pressures note 2</td> <td data-bbox="1235 1818 1479 1854">0.635</td> </tr> <tr> <td data-bbox="300 1854 1235 1899"><b>Revised Working Budget Gap</b></td> <td data-bbox="1235 1854 1479 1899"><b>5.771</b></td> </tr> </tbody> </table> <p><b>Note 1:</b> the budget forecast had included provision of £1.431m to offset inflationary cost pressures for schools. A revised target for increased car parking charging income of £0.450m is included in the Stage 2 budget options based on a working set of proposals to raise charges across the public car parks where charging is in</p>	Item	£m	Original Forecast Budget Gap	11.601	Revised Forecast Budget Gap at the Provisional Settlement	13.501	Less: Stage 1 Budget Proposals Approved	(3.029)	Less: Final Settlement Revised Reduction in Grant	(1.037)	Less: Stage 2 Budget Proposals Approved	(2.418)	Less: Stage 2 Outstanding Options (Schools Funding and Public Car Parking Charges) note 1	(1.881)	Add: New and Emergent Cost Pressures note 2	0.635	<b>Revised Working Budget Gap</b>	<b>5.771</b>
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Add: New and Emergent Cost Pressures note 2	0.635																		
<b>Revised Working Budget Gap</b>	<b>5.771</b>																		

	<p>place or is planned</p> <p><b>Note 2:</b> the updated final list of adjusted cost pressures to be taken into account in the final stage of budget setting were reported to Council in January.</p>
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<b>2.00</b>	<b>STAGE THREE – CLOSING AND BALANCING THE BUDGET</b>
	<b>Stage Three – The Closing Stage of Budget Setting</b>
2.01	<p>The scope for further service portfolio reductions for 2018/19 has been exhausted. This position is accepted by the Overview and Scrutiny Committees and Cabinet.</p> <p>The three specific requests made to Welsh Government for assistance with the budget, in accordance with the previous Council resolution, have been made and are under negotiation. Of the three, the request for continuity of the Integrated Care Funding (£0.500m) into 2018/19 has been assumed and has been built into the Stage Two budget calculations. Refer to Table 2 and note 2 in 1.04 above. A business case in support of this request has been made to Welsh Government.</p> <p>The request for the local flexibility to move from a £70 per week to a £100 per week charging cap for domiciliary care services from 2018/19 is under active consideration by Cabinet Secretaries in Welsh Government. Government policy is for the charging cap to rise from £70 per week in 2017/18 to £100 per week in 2020/21 in annual increments of £10. We have requested a local flexibility at the very time that Welsh Government is consulting local authorities on the powers, freedoms and flexibilities they require for the future. We have made the case that a local flexibility will not breach this policy as it would be within the charging cap that Welsh Government believes should be the maximum for uniformity across Wales. A business case in support of this request has been made to Welsh Government and a positive decision is being sought prior to the meeting. Refusal of the request could require the Council to review its levels of support for domiciliary care and other personal social services in an attempt to reduce service costs. This would be a counter-productive outcome. No positive budget outcome from this request is assumed at this stage.</p> <p>The request for a return of 50% of the Apprentice Tax Levy annual payments to sustain the Council's own trainee and apprenticeship scheme is under less active consideration. Welsh Government is still developing its policy for the use of the Tax Levy to support apprenticeship schemes at the national and regional levels. The Council as a major employer of size is being taxed to contribute to the national costs of further education and other support for apprenticeship schemes with no direct benefit. A business case has been offered to Welsh Government in support of our request. No positive budget outcome from this request is assumed at this stage.</p> <p>The financial value of the two requests is domiciliary care charging (£0.490m) and Apprentice Tax Levy part return (£0.350m).</p>
2.02	Beyond a financial intervention by Welsh Government the only remaining options to balance the budget are Council Tax income and drawing upon reserves and balances. These two options are explored in the sections which follow.

	<b>Use of Reserves and Balances</b>
2.03	<p>Public bodies are encouraged to make strategic use of their reserves and balances to contribute to annual budget setting. Fuelled by political comment there is a public expectation that public bodies do so. However, the situation across local government in England and Wales is variable with some councils being 'reserve rich' and others being 'reserve poor'. Compared to many councils Flintshire has modest and limited reserves to call upon. We have an established protocol for reporting on reserves and the purpose for retaining them each quarter. This is seen as good practice in our sector. The Council has drawn on its reserves to (1) cross-fund one-off cost pressures (2) balance the budget as needed and (3) meet the costs of voluntary redundancies to reduce the Council workforce in recent years. Reserves can only be used once and an over-reliance upon their use to balance annual budgets is not a sustainable way of funding services.</p> <p>In the last 3 years the Council has utilised £4.774m from its reserves and £2.345m was used in 2017/18 to help balance the budget and suppress Council Tax levels. This use of reserves was not a recurring solution and permanent funding is needed as one of the budget pressures for 2018/19 onwards.</p>
2.04	<p>The Council has limited useable or 'un-earmarked' reserves to draw upon. The Month 9 budget monitoring report advises of a projected Contingency Reserve at the end of March 2018 of £4.174m. However, this is subject to change between now and the close of the financial year. The Council also holds earmarked reserves which are set aside for specific purposes. Some are restricted in their use by, for example, the terms and conditions of grant where their source is Government funding. The month 9 budget monitoring report provides an update on current projected levels of earmarked reserves and shows that the amount is likely to reduce from £20m to £10m by the end of the financial year as these reserves are 'drawn down' (See Appendix 8).</p> <p>A review of the remaining earmarked reserves is close to completion and only those for which there is a strong business case will be retained with the remainder being released for use as part of the Medium Term Financial Strategy. The outcome of the review will be reported at both the Cabinet and Council meetings.</p>
2.05	<p>The Contingency Reserve (currently projected at £4.714m) is the Council's only 'defence' against in-year cost pressures. It is utilised to meet the impact of an overall overspend in a given financial year - as is the case in the current financial year with a projected overspend of £0.908m.</p>
2.06	<p>The Council could also be exposed to several significant additional cost pressures later in 2018/19 and reserves will need to be held back as an in-year 'buffer' to meet them. The most significant is the outcome of the national pay award negotiations between the local government employers and the trade union representatives. If any award above 1% is settled, and it is not nationally funded, the Council as the employer will be exposed to the cost which is estimated to be in the region of £2m. The collective position of local government in Wales and England is that the pay awards should be funded at a UK level with Welsh Government then receiving the additional quantum of funding to distribute. Welsh Government has confirmed that it cannot fund any additional pay award costs from its own resources. This applies to both local authority and teaching workforces. The other significant risks are rising social care costs, and the upward trend in the number of cases of Out of County placements across Wales which has resulted in</p>

	<p>a projected in-year overspend of £1.799m although this has been partly addressed by the inclusion of an additional £0.500m in the budget proposals for 2018/19.</p> <p>Due to these significant risks the Council will need to be prudent in drawing upon reserves to balance the 2018/19 budget.</p>																								
	<b>Council Tax</b>																								
2.07	The budget forecast does not make any provision for an annual increase in Council Tax. The use of some reserves would reduce the working gap. In the absence of an alternative, and any supplementary support from Welsh Government, the remaining gap would need to be met in full from Council Tax.																								
2.08	The Final Settlement from Welsh Government has set the Standard Spending Assessment (SSA) for Flintshire at £264.333m. The SSA threshold is notional and is not a reliable indicator of true or current need. However, in the current public expenditure situation, councils would be expected to maximise their sources of local taxation and other income to at least reach this threshold. For Flintshire to reach the SSA threshold, a Council Tax rise of 6.71% would be necessary. Welsh Government has confirmed that councils have the local flexibility to set Council Tax levels at their discretion and that the previous advisory cap of 5% will not be applied by Government, through any form of intervention, if any council set Council Tax above it. Councils are expected to act reasonably and be mindful of the burdens placed upon local taxpayers in setting Council Tax.																								
2.09	The table below illustrates the contribution to the budget of Council Tax rises on a scale net of the Council Tax Reduction Scheme (CTRS) projected benefit payments to those entitled to whole or partial benefit. A comparison of Council Tax levels across Wales is attached at Appendix 9 for reference.																								
2.10	<p><b>Table 4: The Financial Value of Council Tax Increases</b></p> <table border="1"> <thead> <tr> <th>Increase (%)</th> <th>Net Contribution (£m)</th> </tr> </thead> <tbody> <tr> <td>3.0</td> <td>2.435</td> </tr> <tr> <td>3.5</td> <td>2.788</td> </tr> <tr> <td>4.0</td> <td>3.140</td> </tr> <tr> <td>4.5</td> <td>3.492</td> </tr> <tr> <td>5.0</td> <td>3.844</td> </tr> <tr> <td>5.5</td> <td>4.182</td> </tr> <tr> <td>6.0</td> <td>4.514</td> </tr> <tr> <td><b>6.71</b></td> <td><b>4.984</b></td> </tr> <tr> <td>7.0</td> <td>5.161</td> </tr> <tr> <td>8.0</td> <td>5.460</td> </tr> <tr> <td>9.0</td> <td>6.353</td> </tr> </tbody> </table>	Increase (%)	Net Contribution (£m)	3.0	2.435	3.5	2.788	4.0	3.140	4.5	3.492	5.0	3.844	5.5	4.182	6.0	4.514	<b>6.71</b>	<b>4.984</b>	7.0	5.161	8.0	5.460	9.0	6.353
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<b>3.00</b>	<b>STAGE THREE – OVERALL POSITION AND CONCLUDING ADVICE</b>
3.01	The table below summarises the overall position and the remaining budget gap to be bridged through the budget balancing options which remain open to the Council.

**Table 5: Proposed Budget 2018/19**

<b>Funding</b>	<b>£m</b>
Aggregate External Funding (AEF)/RSG NNDR	189.156
Council Tax at 17/18 level	70.123
<b>SSA/Budget Requirement</b>	<b>259.279</b>
Specific Grants (Estimated)	31.326
Use of Reserves	0.000
<b>Total Funding</b>	<b>290.605</b>
<b>Expenditure</b>	
Base Budget Rolled Forward	291.245
Transfers in/out of settlement (Appendix 2)	4.092
Prior Year Budget Decisions Recurring (Appendix 1)	1.048
Inflation (Appendix 3)	1.572
Recurring Pressures and Investments (Appendix 4)	6.278
Fire Levy Increase	0.070
Efficiencies - Stage 1 (see para 1.03)	(3.029)
Efficiencies - Stage 2 (Appendix 5)	(1.613)
Efficiencies - Stage 2.1 (Appendix 6)	(0.869)
Less Specific Grants 2017/18	(33.744)
Plus Specific Grants 2018/19 (Estimated Appendix 7)	31.326
<b>Total Expenditure</b>	<b>296.376</b>
<b>Remaining Budget Gap</b>	<b>5.771</b>

3.02 As an outcome of making the case to Welsh Government for supplementary support, and local funding flexibilities, we agreed, with the support of the Welsh Local Government Association and the endorsement of Welsh Government, to engage some expert and independent peer support. The purpose of the peer support was to both challenge and validate our self-assessment of our risk position, and to explore any further options. This work was commissioned in January.

The peer advice on further options recommends that we review our policy on the method of calculating Minimum Revenue Provision and consider the merits of moving to a different model which might release more revenue in the shorter-term similarly to a number of English local authorities. The advice is that we also

	<p>explore rebalancing contributions between the Housing Revenue Account (HRA) and the Council Fund to increase funding to the latter. Both of these recommendations are under urgent review and we are seeking specialist advice, including that of our external auditors, in developing professional advice for the Council to consider. Both are technically complex issues. Any possible rebalancing of contributions between the HRA and Council Fund could not be allowed to compromise the operational performance of the HRA or achievement of the Council's Housing Strategy and Business Plan. The peer work did not reveal any significant new options for income. The work largely validated our self-assessment of risks and has underlined the need to act on a number of service options for 2019/20 onwards - options which are already under consideration for the medium-term.</p> <p>Welsh Government was invited to review our self-assessment of risk as an 'open book' approach in support of our case for urgent supplementary support and local funding flexibilities. Welsh Government agreed to participate in the peer work to gain a greater understanding of the challenges we face and a civil servant was attached to the project as an observer. The Wales Audit Office was also invited to review our self-assessment. They have now offered to review our resilience statements and other key documentation in the first quarter of 2019/20.</p>
	<b>Funding</b>
3.03	The budget expenditure proposals (unbalanced) set a budget requirement of £259.279m which includes £189.156m of the Council's core grant (Revenue Support Grant and share of National Rates Pool) and £70.123m of Council Tax yield based on 2017/18 levels and before any uplift is applied.
	<b>Expenditure Provisions</b>
3.04	<b>Previous Year Budget Decisions and Pressures</b> Each year indicative amounts for pressures and investments from the previous year are included in the budget. These are updated as part of the ongoing review of the forecast and are summarised in Appendix 1. Details of all other pressures taken into account in the budget process are included in Appendix 4.
3.05	<b>Transfers into/out of the Settlement</b> The transfers in and out of the settlement together with any new responsibilities, as confirmed in the Final Settlement are summarised in Appendix 2.
3.06	<b>Pay and Price Inflation</b> A summary of the inflationary increases in the budget is included in Appendix 3. Pay inflation is included at 1%. However, the ongoing national pay negotiations remain a significant risk as outlined in the report.
3.07	<b>Specific Grants</b> Appendix 7 provides details on specific grants. The levels of funding for some specific grants have not yet been confirmed by Welsh Government.
3.08	<b>Managing the In-Year Position</b> As an important organisational discipline we will continue to review all operational budgets and cost pressures throughout the year to (1) aim to stay within budgets

	<p>and avoid a projected year-end overspend on the Council Fund and (2) identify operational efficiencies to either off-set cost pressures or release funds back into the Contingency Reserve. Under (2) the workforce establishment, workforce costs and vacancy management will be re-reviewed as good practice and as prompted by a member question at the previous Council meeting. A 'blanket' recruitment 'freeze' would not be possible as a failure to recruit to key vacancies could prevent the Council from meeting its legal obligations, from achieving service standards, and from work teams having sufficient capacity to meet work demands without individuals having to take on unreasonable and unmanageable workloads. The workforce establishment, and number of management and other posts, has been reviewed with rigour as part of the portfolio business planning process with a number of reviews to reduce workforce numbers coming to a close. Any immediate budget savings from this work in-year are therefore likely to be limited. Any recommended reviews of the establishment or workforce costs, or changes to practices for example vacancy management, would require careful consideration and prior consultation with the Trade Union.</p>
	<p><b>Opinions of the Statutory Officers</b></p>
3.09	<p><b>Opinion of the Corporate Finance Manager</b></p> <p>Section 25 of the Local Government Act 2003 includes a specific duty on the Chief Finance Officer (for Flintshire this is the Corporate Finance Manager) to report to the Council when it is considering its budget and Council Tax setting on the robustness of the estimates and the adequacy of reserves. The Act requires the Council to have regard to this report in making its decisions in relation to the budget</p>
3.10	<p>The 2018/19 budget has again been set within the context of the Medium Term Financial Strategy. It presents a significant financial challenge. The Council's budget strategy for dealing with this has been clearly set out in detail for all stakeholders in previous budget reports, supported by a series of member workshop sessions together with community engagement events across the County.</p>
3.11	<p>For the estimates contained within the budget, all figures are supported by a clear and robust methodology with the efficiency proposals considered achievable, but not without risk. The pressures are supported by evidenced method statements some of which have been reviewed by the Council's internal auditors on a sample basis.</p>
3.12	<p>The Council's Reserves and Balances Protocol sets out how the Council will determine, manage and review the level of its Council Fund Balance and Earmarked Reserves taking into account legislation and professional guidance. An outcome of this protocol was to report quarterly the level of Earmarked Reserves held to both Cabinet and Corporate Resources Overview and Scrutiny Committee and this has continued to be done in 2017/18 through the budget monitoring report. This ensures that members can have a better understanding of all the reserves held by the Council.</p>
3.13	<p>The Council's overall level of reserves and balances is reviewed annually as part of the budget process and the adequacy and purpose of reserves held is challenged, with any reserves no longer required at the same level being made available for</p>

	Corporate use. The outcome of the current review is nearing completion and will be reported to Cabinet and Council. Any additional contributions will provide a further safeguard to support the Councils financial position and the risks that will remain into 2018/19.
3.14	Supported by the above, I can confirm the reasonableness of the estimates contained in the proposed budget having regard to the Council's spending needs in 2018/19 and the financial context within which the budget is being set. It is clear that there are still some significant risks in the 2018/19 budget proposals, particularly around pay provision, social care demand and any under-achievement of the efficiencies included in the budget. Therefore, it is important that the Council protects its current level of reserves as far as possible to safeguard against these risks. A robust programme for the delivery of the efficiencies within the budget and to the timescales set together with effective and disciplined in-year financial management is essential to ensure that budgets are managed effectively with prompt action taken to mitigate any impacts should variances occur.
3.15	Within the context described above, I recommend that the Council should maintain sufficient general balances of £5.769m and retain a sizeable Contingency Reserve as a safeguard to manage any in-year cost pressures and variances. The over-use of reserves in the balancing of the annual budget would create a level of risk which I would not support.
	<b>Opinion of the Chief Executive</b>
3.16	<p>My professional advice complements that of the Corporate Finance Manager as set out above. The draft budget follows the Medium Term Financial Strategy adopted by the Council. It is the most balanced approach possible for achieving an annual budget, as required by law and the principles of good governance, whilst attempting to protect the improvement objectives and public service duties and obligations of the Council, as a short-term solution. However, there are growing risks that the Council will not achieve its priority outcomes as set out in the Council Plan, or maintain performance to service standards, as it might have done, due to reducing budgets and reducing organisational capacity. In its most recent annual letter the Wales Audit Office said of Flintshire: "whilst satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, its financial outlook represents a significant challenge".</p> <p>The Audit Committee at its January meeting acknowledged that the Council manages its resources well in accord with the opinion of its external auditors, and agreed with the view that the Council cannot see a way through the medium-term given its funding position. The Committee accepts that the solutions for the future are largely outside of its own control and rest with Governments. The annual letter goes on to say: "the Council has acknowledged that it is at a high risk of becoming financially unsustainable as it continues to face unprecedented financial challenges in the short and medium term".</p>
3.17	The level of risk having to be taken in recommending a balanced budget for 2018/19 is higher than in previous years. I am concerned over the risks posed to schools should the Council not be in a position to invest in the schools funding formula at least to partly offset pay and price inflation cost pressures, and the impact on the in-year budget of the eventual outcome of the national pay negotiations should Governments not fund any award over and above 1%. I remain concerned at the levels of stress within the organisation as individual managers



	and their teams have to manage their responsibilities with less capacity, and face an uncertain future both for their services and themselves. Maintaining morale in these circumstances is a daily managerial challenge.
3.18	The Council has been advised previously that (1) without national funding to meet rising costs (2), with the risks of further reductions in national budgets, and (3) with the ongoing transfer of responsibilities and costs from Governments to local government then its budget might no longer be sustainable in the short to medium-term. The medium-term budget forecast, and the detailed forecast for 2019/20, will be presented to Council as set out in 4.00. At this stage it is hard to see how the Council will be able to successfully balance the budget in 2019/20 without some reversal of national fiscal policy. The same is true in a growing number of councils across Wales and England. Governments need to acknowledge and accept the risks and consequences of their fiscal policies and take action to properly fund local government before the situation becomes irreversible and we see the collapse of public services.
3.19	<p><b>Concluding Advice</b></p> <p>The Council has no option at this stage but to openly consider the use of reserves and balances to part close the remaining budget gap and then to set a higher than traditional level of Council Tax for 2019/20 both to balance the budget and provide any support for the schools funding formula. A Council Tax rise of 6.71% would raise £4.984m towards the remaining budget gap of £5.771m, as an illustration, and would also see the Council reach its Standard Spending Assessment threshold. Reserves and balances can be drawn upon to a manageable level only in support of balancing the budget.</p> <p>The two outstanding requests made to Welsh Government are significant in the calculation. A local flexibility to move to the £100 per week domiciliary care charging cap would increase cost recovery income by an estimated £0.490m, and a return of 50% of the outgoing Apprentice Tax Levy a further £0.350m. This additional income would allow some flexibility around Council Tax setting and other budget risks including schools funding. An update on negotiations with Welsh Government will be given at the meeting.</p> <p>Further advice will be given on the work referred to in 3.02 above, and whether there are any further options to balance the budget, before or at the meeting.</p>

<b>4.00</b>	<b>THE MEDIUM TERM OUTLOOK</b>
4.01	The financial forecast for the medium-term, and more specifically for 2019/20, is being reviewed and revised and will be reported to Cabinet in April. There are a number of variables which will have a major impact on the forecast and its reliability, none of which are within our control. These include the level of funding for local government in future funding settlements, the continuity and funding level of key specific grants, and the outcome of both the current and future national pay negotiations.
4.02	An overview of the developing forecast for 2019/20 will be included in the presentation of the report to both Cabinet and Council.

<b>5.00</b>	<b>RESOURCE IMPLICATIONS</b>
5.01	As set out within the report.

<b>6.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
6.01	<p><b>Public Engagement Events:</b></p> <p>A total of 217 people took part in seven public engagement events held across the County during October and November 2017. Areas of concern and/or interest for people included:</p> <ul style="list-style-type: none"> <li>• Supporting people in need</li> <li>• Protection of local services</li> <li>• The continued resilience of Council services</li> <li>• Making the most of Council assets</li> <li>• The use of Council reserves</li> <li>• Council mergers and public sector collaboration</li> </ul> <p>People strongly agreed that:</p> <ul style="list-style-type: none"> <li>• The Council had done as much as could be expected to make efficiencies</li> <li>• Major service cuts and closures would be needed if the financial situation did not improve</li> <li>• It was inevitable that some Councils would need to increase Council Tax by 5%</li> </ul> <p>There was a range of opinion about:</p> <ul style="list-style-type: none"> <li>• The protection, as far as possible for schools and social services</li> <li>• The introduction of charges for services such as green waste</li> <li>• The lifting of the national public sector pay cap</li> </ul>
6.02	<p><b>Other consultation</b> has been undertaken through:</p> <ul style="list-style-type: none"> <li>• All-Member Workshops in July, September and November.</li> <li>• Overview and Scrutiny Meetings.</li> <li>• School Budget Forum and Headteacher Federations.</li> <li>• Trade Unions</li> <li>• The Workforce through a special seminar</li> <li>• Portfolio management teams</li> <li>• Consultation with the ten highest business rate payers in the County</li> </ul>

<b>7.00</b>	<b>RISK MANAGEMENT</b>
7.01	Within the Settlement there is limited information on specific grants. Proposed reductions in and change to specific grants pose a significant risk. The Education Improvement Grant (EIG) and Single Environment Grant are of particular concern.

	The new pressures and efficiencies included within the revised forecast are based on latest intelligence. Welsh Government (WG) has announced a reduction in EIG of 11.36%. This would be a significant reduction and, as yet, no guidance has been issued as to how the grant terms will be changed to reflect this funding. Further information and guidance is awaited on the Minor Ethnic and Language Achievement Grant (MEAG) which funds support services for pupils from Gypsy/Traveller Communities and for those for whom English is an additional language. The value of this grant to Flintshire is £0.174m. There is no information whether this funding has been included in the Revenue Support Grant (RSG) or is to be funded through some other means.
7.02	The Council has only budgeted for a 1% annual pay award in its forecast. The national pay negotiations remain open and a higher annual pay award is the expected outcome. Refer to the commentary in 2.06 on the position and the risks.

<b>8.00</b>	<b>APPENDICES</b>
8.01	Appendix 1: Prior Year Budget Decisions Appendix 2: Transfers into/out of the Settlement Appendix 3: Inflation Appendix 4: Cost Pressures and Investments Appendix 5/6: Stage 2 Efficiencies Appendix 7: Specific Grants Appendix 8: Earmarked Reserves Appendix 9: Council Tax Levels in Wales 2017/18

<b>9.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
9.01	Paragraph 1.02: <a href="http://committeemeetings.flintshire.gov.uk/documents/s47126/Appendix%203.pdf?LLL=0">http://committeemeetings.flintshire.gov.uk/documents/s47126/Appendix%203.pdf?LLL=0</a>  Paragraph 1.03: <a href="http://committeemeetings.flintshire.gov.uk/documents/s47124/Appendix%201.pdf?LLL=0">http://committeemeetings.flintshire.gov.uk/documents/s47124/Appendix%201.pdf?LLL=0</a>  Paragraph 1.04: <a href="http://committeemeetings.flintshire.gov.uk/documents/s47125/Appendix%202.pdf?LLL=0">http://committeemeetings.flintshire.gov.uk/documents/s47125/Appendix%202.pdf?LLL=0</a>  Paragraph 1.05: <a href="http://committeemeetings.flintshire.gov.uk/documents/s46915/201819%20Council%20Fund%20Budget%20Stage%20Two%20Proposals%20for%20the%20School%20Funding%20Formula%20Level.pdf?LLL=0">http://committeemeetings.flintshire.gov.uk/documents/s46915/201819%20Council%20Fund%20Budget%20Stage%20Two%20Proposals%20for%20the%20School%20Funding%20Formula%20Level.pdf?LLL=0</a>
9.02	<b>Contact Officers:</b> Colin Everett, Chief Executive Gary Ferguson, Corporate Finance Manager <b>Telephone:</b> 01352 702101 <b>E-mail:</b> <a href="mailto:gary.ferguson@flintshire.gov.uk">gary.ferguson@flintshire.gov.uk</a>

## 10.00 GLOSSARY OF TERMS

**Medium Term Financial Strategy (MTFS):** a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.

**Local Government Funding Formula:** the system through which the annual funding needs of each council is assessed at a national level, and from which each council's annual AEF (see above) is derived. The formula is very complex. In summary, using information such as statistics on local population change and deprivation, the formula sets a guide for each Council's funding needs called the Standard Spending Assessment (SSA).

**Revenue Support Grant (RSG):** the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.

**Specific Grants:** An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.

**Aggregate external finance (AEF):** represents the support for local revenue spending from the Welsh Government and is made up of formula grant. Formula grant includes the revenue support grant (RSG), and the distributable part of non-domestic rates (NDR). Amounts are determined annually and in advance of each new financial year as part of the Local Government Financial Settlement.

**Annual Settlement:** the amount of its funds the Welsh Government will allocate annually to local government as a whole, as part of its total budget and to individual councils one by one. The amount of Revenue Support Grant (see below) each council will receive is based on a complex distribution formula for awarding Aggregate External Finance (AEF). The formula is underpinned by assessments of local need based, for example, of population size and demographics and levels of social deprivation.

**Budget:** a statement expressing the Council's policies and service levels in financial terms for a particular financial year.

**Revenue:** a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.

**Earmarked Reserves:** Funding set aside that must be used for a specific purpose.

**Un-earmarked Reserves:** Funding set aside as a safeguard against unforeseen events and can be used for any purpose. The Council maintains a prudent base level.

**Contingency Reserve:** A reserve accumulated from historical underspends and used to mitigate in-year variations.

**Integrated Care Fund:** A regional grant allocated by Welsh Government which is administered by a regional partnership board. Local Authorities, Health and other partner agencies work in partnership to support older people, people with a learning disability and children with complex needs.

**Apprentice Tax Levy:** A levy on the pay bill introduced by UK Government for all large organisations.

**Minimum Revenue Provision (MRP):** method for charging (debt-funded) Capital expenditure to the revenue account in local authority accounts. Full Council sets an MRP policy annually selecting from a range of options contained with Welsh Regulations set by Welsh Government.

**Education Improvement Grant (EIG):** The *Education Improvement Grant* (EIG), established in April 2015, provides financial assistance to schools, local authorities and regional *education* consortia to improve *educational* outcomes for all learners.

**Welsh Local Government Association:** the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales

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**Budget 2018/19  
Council Fund Revenue****Previous Years Growth/ Items Dropping Out**

<b><u>APPROVED 2017/18 BUDGET</u></b>	<b>2018/19 £m</b>
<b><u>Social Services</u></b>	
Extra Care	0.420
<b>Total Social Services</b>	<b>0.420</b>
<b><u>Central &amp; Corporate</u></b>	
Workforce Pressures	0.628
<b>Total Central &amp; Corporate</b>	<b>0.628</b>
<b>Total 2017/18 Budget</b>	<b>1.048</b>
<b>Total Prior Year Decisions Recurring</b>	<b>1.048</b>

**Budget 2018/19**  
**Council Fund Revenue**

**Transfers in/out of settlement**

<b>Transfers in:</b>	<b>£m</b>	<b>£m</b>
Single Environment Grant	1.640	
Welsh Independent Living Grant	1.586	
Social Care Grants	0.412	
Total Transfers in (Pressure)		3.638
<b>Net effect (Pressure)</b>		<b><u>3.638</u></b>
<b>New Responsibilities</b>		
Social Services:		
Increasing Capital Limits for Residential Care		0.303
Homelessness Prevention		0.151
<b>Total</b>		<b><u>4.092</u></b>



**Budget 2018/19  
Council Fund Revenue****Inflation**

	<b>Total £m</b>
<b>Pay (1%)</b>	0.937
<b>Food</b>	0.124
<b>Fuel</b>	0.069
<b>Energy</b>	0.442
<b>Total Inflation</b>	<u><u>1.572</u></u>

**Budget 2018/19**  
**Council Fund Revenue**

**Pressures & Investments**

	2018/19	2019/20
	£m	£m
<b><u>Social Services</u></b>		
Independent Sector Care 18/19	1.190	1.190
Transition to Adulthood	0.570	0.570
Autism Spectrum Disorder (ASD)	0.200	0.200
Supporting People Funding	0.387	0.387
Work Opportunities delayed efficiency	0.180	0.125
Deprivation of Liberty Safeguards (DOLS)	0.100	0.100
Out of County Placements	0.500	0.500
Independent Living Fund (ILF)	0.000	0.326
<b>Total Social Services</b>	<b>3.127</b>	<b>3.398</b>
<b><u>Streetscene &amp; Transportation</u></b>		
Single Environment Grant	0.410	0.410
Street Lighting in year increase	0.131	0.131
Shared Specialist Plant unachieved efficiency	0.050	0.050
Bus shelters/CAT	0.050	0.050
Renewable Energy Income	0.200	0.200
Transport Routes	0.341	0.341
<b>Total Streetscene &amp; Transportation</b>	<b>1.182</b>	<b>1.182</b>
<b><u>Planning &amp; Environment</u></b>		
Planning Fee Income	0.300	0.300
<b>Total Planning &amp; Environment</b>	<b>0.300</b>	<b>0.300</b>
<b><u>Education &amp; Youth</u></b>		
GwE Inflationary Increase	0.004	0.004
<b>Total Education &amp; Youth</b>	<b>0.004</b>	<b>0.004</b>
<b><u>Governance</u></b>		
Members Allowances	0.017	0.017
Additional Software Maintenance	0.050	0.050
Cloud/Datacentre	0.060	0.060
Procurement	0.036	0.036
<b>Total Governance</b>	<b>0.163</b>	<b>0.163</b>
<b><u>Community &amp; Enterprise</u></b>		
Credit Card Surcharge	0.025	0.025
Bailiff Service	0.050	0.050
Markets Income	0.025	0.025
Single Person Discount - (one year efficiency dropping out)	0.132	0.132
<b>Total Community &amp; Enterprise</b>	<b>0.232</b>	<b>0.232</b>
<b><u>People &amp; Resources</u></b>		
Human Resources reduction in efficiency	0.240	0.240
Occupational Health SLA reduction in income	0.088	0.088
<b>Total Planning &amp; Resources</b>	<b>0.328</b>	<b>0.328</b>
<b><u>Central &amp; Corporate</u></b>		
Actuarial Review	0.070	0.070
Support Services	0.124	0.124
County Hall Car Parking	0.080	0.080
Central Loans and Investments (MRP)	0.300	0.300
Supplier Charging	0.116	0.116
Corporate Events	0.052	0.052
Income Target Reduction	0.200	0.200
<b>Total Central &amp; Corporate</b>	<b>0.942</b>	<b>0.942</b>
<b>Total Pressures and Investments</b>	<b>6.278</b>	<b>6.549</b>

**Budget 2018/19**  
**Council Fund Revenue**

<b><u>Stage 2 Efficiency</u></b>	<b><u>£m</u></b>
Schools Demography	0.288
Theatre Clwyd Tax Relief	0.075
Car Parking Charges	0.450
County Hall	0.300
Integrated Care Fund	0.500
<b>Total Stage 2 Efficiency</b>	<b><u>1.613</u></b>

**Budget 2018/19**  
**Council Fund Revenue**

<b><u>Stage 2.1 Efficiency</u></b>	<b><u>£m</u></b>
Care Fees Recurring Saving from 17/18	0.514
Audit Fee Reduction	0.127
Merger of Out of Hours Service	0.020
Single Person Discount 18/19 additional efficiency	0.160
ICT Efficiency (Digital Strategy)	0.048
<b>Total Stage 2.1 Efficiency</b>	<b><u><u>0.869</u></u></b>

**Budget 2018/9  
Council Fund Revenue**

**Specific Grants**

		Budget 2017-18 £	Budget 2018-19 £	Variance to 2017-18 £	Confirmed (C) or Estimated (E)
<b>Education &amp; Youth</b>					
Non Delegated	Promoting Positive Engagement (Youth Crime Prevention Fund)	196,143	196,143	0	E
	YOT / Youth Justice Board (inc. JAC)	221,956	221,956	0	E
	School Uniform Financial Assistance Scheme	29,000	0	(29,000)	C
	Welsh Network of Healthy School Schemes	101,380	101,380	0	E
	Youth Support Grant (Youth Service Revenue Grant)	176,820	126,820	(50,000)	E
	Free School Milk	245,891	245,891	0	E
	Families First	1,532,678	1,532,678	0	C
	Pupil Deprivation Grant	3,250,000	2,977,000	(273,000)	E
	Education Improvement Grant for Schools	6,336,004	5,822,154	(513,850)	E
		<b>12,089,872</b>	<b>11,224,022</b>	(865,850)	
Delegated	DCELLS (Post 16 provision in schools)	4,756,182	4,756,182	0	E
	Adult Community Learning	2,075	0	(2,075)	E
		<b>4,758,257</b>	<b>4,756,182</b>	(2,075)	
<b>Social Services</b>	Social Care Workforce Development Programme	312,069	312,069	0	E
	Flying Start	2,954,700	2,904,700	(50,000)	C
	Out of School Childcare	97,877	97,877	0	C
		<b>3,364,646</b>	<b>3,314,646</b>	(50,000)	
<b>Streetscene &amp; Transportation</b>	Concessionary Travel	2,180,000	2,180,000	0	E
	Local Transport Services	645,562	974,500	328,938	E
	Sustainable Waste - now Environment & Sustainable Development	2,798,064	852,852	(1,945,212)	C
	Bus Service Support Grant (Prev Taith)	557,000	557,000	0	E
	Welsh Young Person Travel Discount Scheme	120,000	60,000	(60,000)	E
		<b>6,300,626</b>	<b>4,624,352</b>	(1,676,274)	
<b>Planning &amp; Environment</b>	Safer Communities Fund	221,881	221,881	0	E
	Substance Misuse	522,744	522,744	0	C
	Crime Reduction and Anti Social Behaviour	31,566	31,566	0	E
	Domestic Abuse Co-ordinator Funding	92,400	92,400	0	E
	Environment & Sustainable Development Grant (non-Waste)	0	178,068	178,068	C
		<b>868,591</b>	<b>1,046,659</b>	178,068	
<b>Community &amp; Enterprise</b>	Supporting People	5,809,818	5,809,818	0	C
		<b>5,809,818</b>	<b>5,809,818</b>	0	
<b>Organisational Change</b>	Free Swimming	121,500	121,500	0	E
	National Exercise Referral	123,750	123,750	0	E
	Active Young People	305,303	305,303	0	E
	Community Learning	2,034	0	(2,034)	C
		<b>552,587</b>	<b>550,553</b>	(2,034)	
<b>Total</b>		<b>33,744,397</b>	<b>31,326,232</b>	(2,418,165)	

**Budget 2018/19**  
**Council Fund**

**Summary of Council Fund Earmarked Reserves**

	<b>Estimated Balance 01/04/18 £m</b>	<b>Estimated Balance 31/03/19 £m</b>
<b><u>Service Balances</u></b>		
Planning & Environment	0.125	0.066
Education & Youth	0.067	0.067
Social Services	0.095	0.000
Streetscene & Transportation	0.022	0.000
Community & Enterprise	0.070	0.064
Organisational Change	0.098	0.048
Corporate Services	0.242	0.158
<b>Total</b>	<b>0.719</b>	<b>0.403</b>
<b><u>Corporate Balances</u></b>		
Single Status/Equal Pay	2.002	1.289
General Reserve - Investment in Organisational Change	0.500	0.338
General Reserve - Budget Strategy	0.546	0.546
<b>Total</b>	<b>3.048</b>	<b>2.173</b>
<b><u>Specific Reserves</u></b>		
Schools Balances	-0.028	-0.028
Benefits Equalisation	0.117	0.117
County Elections	0.165	0.065
Supporting People	0.000	0.000
Unitary Development Plan	0.480	0.334
Building Control	0.036	0.036
Waste Disposal	0.282	0.210
Flintshire Enterprise Ltd	0.052	0.052
Design Fees	0.150	0.150
Winter Maintenance	0.215	0.215
Insurance Funds	1.473	1.473
Cash Receipting Review	0.079	0.079
LMS Curriculum	0.161	0.161
Flintshire Trainees	0.398	0.000
Rent Income Shortfall	0.300	0.300
Customer Service Strategy	0.103	0.000
Capita One	0.019	0.000
Public Sector Broadband Aggregation	0.530	0.530
Supervision Fees	0.041	0.000
Transport Review	0.000	0.000
Grants & Contributions	1.715	1.660
<b>Total</b>	<b>6.289</b>	<b>5.355</b>
<b>Total Earmarked Reserves</b>	<b>10.056</b>	<b>7.931</b>

## Breakdown of Band D Council Tax in Wales

	County Council Precept (£)			Precept Increase (%)		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Isle of Anglesey	1,026	1,061	1,088	4.5	3.8	2.5
Gwynedd	1,161	1,207	1,241	4.5	4.1	3.0
Conwy	1,013	1,064	1,113	5.0	4.9	4.5
Denbighshire	1,142	1,159	1,191	3.0	1.5	2.8
<b>Flintshire</b>	<b>1,025</b>	<b>1,071</b>	<b>1,104</b>	<b>3.7</b>	<b>4.4</b>	<b>3.0</b>
Wrexham	996	1,025	1,052	3.0	2.8	2.5
Powys	1,046	1,090	1,133	4.1	4.4	4.3
Ceredigion	1,070	1,124	1,169	4.9	4.9	3.9
Pembrokeshire	801	841	883	4.4	5.1	4.9
Carmarthenshire	1,076	1,118	1,146	4.7	3.9	2.4
Swansea	1,132	1,176	1,208	4.8	3.9	2.7
Neath Port Talbot	1,368	1,408	1,443	4.2	2.9	2.5
Bridgend	1,249	1,298	1,335	4.9	4.0	3.0
Vale of Glamorgan	1,070	1,111	1,142	3.9	3.8	2.7
Cardiff	1,022	1,060	1,100	5.0	3.7	3.7
Rhondda Cynon Taf	1,295	1,331	1,361	3.8	2.7	2.3
Merthyr Tydfil	1,353	1,400	1,441	4.5	3.5	2.9
Caerphilly	992	1,002	1,012	3.9	1.0	1.0
Blaenau Gwent	1,406	1,457	1,507	2.6	3.6	3.4
Torfaen	1,097	1,141	1,183	4.6	3.8	3.6
Monmouthshire	1,095	1,138	1,183	5.2	4.3	4.4
Newport	938	975	1,009	5.0	3.9	3.5
<b>Wales Average</b>	<b>1,088</b>	<b>1,127</b>	<b>1,162</b>	<b>4.3</b>	<b>3.7</b>	<b>3.1</b>
<b>Flintshire - compared to Welsh Average</b>	<b>-63</b>	<b>-56</b>	<b>-58</b>	<b>-0.6</b>	<b>0.7</b>	<b>-0.1</b>

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## FLINTSHIRE COUNTY COUNCIL

<b>Date of Meeting</b>	Tuesday, 20 <sup>th</sup> February 2018
<b>Report Subject</b>	Council Fund Capital Programme 2018/19 – 2020/21
<b>Report Author</b>	Chief Executive, Chief Officer, Organisational Change, Corporate Finance Manager

### **EXECUTIVE SUMMARY**

This report presents the Council Fund Capital Programme for the period 2018/19 – 2020/21 for approval.

The proposals will be considered by the Corporate Resources Overview and Scrutiny Committee on 15<sup>th</sup> February 2018 where Members will have the opportunity to offer comments and feedback. This feedback will be taken into account by Cabinet when it meets prior to Council.

Cabinet will consider the detailed report, included at Appendix A, and the feedback from Corporate Resources Overview and Scrutiny Committee, at their meeting on 20<sup>th</sup> February 2018 and their recommendations will be reported at the meeting.

### **RECOMMENDATIONS**

1	Approve the allocations in Table 4 (paragraph 1.06.1) of the Cabinet report for Statutory/Regulatory and Retained Assets sections of the Council Fund Capital Programme 2018/19 - 2020/21
2	Approve the schemes included in Table 5 (paragraph 1.07.1) of the Cabinet report for the Investment section of the Council Fund Capital Programme 2018/19 - 2020/21
3	Members are asked to note the shortfall in funding of schemes in financial years 2019/20 and 2020/21 (paragraphs 1.08) as set out in the Cabinet report. Options including a combination of future capital receipts, alternative grants (if available), prudential borrowing or the re-phasing of schemes will be considered during 2018/19, and updates provided to Members in future capital programme monitoring reports.
4	Members are asked to note the further development and a refresh of a forward Capital Strategy and Asset Management Plan.

## **REPORT DETAILS**

<b>1.00</b>	<b>CAPITAL PROGRAMME 2018/19 - 2020/21</b>
1.01	Please see attached Cabinet report at Appendix A
<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Please see attached Cabinet report at Appendix A
<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Please see attached Cabinet report at Appendix A
<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Please see attached Cabinet report at Appendix A
<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Report to Cabinet 20 <sup>th</sup> February 2018: Council Fund Capital Programme 2018/19 – 2020/21.
<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<b>Contact Officer:</b> Liz Thomas – Technical Finance Manager <b>Telephone:</b> 01352 702289 <b>E-mail:</b> <a href="mailto:liz.thomas@flintshire.gov.uk">liz.thomas@flintshire.gov.uk</a>
<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	Please see attached Cabinet report at Appendix A



<b>CABINET</b>
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<b>Date of Meeting</b>	Tuesday 20th February 2018
<b>Report Subject</b>	Development of 2018/19 – 2020/21 Capital Programme
<b>Cabinet Member</b>	Leader of the Council and Cabinet Member for Finance
<b>Report Author</b>	Chief Executive, Chief Officer Organisational Change, and Corporate Finance Manager
<b>Report Type</b>	Strategic

### **EXECUTIVE SUMMARY**

This report presents the developing Capital Programme for the period 2018/19 – 2020/21.

The Council funded Capital Programme is only one part of the Council's contribution to investing in local infrastructure, facilities and assets. Regional programmes such as the Economic Growth Strategy which draw on national funds, and separate capital programmes such as the HRA Capital Programme which includes the Welsh Housing Quality Standard (WHQS) and Social Housing and Regeneration Programme (SHARP), and the 21<sup>st</sup> Century Schools Programme delivered in partnership between the Council and Welsh Government, all supplement the Council funded capital programme.

The Council funded programme primarily supports infrastructure assets and buildings (e.g. highways and schools) and investment in our new or readopted service models (e.g. leisure and social care). The proposed capital investments are aligned to the Portfolio service business plans and the Council Plan.

The Capital Strategy and Asset Management Plan will be updated later in the year to support the current and emerging longer term Council priorities and to meet the investment needs of our new or readopted business models. The new Strategy will be more ambitious and will be an evidence base to support the leverage of national funds to meet Council priorities.

The report builds on the Capital Strategy and Asset Management Plan adopted in February 2016 and splits the Council Fund Capital Programme into three sections;

1. Statutory / Regulatory - allocations to cover regulatory and statutory works
2. Retained Assets - allocations to fund infrastructure works necessary to ensure service and business continuity
3. Investment - allocations to fund works necessary to remodel services to deliver efficiencies outlined in Portfolio business plans and invest in services as outlined in the Council Plan.

The majority of the programme can be funded from capital receipts and grants. There is a shortfall in general funding which would need to be met through a combination of future capital receipts, alternative grants, prudential borrowing or scheme phasing over a number of years.

The information in this report refers to Council Fund (CF) schemes only, not the Housing Revenue Accounts which is reported separately on this agenda.

<b>RECOMMENDATIONS</b>	
1	To consider and approve the allocations and schemes in Table 4 (paragraph 1.06.1) for the Statutory/Regulatory and Retained Assets sections of the Council Fund Capital Programme 2018/19 - 2020/21.
2	To consider and approve the schemes included in Table 5 (paragraph 1.07.1) for the Investment section of the Council Fund Capital Programme 2018/19 - 2020/21.
3	To note that the shortfall in funding of schemes in 2019/20 and 2020/21 (paragraphs 1.08) at this point in the approval process is flexible. Options including a combination of future capital receipts, alternative grants (if available), prudential borrowing or the re-phasing of schemes will be considered during 2018/19, and included in future capital programme reports.
4	To note the further development and a refresh of a forward Capital Strategy and Asset Management Plan.

## REPORT DETAILS

1.00	<b>DEVELOPING THE CAPITAL PROGRAMME 2018/19 – 2020/21</b>
1.01	<p>The Council funded Capital Programme has limited resources to support Council priorities, needs and liabilities. The programme is only one part of the Council’s contribution to investing in local infrastructure, facilities and assets. Regional programmes such as the Economic Growth Strategy which draw on national funds, and separate capital programmes such as the HRA Capital Programme which includes the Welsh Housing Quality Standard (WHQS) and Social Housing and Regeneration Programme (SHARP), and the 21<sup>st</sup> Century Schools Programme, delivered in partnership between the Council and Welsh Government, supplement the Council funded capital programme.</p> <p>The Council funded programme primarily supports infrastructure assets and buildings (e.g. highways and schools) and investment in our new or re-adopted service models (e.g. leisure and social care). The proposed capital investments are aligned to the Portfolio service business plans and the Council Plan.</p>
1.02	<p>The Council’s Capital Strategy and Asset Management Plan will be updated later in the year to support the current and emerging longer term Council priorities and to meet the investment needs of our new or readopted service business models. The new Strategy will be ambitious and will be an evidence base to support the leverage of national funds to meet Council priorities. Longer-term planning will put the Council in a stronger position to attract national funds of differing types, from capital grant to borrowing approvals, to support its priorities in areas such as economic development infrastructure, transport, education, housing and new service models.</p>
1.03	<b>Changes to CIPFA’s Codes of Practice - Prudential Code for Capital Finance in Local Authorities 2017 and Treasury Management Code 2017</b>
1.03.1	<p>CIPFA published new editions of the Prudential Code for Capital Finance and the Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance in late December 2017 which complement each other.</p>
1.03.2	<p>The 2017 edition of the Prudential Code for Capital Finance has expanded objectives and includes a requirement for Councils to look at capital expenditure and investment plans in the light of overall organisational strategy and resources, and ensure that decisions are being made with sufficient regard to the long term financing implications and potential risks to the Council.</p> <p>The Code introduces the requirement for a Capital Strategy which sets out the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Its intention is to give a high level overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of services along with an overview of how associated risk is managed and the implications for future</p>

	financial sustainability, linking the Capital Strategy with the Treasury Management Strategy.
1.03.3	<p>The Council considers that it prudently assesses the long-term context of capital expenditure and any non-treasury management investment decisions, and their associated risks and rewards on future financial sustainability. As stated in 1.03.2 the Council already has a Capital Strategy and Asset Management Plan in place. Nevertheless, the requirements of the changes of both Codes will need to be worked through as part of updating the Capital Strategy and Asset Management Plan with careful consideration to ensure compliance with the requirements of the Codes. Appropriate risk management frameworks and reporting mechanisms will also need to be further developed in consultation with Chief Officers and Members and will take some time. On this basis it anticipated that a refreshed Capital Strategy and Asset Management Plan will be presented to Members later in the financial year (2018/19).</p> <p>CIPFA have yet to publish the updated guidance notes to both Codes which will include examples and more detailed practical guidance. These guidance notes are needed to assist the Council in interpreting the practical implications of the updated Codes.</p> <p>Due to the timing of the publications, and the need to set the Capital Programme before the start of the financial year, it is appropriate to set the Programme for 2018/19 under the 2011 version of the Prudential Code.</p>
1.04	<b>Capital Programme 2017/18 – 2019/20 Update</b>
1.04.1	<p>The Council's Capital Strategy and Asset Management Plan sets out the Capital Programme in three parts;</p> <ol style="list-style-type: none"> <li>1. Statutory / Regulatory section – allocations to cover regulatory and statutory works. Examples include; providing support to improve and adapt private sector homes (Disabled Facilities Grants), adaptations to schools for children with disabilities, any works required to keep buildings open by Health and Safety requirements etc.</li> <li>2. Retained Assets section – to ensure service and business continuity. Allocations to fund schemes that maintain, enhance and improve retained assets and infrastructure to deliver services. Significant needs identified by service plans / condition surveys etc.</li> <li>3. Investment section – to fund costs incurred when remodelling and investing in services. New schemes arising from Portfolio business plans, the Council Plan, other relevant and emerging plans, and other strategies or emerging Council priorities approved through a selection process based on the provision of a sound business case.</li> </ol>
1.04.2	Table 1 below shows the schemes approved by Council in February 2017 for the 2017/18 – 2019/20 Capital Programme, along with any schemes added to the Programme during 2017/18 (funded by the Council's own resources).

**Table 1**

<b>APPROVED ALLOCATIONS 2017/18 - 2019/20</b>				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Statutory / Regulatory Section</b>				
DD Act - Individual pupils	0.250	0.250	0.250	0.750
Private sector renewals & improvements	1.496	1.496	1.496	4.488
School building works	0.100	0.100	0.100	0.300
Corporate property works	0.300	0.300	0.300	0.900
IT - Firewalls, protection from cyber attacks	0.070	0.000	0.000	0.070
Special inspections - Flintshire bridge	0.510	0.000	0.000	0.510
<b>Total Statutory / Regulatory</b>	<b>2.726</b>	<b>2.146</b>	<b>2.146</b>	<b>7.018</b>
<b>Retained Assets Section</b>				
School building works	1.000	1.000	1.000	3.000
Corporate property works	0.300	0.300	0.300	0.900
Highways asset management plan	0.600	0.600	0.600	1.800
Streetlighting Replacement*	2.779	0.000	0.000	2.779
IT - Network replacement	0.300	0.000	0.000	0.300
IT - Server replacement	0.200	0.000	0.000	0.200
IT - Replacement of equip. to 'back up' data	0.050	0.000	0.000	0.050
TC - Telephony / Box office upgrade	0.100	0.000	0.000	0.100
Playareas and synthetic sports pitches	0.487	0.200	0.200	0.887
Headroom	0.250	0.250	0.250	0.750
<b>Total Retained Assets Section</b>	<b>6.066</b>	<b>2.350</b>	<b>2.350</b>	<b>10.766</b>
<b>Investment Section</b>				
Community asset transfers	0.250	0.250	0.000	0.500
School extension and remodelling				
Castell Alun High School - Hope	0.000	0.600	4.000	4.600
Glan Aber Primary - Bagillt	0.073	0.683	0.241	0.997
Property works at leisure centres / libraries**	2.418	0.000	0.000	2.418
LD Day services facility	2.045	1.955	0.000	4.000
Extension and remodelling of Arosfa	0.100	0.000	0.000	0.100
Household recycling centres	1.000	0.000	0.000	1.000
<b>Total Investment Section</b>	<b>5.886</b>	<b>3.488</b>	<b>4.241</b>	<b>13.615</b>
<b>Total Capital Programme</b>	<b>14.678</b>	<b>7.984</b>	<b>8.737</b>	<b>31.399</b>
	* Added to the programme in Month 4 and Month 6 monitoring reports			
	** £1.964m added to the programme in Month 4 monitoring reports			

1.04.3

Table 2 below shows how the schemes approved by Council in February 2017 for the 2017/18 – 2019/20 Capital Programme are being funded.

**Table 2**

<b>ESTIMATED FUNDING 2017/18 - 2019/20</b>				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Funding</b>				
Un-hypothecated Supported Borrowing (USB)	4.124	4.124	4.124	12.372
General Capital Grant (GCG)	2.510	2.510	2.510	7.530
Capital Receipts Available (As at Month 6 2016/17)	3.567	0.000	0.000	3.567
Prudential Borrowing*	4.743	0.000	0.000	4.743
<b>Total Funding</b>	<b>14.944</b>	<b>6.634</b>	<b>6.634</b>	<b>28.212</b>
Total Capital Programme 2017/18 - 2019/20	14.678	7.984	8.737	31.399
<b>Surplus / (Shortfall)</b>	<b>0.266</b>	<b>(1.350)</b>	<b>(2.103)</b>	<b>(3.187)</b>
* Revenue costs funded by energy efficiencies and reducing funding awarded to Aura				

1.04.4 Tables 1 and 2 show that when the Capital Programme 2017/18 – 2019/20 was set, in February 2017, there was an overall shortfall in funding of £3.187m, though 2017/18 schemes were fully funded. The shortfall in funding of schemes in 2018/19 and 2019/20 at that point in the approval process was kept flexible and this was explained in the report to Council at that time. Options included a combination of future capital receipts, alternative grants, prudential borrowing or scheme phasing over several years which would be considered during 2017/18.

Progress on addressing the shortfall has been reported regularly to Cabinet and Corporate Resources Overview and Scrutiny Committee (CROSC) during 2017/18. It is important to note that capital receipts forecast to be received during the remainder of 2016/17 and in 2017/18 have now been received. This means that the programme approved for 2017/18 – 2019/20 as set out in Table 1 is now fully funded, and a small surplus is available of £0.201m. Please see Month 9 Capital Monitoring report for further information, which is also included within this agenda.

**1.05 Projected Funding Available 2018/19 - 2020/21**

1.05.1 Table 3 below shows the general capital funding currently projected to be available to fund the capital programme over the next 3 years (2018/19 – 2020/21).



**Table 3**

<b>ESTIMATED AVAILABLE FUNDING 2018/19 - 2020/21</b>				
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Funding (Excluding Specific Funding)</b>				
Un-hypothecated Supported Borrowing (USB) <sup>1</sup>	4.051	4.051	4.051	12.153
General Capital Grant (GCG) <sup>1</sup>	2.465	2.465	2.465	7.395
Capital Receipts Available (As at Month 9 2017/18)	3.624	0.000	0.000	3.624
<b>Total</b>	<b>10.140</b>	<b>6.516</b>	<b>6.516</b>	<b>23.172</b>

**1 As per 18/19 Final Settlement.**

1.05.2 Table 3 above assumes that the Un-hypothecated Supported Borrowing allocation and the General Capital Grant received from Welsh Government (WG) in the years 2019/20 to 2020/21 remains the same as the information provided in the 2018/19 final Financial Settlement for Welsh local government.

Compared with 2017/18 final Financial Settlement the Un-hypothecated Supported Borrowing allocation has reduced by £0.073m and General Capital Grant by £0.045m, a total reduction of £0.118m.

1.05.3 The only capital receipts included in the total funding available in Table 3 are those that have been received to date. That is prior year's receipts, and 2017/18 receipts (to date, as at the month 9 capital monitoring report 2017/18) which are unspent to date.

The current projection is for a further £0.772m of capital receipts to be received by the end of 2017/18. This only includes sales that are actively progressing to legal completion and are rated as a low risk of not being achieved. A further £0.600m of capital receipts is anticipated by the end of the financial year, but there is more risk relating to these due to their size and complexity as such they may not be achieved in the current financial year but are likely to be achieved in financial year 2018/19.

Future capital receipts over the period 2018/19 onwards are estimated to be in the region of £7.000m.

1.05.4 The Council has developed a prudent policy of only allocating capital receipts to fund capital projects when receipts are actually received; rather than when we anticipate the receipt to be received, and this position continues to be the case.

All of the schemes proposed for inclusion within the Capital Programme in sections 1.06, 1.07 and 1.09 below invest in assets and / or reconfigure models of service provision. They are pivotal to support the delivery of the Council's strategic priorities outlined in portfolio business plans and the Council Plan.

The majority of the programme can be funded from capital receipts and WG

	funding allocations, although there is an overall shortfall in funding which could require funding by borrowing which has revenue implications. Schemes have therefore been phased over the 3 year period to ensure 2018/19 financial year is fully funded. The shortfall in funding in the later years will need to be met through a combination of future capital receipts, alternative grants (if available), prudential borrowing or further scheme phasing over several years.																																																																																															
1.05.5	The figures in Table 3 relate to the Council Fund only with the HRA Capital Programme being reported separately on this agenda.																																																																																															
1.06	<b>Capital Programme 2018/19 – 2020/21</b>																																																																																															
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	<p>An annual allocation to adapt and modify schools for children who have disabilities to support and create increasingly inclusive school environments. No change proposed for 2018/19 onwards.</p>
1.06.4	<p><b>Disabled Facilities Grants</b></p> <p>The annual allocations to improve and adapt private sector homes called private sector renewals and improvements in Table 1 has been renamed to better reflect what the funding will now be used for:</p> <ul style="list-style-type: none"> <li>• Disabled Facilities Grants – adaptations enabling residents to continue to live independently in their own homes</li> <li>• Partnership working with Care and Repair to support vulnerable residents</li> </ul> <p>The funding allocations have been increased to reflect increasing demand for the statutory service and the increase in complexity of cases and costs. The service highlight that the annual allocation is under significant pressure and there is a risk that the allocations won't be sufficient to meet the demands for a statutory service.</p>
1.06.5	<p><b>School building work</b></p> <p>An annual allocation to fund the most urgent property works required at schools split across the regulatory / statutory and retained assets sections of the capital programme.</p> <p>Within the retained assets section £0.100m is allocated for a programme of toilet upgrades in both primary and secondary schools to ensure compliance with Education (School Premises) Regulations 1999 and Department for Education and Skills document "Toilets in Schools". There is currently a backlog of such works estimated to be in the region of £1.5m which is often reflected as a Health and Safety issue in Estyn inspections of schools.</p> <p>The retained assets section has been increased by £0.400m from 2018/19 onwards to introduce:</p> <ul style="list-style-type: none"> <li>• Works to upgrade ventilation systems at school kitchens which are failing building regulations and gas safety legislation and are at risk of closure. £0.200m per annum.</li> <li>• Fire Inspection Works at schools which are the responsibility of the Local Authority and have been identified during statutory fire risk assessments. £0.200m per annum.</li> </ul>
1.06.6	<p><b>Corporate property works</b></p> <p>An annual allocation to fund the most urgent property works required at non-school premises split across the regulatory / statutory and retained assets sections of the capital programme. No change proposed for 2018/19 onwards.</p>
1.06.7	<p><b>Highways Asset Management Plan (HAMP)</b></p>

	<p>An annual allocation of £0.600m to fund the HAMP which includes resurfacing of the classified highway network, replacement programme for street lighting columns and structural maintenance.</p> <p>Whilst the Council has a statutory duty to maintain the Highways Network in a safe condition for travel, how the Council does this is not defined. Welsh Government (WG) set targets for road condition indices, and at present Flintshire is performing better than the target set as a result of significant additional investment from WG in recent years.</p> <p>Maintaining the current position would require annual investment of circa £2.7m, which in the current climate is unaffordable. The service highlight that there are a number of roads in need of urgent works and that the annual allocation is under significant pressure.</p> <p>In January 2018 the WG announced funding of £30m for capital investment in local authority roads refurbishment scheme. The Council's share of the funding is £1.427m which must be utilised in 2017/18. The Council is able to use the grant to displace expenditure incurred during 2017/18 funded from its own resources which can then be carried forward into 2018/19 to fund additional road refurbishment. This will mean that the Council will have a total of £2.027m to spend on its highway infrastructure in 2018/19.</p>
1.06.8	<p><b>Play areas and Synthetic sports pitches</b></p> <p>An annual allocation of £0.200m to fund the most urgent requirements to replace play equipment that has reached the end of its useful life at play areas, as well as upgrades to play areas.</p> <p>Condition surveys are undertaken of all synthetic sports pitches. Pitches at Flint High School and Elfed High School, Buckley will require resurfacing in 2018/19 and 2020/21 respectively.</p>
1.06.9	<p><b>IT Infrastructure</b></p> <p>Various schemes required to maintain service and business continuity;</p> <ul style="list-style-type: none"> <li>• <b>ICT Cyber Security.</b> Replacement of equipment including Firewalls and e-mail scanning technology which protect the Council's IT systems from Cyber Attack and allow the Council to maintain its public sector network accreditation (a requirement for interaction with the Department of Work and Pensions for Housing Benefit.) 3 year asset life.</li> <li>• <b>ICT Replace outdated equipment at datacentres.</b> Replacement of equipment including High Volume Air Conditioning units, batteries that ensure the power supply to data centres is not interrupted, equipment that monitors the conditions in the datacentres and alerts if there are issues and networking equipment to the datacentres.</li> <li>• <b>ICT Storage Technologies.</b> Increase storage capacity to cope with increasing demand of the organisation, whilst also investing in</li> </ul>

	<p>complimentary technologies to SharePoint software to ensure data is stored in the most efficient way and is compliant with General Data Protection Regulation.</p> <ul style="list-style-type: none"> <li>• <b>ICT Replace Server Technologies.</b> Replacement of server infrastructure to support Citrix applications, SQL databases and Exchange and Skype systems. Business case explains the risks of not replacing as a degradation of service; key business systems operating slowly or even failing to run completely. 5 year asset life.</li> </ul>
1.06.10	<p><b>‘Headroom’</b></p> <p>‘Headroom’ has been built in to the capital programme to enable the programme to be more flexible such that funding can be allocated to small schemes as they present in year either as a result of opportunities or unforeseen circumstances (£0.250m per annum). An example would be the need to complete further highways works as a result of an exceptionally severe winter over and above any planned works funded from the annual allocation.</p>
	<p><b>Investment Section of the Capital Programme 2018/19 – 2020/21</b></p>
1.07.1	<p>Table 5 below shows the proposed schemes for the period 2018/19 - 2020/21 for the Investment section of the Capital Programme.</p>

**Table 5**

PROPOSED INVESTMENT SCHEMES 2018/19 - 2020/21				
	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
<b>Investment Section</b>				
<u>Previously Approved</u>				
Community asset transfers	0.000	0.000	0.000	0.000
School extension and remodelling				
Castell Alun High School - Hope	0.600	4.000	0.207	4.807
Glan Aber Primary - Bagillt	0.683	0.241	0.000	0.924
LD Day services facility	1.955	0.000	0.000	1.955
	<b>3.238</b>	<b>4.241</b>	<b>0.207</b>	<b>7.686</b>
<u>New Schemes for Approval</u>				
North Wales Residual Waste Treatment Partnership	0.500	0.000	0.000	0.500
Marleyfield Residential Home - Buckley	0.000	1.001	1.381	2.382
Office Rationalisation - County Hall Demolition/Relocation to Ewloe	0.000	1.900	0.000	1.900
Theatr Clwyd Redevelopment	0.330	0.500	0.500	1.330
	<b>0.830</b>	<b>3.401</b>	<b>1.881</b>	<b>6.112</b>
<b>Total Investment Section</b>	<b>4.068</b>	<b>7.642</b>	<b>2.088</b>	<b>13.798</b>

1.07.2 Schemes within Table 5 are explained in more detail below at paragraphs 1.07.3 to 1.07.

1.07.3 **Community Asset Transfers**

Capital funding has previously been granted to community groups to 'pump prime' Community Asset Transfers (CATs) with £1.250m of funding having been earmarked to date. No further funding is needed in 2018/19 to continue with the project.

1.07.4 **Castell Alun High School**

To bring the school building up to current day standards providing facilities that are fit for purpose and suitable for delivering the future curriculum. The school will be extended with the provision of a new two storey Art and Design Technology block and remodelled in other areas. This will remove the need for mobile classrooms currently on site but which are nearing the end of their economic working life (and will need replacing). The scheme starts in 2018/19 financial year, taking place over 3 financial years.

1.07.5 **Glan Aber Primary School, Bagillt**

The school building currently has a number of issues including; classrooms which do not meet minimum size requirements for classes of 30 pupil places such that classes are being taught in the hall, resulting in the school being unable to deliver aspects of the PE curriculum. The proposed scheme will

	<p>convert the existing hall to provide two suitable teaching spaces, with circulation, and the construction of a new hall at the appropriate size for the number of pupils on roll together with minor extensions to three classrooms to provide appropriate size and shape, more suitable for curriculum delivery.</p> <p>The scheme will take place over four financial years and started in 2017/18 financial year.</p>
1.07.6	<p><b>Learning Disability Day Services Facility</b></p> <p>The scheme involves a replacement day care facility with an option to include other community based facilities. The current building (Glanrafon) is not capable of supporting an efficient service and has reached the end of its useful life. A replacement facility is needed to transform the way the service is delivered.</p> <p>The scheme will take place over more than a single financial year and design detailed development commenced in 2017/18, with on-site start commencing in 2018/19.</p>
1.07.7	<p><b>North Wales Residual Waste Treatment Project</b></p> <p>As part of the Inter Authority Agreement all partners in the North Wales Residual Waste Treatment Project agreed to contribute to building waste transfer stations at Denbighshire and Conwy. The amount is capped at a maximum of £0.500m per Council and has been included in 2018/19, however, this could be less. The amount and timing are still to be confirmed.</p>
1.07.8	<p><b>Extension to Residential Care Home, Marleyfield – Buckley</b></p> <p>A comprehensive review of the residential care market in Flintshire was carried out in 2016 which included involvement from the Older People’s Commissioner for Wales, Care and Social Services Inspectorate Wales, Welsh Government, Care Forum Wales and Betsi Cadwaladr University Health Board (BCUHB). The report concluded that the market is fragile with limited resources to mitigate the impacts of closures of any sort and that the demand for the number of places was forecast to grow significantly by 2020.</p> <p>Whilst a significant level of support and activity is ongoing to strengthen the independent sector, there is evidence to suggest a strengthened model of social provision is required in order to stabilise and strengthen the overall provision of care to meet rising demand.</p> <p>An option appraisal was undertaken on the Council’s 3 residential care homes to see how forecast demand could be met. Marleyfield House in Buckley was the most viable option for an extension where an additional 32 beds can be accommodated to bring total provision up to 64 beds.</p> <p>There are many interdependencies across health and social care and solutions to meet increasing demand require an integrated approach. It is proposed therefore to develop the new facility at Marleyfield House through a pooled budget arrangement with BCUHB to provide additional services, beds and multi-disciplinary support in a community setting. Allowing for provision of permanent residential beds, as well as beds which prevent</p>

hospital admissions, beds which assist in speeding up hospital discharges and beds that allow appropriate assessment to reduce care packages to implemented to support people in the long term.

The associated capital and revenue costs are outlined in the table below along with indicative (though not confirmed) funding from WG and BCUHB:

Estimates	Capital £m	Recurring Revenue £m
Costs	3.591	0.673
Income - WG ICF Grant	(1.209)	(0.373)
Income - Health	0	(0.150)
Net Costs	2.382	0.150

Please note the revenue pressure that will be created as a result in the year that the facility becomes operational. This pressure would have occurred in any case as demand grows and residential beds from the private sector would need to be paid for.

The scheme will take place over more than a single financial year and has been phased to start in 2019/20 due to affordability of the overall programme. The Council would need to agree with WG that grant funding could be used flexibly rather than in a specific year.

**1.07.9 Office Rationalisation – County Hall partial demolition and relocation to Unity House, Ewloe**

The Councils office accommodation is now based over two sites, Flint and County Hall, Mold. The current accommodation within the Mold campus office block is inefficient and two out of the four accommodation blocks are empty with staff consolidating into phases one and two. The building still has a business rate charge, even though empty and other sundry running costs.

The first phase of the proposal would see a large number of office staff relocating from County Hall to Unity House (a smaller more efficient building in Ewloe) and the demolition of the empty accommodation at County Hall. There are other strategic drivers flowing from this project relating to staff cultural change, new ways of working and significantly improved working environments.

Demolition costs of phases 3 and 4 and the relocation and refurbishment costs of Unity House total £1.9m, though there is potential for some funding to be available to reduce the capital costs from the previous tenant of the building. This stage one rationalisation work will initially generate annual revenue savings of £0.090m.

There is a second stage proposal currently under early development which would see a masterplan being developed for the whole of the Mold County Hall campus.



**1.07.10 Theatr Clwyd Redevelopment**

The Theatr Clwyd building is nearing the end of its life and needs updating to ensure it is safe for public and employment use. Recently with funding from the Arts Council of Wales the Theatre has recently completed a feasibility study into the potential for future capital development.

The outcome of the feasibility study indicated that the main two theatres work extremely well and are the right size for audiences however the infrastructure supporting the building is in need of replacement and without this the Theatre is not sustainable.

The associated capital and revenue costs are outlined in the table below along with requests for funding from WG and Arts Council of Wales (which have not been confirmed):

Estimates	Capital Dev. £m	Design £m	Capital Build £m	Revenue £m
Costs		1.330	30.000	(0.101)
Income - WG		0	(22.000)	0
Income – Arts Council Wales		(1.000)	(5.000)	0
Income – Locally Raised		0	(2.000)	0
Net Costs to Council		0.330	1.000	(0.101)

Detailed design and development works would need to take place which would build on and develop further the feasibility study. A decision by all partners would then need to be taken to proceed with the project. Should the project not go ahead then the Council’s share of the design development above at £0.330m cannot be capitalised and would be a charge to the Council’s revenue account.

**Summary (Generally funded) Capital Programme 2018/19 – 2020/21**

1.08.1 Table 6 below summarises the Capital Programme and available funding:

**Table 6****SUMMARY (GENERALLY FUNDED) CAPITAL PROGRAMME 2018/19 - 2020/21**

	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Statutory / Regulatory Section	2.450	2.350	2.350	7.150
Retained Assets Section	3.288	3.175	3.977	10.440
Investment Section	4.068	7.642	2.088	13.798
<b>Total (All Sections)</b>	<b>9.806</b>	<b>13.167</b>	<b>8.415</b>	<b>31.388</b>
Estimated available general funding*	10.140	6.516	6.516	23.172
<b>Surplus / (Shortfall)</b>	<b>0.334</b>	<b>(6.651)</b>	<b>(1.899)</b>	<b>(8.216)</b>

\* As per 18/19 Final Settlement.

1.08.2 Table 6 shows that there is an overall shortfall in projected funding of £8.216m.

To meet the shortfall the Council will potentially need to borrow to fund the schemes (unsupported borrowing commonly referred to as prudential borrowing), which has the impact of increasing debt financing costs of interest and revenue provision for repayment of debt in the revenue budget.

That said, there is also potential for capital receipts to be generated during the remainder of 2017/18 - with a current projection for a further £0.772m (low risk) rating to be received by the end of 2017/18, and, a further £0.600m with a moderate risk of slipping into 2018/19 as detailed in paragraph 1.05.03 above.

Furthermore from 2018/19 onwards an estimate in the region of £7m of receipts is forecast.

A total of £8.372m, a sum which is in excess of the projected £8.216m shortfall.

1.08.3 The Council has developed a prudent policy of only allocating capital receipts to fund capital projects only when receipts are actually received; rather than when we anticipate the receipt to be received, and this position continues to be the case.

All of the schemes proposed for inclusion within the Capital Programme invest in assets and / or reconfigure models of service provision. They are pivotal to support the delivery of the Council's strategic priorities outlined in portfolio business plans and the Council Plan.

1.08.4 The Capital Programme 2018/19 – 2020/21 has been constructed carefully with schemes phased over the 3 year period to ensure that 2018/19 financial year is fully funded and mitigating operational risks to delivering services.

	<p>This then enables time to consider the shortfall in funding in the later years which will need to be met through a combination of future capital receipts, alternative grants (if available), prudential borrowing or further scheme phasing over several years.</p>
1.08.5	<p>Investment programme schemes such as the extension to the residential care home, the office rationalisation and the redevelopment of the theatre costing £5.3m in total have been held back until financial year 2019/20. During 2018/19 the funding position can be re-assessed as the capital receipts needed to fund the schemes are likely to have been realised. In the event that capital receipts were not available, the schemes could be delayed until capital receipts are made available. Similarly, should the capital receipts be realised earlier the schemes could be brought forward and start earlier.</p> <p>Further, between the design phase and the construction phase of the larger schemes there will be an opportunity to 'pause and review' such schemes to consider, amongst other things, the funding available before construction commences.</p>
	<p><b>Future Capital Schemes</b></p>
1.09.1	<p>As stated in paragraph 1.02 the Council's Capital Strategy and Asset Management Plan is being refreshed to support the current and emerging longer term Council priorities and to meet the investment needs of our new or readopted service business models. Schemes under development that will feature in future Capital Programmes are noted in 1.09.2 to 1.09.4 below.</p>
1.09.2	<p><b>21<sup>st</sup> Century School Building Programme Band B.</b></p> <p>The Council's Strategic Outline Programme (SOP) of £85m was submitted to WG at the end of July 2017 in accordance with their timetable. This is essentially the Council's 'statement of intent' for the Band B investment programme. Welsh Ministers have recently announced the programme nationally and WG have written to confirm approval in principle of the Council's SOP and funding envelope for the programme subject to the onward business case submission. The programme runs from 2019 – 2024.</p> <p>For further information please see the report 'WG 21<sup>st</sup> Century Schools Programme and Education Programme Band B' to Cabinet on 23<sup>rd</sup> January 2018 on the Council's website.</p>
1.09.3	<p><b>Growth Deal Bid</b></p> <p>The <i>Growth Vision for the Economy of North Wales</i> was adopted by partner organisations across the region in 2016. This has led to the development of a Growth Deal Bid which was submitted to both the UK and Welsh Governments at the end of November 2017.</p> <p>The bid builds on the earlier Growth Vision and describes a Smart, Resilient and Connected North Wales where economic growth is powered by innovation in high value economic sectors. The bid aims to improve the competitiveness of the region, to increase the Gross Value Added (GVA) of</p>

	<p>the regional economy, to reduce the gap between the GVA of the region and the United Kingdom average, and to grow business to both create new jobs and protect existing jobs.</p> <p>A Growth Bid is a formal proposal for Government investment and the conferment of devolved powers. Bidding regions are required to have a legal, resilient and accountable governance model for the planning and implementation of their strategy. Regions are expected to be prepared to invest in their own strategies, alongside Government(s), in capital allocations, sharing in capital borrowing, the use of land and assets, and in resourcing professional and project capacity. They are also expected to seek private sector support for their proposals, enabling and leveraging private sector investment as part of the Bid package. Each bid has negotiated objectives and targets.</p> <p>For further information please see the progress report 'North Wales Economic Growth Deal Bid' to Cabinet on 19<sup>th</sup> December 2017 on the Council's website.</p>
1.09.4	<p><b>Digital Strategy</b></p> <p>Cabinet in February 2018 are considering a proposal to agree the Digital Customer plan for implementing key elements of the Digital Strategy. This includes an initial proposal to allocate £0.550m revenue over 3 years to support resources that will enable the development of the website and new digital products that will make customer interaction with the Council easier, and therefore increase digital interactions and reduce telephone and face to face interactions. A key part of this work will be to develop longer term plans to ensure that our approach to digital services are resilient for the future and will meet changing customer needs, and therefore will result in further reductions in overall customer contact. These longer term plans will include consideration of digital capital requirements that can be considered in future reviews of the capital programme from 2019/20 onwards.</p>
	<p><b>Specific Grants and Borrowing</b></p>
1.10.1	<p>In addition to those schemes funded from general resources, as summarised in Table 6 above, there are also schemes funded from specific grants and unsupported (prudential) borrowing. A summary of known funding and borrowing commitments already approved is shown in Table 7.</p>

**Table 7**

**ESTIMATED AVAILABLE SPECIFIC FUNDING 2018/19 - 2020/21**

	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
<b>Specific Funding</b>				
Specific Capital Grants	6.388	0.492	0.000	6.880
Unsupported (Prudential) Borrowing	7.579	0.000	0.000	7.579
<b>Total</b>	<b>13.967</b>	<b>0.492</b>	<b>0.000</b>	<b>14.459</b>

1.10.2 At the time of setting the budget the details of many capital grants have not been released by WG and so are not included in the Table 7 above. As details become available they will be reported to Members via the quarterly 2018/19 Capital Programme monitoring reports.

1.10.3 Details of the schemes funded by the above are shown in Table 8 below.

**Table 8**

**SPECIFICALLY FUNDED SCHEMES 2018/19 - 2020/21**

	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
<b>Specifically Funded Schemes</b>				
21st Century Schools - Band A	13.967	0.492	0.000	14.459
SHARP - Loans to NEW Homes for Affordable Homes	0.000	0.000	0.000	0.000
<b>Total</b>	<b>13.967</b>	<b>0.492</b>	<b>0.000</b>	<b>14.459</b>

NEW Homes are currently developing schemes for building affordable homes which will be brought to Cabinet for approval during 2018/19.

**Summary Total Council Fund Capital Programme 2018/19 - 2020/21**

1.10.4 Table 9 summarises the total proposals for the 2018/19 - 2020/21 Capital Programme.

**Table 9**

## SUMMARY CAPITAL PROGRAMME 2018/19 - 2020/21

	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m
<b>Expenditure</b>				
Statutory / Regulatory Section	2.450	2.350	2.350	7.150
Retained Assets Section	3.288	3.175	3.977	10.440
Investment Section	4.068	7.642	2.088	13.798
Specific Section	13.967	0.492	0.000	14.459
<b>Total Programme (All Sections)</b>	<b>23.773</b>	<b>13.659</b>	<b>8.415</b>	<b>45.847</b>
<b>Funding</b>				
General Funding*	10.140	6.516	6.516	23.172
Grant Funding	6.388	0.492	0.000	6.880
Unsupported (Prudential) Borrowing	7.579	0.000	0.000	7.579
<b>Total Projected Funding</b>	<b>24.107</b>	<b>7.008</b>	<b>6.516</b>	<b>37.631</b>
<b>Surplus / (Shortfall)</b>	<b>0.334</b>	<b>(6.651)</b>	<b>(1.899)</b>	<b>(8.216)</b>

\* As per 18/19 Final Settlement.

2.00	RESOURCE IMPLICATIONS
2.01	Financial consequences for capital resources are as set out within the report.
2.02	As previously stated there are revenue consequences of borrowing in interest costs and revenue provision for debt repayment. The costs of supported borrowing and prudential borrowing for the 21 <sup>st</sup> century schools programme has been built into the Medium Term Financial Plan (MTFP).
2.03	In the event that the Council needs to prudentially borrow to fund the investment section of the capital programme as outlined in paragraphs 1.08.2 to 1.08.5 the estimated revenue costs of borrowing are outlined in Table 10 below. This assumes that the borrowing is associated with the schemes which have a long estimated useful life over which to spread the debt financing charges, ranging from 25 to 50 years for different assets. The costs are not included within the MTFP at present:

**Table 10**

<b>ESTIMATED DEBT FINANCING COSTS</b>				
	<b>Expd</b>	<b>Interest</b>	<b>MRP</b>	<b>Total</b>
	<b>£m</b>	<b>From year of expd</b>	<b>Year after operational</b>	<b>Annual</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Capital Expenditure Incurred</b>				
Assuming a 25 year life	8.216	0.218	0.329	0.546
Assuming a 50 year life	8.216	0.218	0.164	0.382

**3.00 CONSULTATIONS REQUIRED / CARRIED OUT**

3.01 The proposed Capital Programme is being referred to the Corporate Resources Overview and Scrutiny Committee for comment at its meeting on 15<sup>th</sup> February 2018 with their comments being fed back to Cabinet verbally before being discussed at County Council in February 2018.

**4.00 RISK MANAGEMENT**

4.01 Any decisions made which involve the Council's assets and its Capital Programme often have very large and long term financial implications. When the Council sets its Capital Programme a separate report to assessing the affordability, prudence and sustainability of the capital plans called the Prudential Indicator report is produced.

**5.00 APPENDICES**

5.01 None

**6.00 LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**

6.01 Business Case forms completed by Portfolios

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**E-mail:** [liz.thomas@flintshire.gov.uk](mailto:liz.thomas@flintshire.gov.uk)

7.00	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Asset Management Plan</b> - A plan maintained by an authority of the condition and suitability of its assets, updated regularly and utilised to assess future capital needs</p> <p><b>Capital Expenditure</b> - Expenditure on the acquisition of <b>Non-current Assets</b> or expenditure that extends the life or value of an existing asset</p> <p><b>Capital Programme</b> - The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme.</p> <p><b>Capital Receipt</b> - Receipts (in excess of £10,000) from the disposal of an asset</p> <p><b>Capital Scheme</b> - An individual capital project which is monitored and managed in isolation. The aggregate of all schemes comprises the <b>Capital Programme</b></p> <p><b>Capital Strategy</b> - A corporate document providing clear strategic guidance about an authority's objectives, priorities and spending plans, demonstrating the link to key corporate and service objectives. May be combined with the <b>Asset Management Plan (AMP)</b> to form a single document</p> <p><b>Council Fund</b> - The fund to which all the Council's revenue and capital expenditure is charged</p> <p><b>Disposal</b> - The decommissioning or transfer of an asset to another party</p> <p><b>Prudential Indicators</b> - Required by the <b>Prudential Code</b>, these take the form of limits, estimates or actual figures used to support the local decision making process for capital investment</p> <p><b>Unsupported Prudential Borrowing</b> - Borrowing administered under the <b>Prudential Code</b>, whereby authorities can set their own policies on acceptable levels and types of borrowing. The Prudential Framework allows authorities to take out loans in response to overall cash flow forecasts and other factors provided they can show that the borrowing is to meet planned capital expenditure in the current year or the next three years.</p>





## FLINTSHIRE COUNTY COUNCIL

<b>Date of Meeting</b>	Tuesday 20 <sup>th</sup> February 2018
<b>Report Subject</b>	Draft Housing Revenue Account (HRA) Budget 2018/19 and 30 year business plan
<b>Report Author</b>	Chief Executive, Chief Officer (Community and Enterprise) and Corporate Finance Manager

### EXECUTIVE SUMMARY

The final proposals for the HRA Revenue and Capital budget for the 2018/19 financial year, including proposed rent increases were considered by Cabinet on 20<sup>th</sup> February and the outcome of the Cabinet will be reported verbally to Council.

A copy of the report is attached as Appendix 1.

### RECOMMENDATIONS

1	Members are recommended to receive and approve the recommendations from Cabinet on 20 <sup>th</sup> February.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE HRA REVENUE BUDGET AND CAPITAL PROGRAMME 2017/18</b>
1.01	As set out in the report to Cabinet 20 <sup>th</sup> February.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	As set out in the report to Cabinet 20 <sup>th</sup> February.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	As set out in the report to Cabinet 20 <sup>th</sup> February.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	As set out in the report to Cabinet 20 <sup>th</sup> February.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Report to Cabinet 20 <sup>th</sup> February 2018

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None.  <b>Contact Officer:</b> Clare Budden, Chief Officer (Community and Enterprise) <b>Telephone:</b> 01352 703800 <b>E-mail:</b> <a href="mailto:clare.budden@flintshire.gov.uk">clare.budden@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	As set out in the report to Cabinet 20 <sup>th</sup> February.

## CABINET

<b>Date of Meeting</b>	Tuesday 20 <sup>th</sup> February 2018
<b>Report Subject</b>	Housing Revenue Account (HRA) Budget 2018/19 & 30 year business plan
<b>Cabinet Member</b>	Deputy Leader of the Council and Cabinet Member for Housing
<b>Report Author</b>	Chief Officer (Community & Enterprise) Corporate Finance Manager
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

The purpose of this report is to present for approval the draft Housing Revenue Account (HRA) Budget for 2018/19, and the HRA 30 year Business Plan.

### RECOMMENDATIONS

1	To approve and recommend to the Council, the HRA budget for 2018/19 and Business Plan as set out in the attached appendices.
2	To consider the 2 options identified for setting a rent increase for 2018/19, and approve the option of 3% (plus up to or minus £2), with target rents applied for new tenancies, as a more affordable increase than the Welsh Government Rent Policy formula which would set an increase of 4.5% (plus up to or minus £2).
3	To approve a garage rent increase of £1 per week and a garage plot rent increase of £0.20 per week.
4	To approve the proposed HRA Capital programme for 2018/19 as set out in Appendix C.

## REPORT DETAILS

1.00	<b>BACKGROUND TO THE DRAFT HRA BUDGET AND HRA BUSINESS PLAN</b>
	<b>Considerations</b>
1.01	<p>The HRA is required to produce a 30 year business plan. This focuses on the prioritisation of a number of strategic priorities including, the achievement of the Welsh Housing Quality Standard (WHQS), building 200 new council homes, and meeting Choices Document commitments. The Business Plan shows a strong account with surplus income over expenditure needs.</p> <p>The strategic priorities for this year's HRA budget and business plan includes the following:</p> <ul style="list-style-type: none"> <li>• Achieving WHQS by 2020 and providing adequate ongoing investment to maintain WHQS levels.</li> <li>• Following de-pooling of rents a continued move towards efficient service charges and full cost recovery.</li> <li>• Ongoing transition of rents to Welsh Government targets.</li> <li>• Setting a balanced budget with a minimum of 3% surplus revenue over expenditure;</li> <li>• Maximisation of revenue efficiencies to minimise the borrowing required to meet WHQS by 2020.</li> <li>• Delivery of new build Council housing.</li> </ul>
	<b>Self-financing and Treasury assumptions</b>
1.02	<p>Self-financing was introduced in April 2015 and is contained within the Housing Wales Act 2014. This policy change brings more self-determination for local council's longer term. As part of introducing self-financing the Act contained a duty for the 11 councils affected to make a one-off settlement payment of £920m, and it set the all Wales limit of indebtedness for those individual local authorities. Flintshire's borrowing cap is £144m.</p> <p>The initial borrowing for Flintshire of c.£79.2m for buy-out resulted in a basket of loans of varying lengths in accordance with the Council's Treasury Management Strategy. External advice was sought and the recommendation was for the Council to continue to operate a single debt pool approach, providing maximum flexibility.</p> <p>Since the introduction of the debt cap new borrowing has been as follows</p> <ul style="list-style-type: none"> <li>• Borrowing to date on WHQS £13.1m*</li> <li>• Borrowing to date on new build £13.6m*</li> </ul> <p>*estimated to 31/3/2018</p> <p>The current borrowing assumptions for 2018/19 are:-</p>

	<ul style="list-style-type: none"> <li>• Borrowing for WHQS £5.1m</li> <li>• Borrowing for new build £11.8m</li> </ul> <p>All borrowing is repaid at 2% per year in line with the HRA's minimum revenue provision.</p>
	<p><b>Rents</b></p>
<p>1.03</p>	<p>The Social Housing Rents policy was introduced by Welsh Government (WG) in April 2015 for local authorities and is in place for four years with 2018/19 the final year. The policy aims to achieve convergence between Council and Housing Association rents over time.</p> <p>The Welsh Government rent policy requires all service charges to be disaggregated from rents. The Council is in the process of completing this and proposals included in the business plan assume implementation of charges for all services on a phased basis.</p> <p>The Welsh Government policy allows flexibility for each landlord to set the rent band at either target rent, 5% below or 5% above. The Council agreed to set Flintshire rents for existing stock at target to support tenant affordability. Rents for new builds have been set at 5% above target.</p> <p>The rent policy sets out the total target rent band for each landlord. Where a landlord's weekly rent is lower than the target rent band, transitional protection applies to tenants. In any year a landlord is not permitted to increase the rent for any individual tenancy by more than £2 per week in addition to the agreed average annual rate of rent increase for the sector as a whole. The inflation indices used for uplifting rents each year are based on Consumer Price Index (CPI) at the previous September and a real increase percentage of 1.5.</p> <p>CPI for September 2017 was 3% plus 1.5% giving rent inflation for 2018/19 of 4.5%. The council is concerned about the affordability of a significant increase in rents for tenants in the context of the need to introduce further charging for services and the roll out of Welfare Reforms and Universal Credit in particular, which is already having a significant impact on tenants.</p> <p>Therefore at the request of the Cabinet Member and Leader of the Council the service has prepared a draft business plan with an increase of CPI only (plus or minus £2).</p> <p>Welsh Government has confirmed that it will not penalise any Council setting a lower increase, as the September CPI figure was higher than it has been for some time. Setting a lower increase reduces income by £300,000 in 18/19, <b>and</b> does not have a negative impact on the Council's ability to meet the WHQS standard by 2020 nor its new build programme commitments.</p> <p>Increasing rents by the additional 1.5% increases expected income by an additional £0.304m in 2018/19 (£6m over the life of the plan).</p> <p>Rent increases and service charges are covered by Universal Credit and</p>

	<p>Housing Benefit for social tenants however, a proportion of tenants will only qualify for partial benefit and so may find it more difficult to make payments.</p> <p>A number of general needs tenants are also housed in properties which attract service charges. They may not receive help towards their rent and service charges from Housing Benefit or Universal Credit.</p>
	<b>Garage Rents</b>
1.04	Garage rents are currently charged at £6.57 per week and garage plots £1.20 per week. An increase of £1 per week is proposed for garages and £0.20 for garage plots.
	<b>Capital programme</b>
1.05	<p>£21m has been built into the WHQS and Asset investment programme for 2018/19. This includes provision for internal work streams, external enveloping works, environmental programmes, fire risk work and Disability Facility Grant (DFG) works, asbestos, off gas and energy efficiency works. Cabinet has approved the asset investment plan to achieve the WHQS by 2020 and the budget set will ensure that the council is still on track to meet its commitment to achieve the standard.</p> <p>In addition, £11.8m of prudential borrowing has been budgeted in 2018/19 for Council housing building schemes. Affordable Housing Grant of £1.9m and proposed use of commuted sums of £0.4m allow £14.2m in total for SHARP developments during 2018/19.</p> <p>No additional grant has been built into the plan at this stage.</p> <p>Attached to this report for Cabinet consideration: -</p> <ul style="list-style-type: none"> <li>• HRA 30 year Business Plan – Appendix A</li> <li>• 30 year HRA business plan summary – Appendix B</li> <li>• Capital programme for 2018/19 - Appendix C</li> </ul>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	The HRA is a ring fenced budget. This HRA budget and Business Plan demonstrates that the Council can achieve the WHQS by 2020, can meet service improvement plans and commitments and with prudential borrowing can continue its Council house building programme in 2018.
2.02	Additional staff have been appointed to deliver an accelerated WHQS programme. The funding for these posts is provided for in the WHQS programme.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	The draft budget was discussed with the Tenants' Federation at their February meeting. They welcomed the Council's consideration of the

	<p>options for agreeing a lower increase than the rent formula; as they share concerns about the affordability of any rent increase alongside increases in food and fuel costs and the roll out of Universal Credit.</p> <p>The Community and Enterprise Overview and Scrutiny committee considered and supported the draft budget and business plan at their meeting on 15<sup>th</sup> January 2018. They welcomed the Leader and Cabinet member recommendation to set a rent increase of 3% (plus up to or minus £2), with target rents applied for new tenancies.</p>
3.02	Detailed consultation has been undertaken with tenants and elected members to inform the preparation of the WHQS investment programme.
3.03	Full local consultation is carried out for each new build scheme.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The Council has agreed a Rent Policy which will see rents at benchmark levels, rather than taking the opportunity to set at 5% per cent above the benchmark (with the exception of SHARP properties). This decision was taken to safeguard affordability for tenants.
4.02	Stock investment delivery plans will enhance the appearance of the environment and will contribute toward the Council's CO2 reduction targets.
4.03	All households will benefit from the Council's WHQS programme. The impact of the investment planning and efficiencies is being modelled for various customer groups to ensure that there is no disproportionate impact on any groups with protected characteristics.
4.04	The Business Plan assumes a confirmation of Major Repairs Allowance (MRA) for the full 30 year life of the Business Plan.

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix A     HRA 30 year Business Plan – A(i)</p> <p>Appendix B     30 year HRA business plan summary</p> <p>Appendix C     Capital programme for 2018/19</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>None.</p> <p><b>Contact Officer:</b> Clare Budden, Chief Officer (Community &amp; Enterprise)  <b>Telephone:</b> 01352 703800  <b>E-mail:</b> clare.budden@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
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7.01	<p><b>Financial Year:</b> the period of 12 months commencing on 1 April 2018.</p> <p><b>Revenue:</b> a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.</p> <p><b>Capital expenditure:</b> money spent by the organisation on acquiring or maintaining fixed assets, such as land, buildings, and equipment.</p> <p><b>Budget:</b> a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p> <p><b>Treasury Management:</b> the Council has adopted the Chartered Institute of Public Finance Accountants (CIPFA) Treasury Management in the Public Services: Code of Practice. Treasury Management is conducted in accordance with the Council's Treasury Management Policy and Strategy Statement and Treasury Management Practices which are both reviewed annually. All borrowing and long term financing is made in accordance with CIPFA's Prudential Code.</p> <p><b>Major Repairs Allowance:</b> Welsh Government grant paid to local authorities in Wales who still manage and maintain their council housing.</p> <p><b>Affordable Housing Grant:</b> Welsh Government grant paid to local authorities to fund up to 58% of new build development costs.</p> <p><b>De-pooling of Rents:</b> Removal of service charges from core rents and identifying them separately for those in receipt of services.</p>



**FLINTSHIRE  
HOUSING REVENUE ACCOUNT:  
BUSINESS PLAN**

2018 – 2048

DRAFT

<b>Section</b>	<b>Page number</b>
	3
<b>1. Foreword</b>	3
<b>1. Introduction</b>	
<b>2. Flintshire’s Housing Service – The Context</b>	
2.1 The HRA Business Plan 2018-2048	
2.2 The Council Plan (2017-2023) Strategic Priorities	
2.3 Flintshire Local Development Plan 2015-2030	
2.4 Right to Buy	
2.5 Welfare Reform	
2.6 Flintshire Community Benefit Strategy	
2.7 Regeneration Priorities	
<b>3. Flintshire’s Housing Service – Delivery</b>	
3.1 Overview	
3.2 Housing Need and Supply	
3.3 New Build Programme – Strategic Housing and Regeneration Programme (SHARP)	
3.4 WHQS	
3.5 Housing and Neighbourhood Management	
3.6 Repairs and Maintenance	
3.7 Voids	
3.8 Aids and Adaptations	
<b>4. Customer Involvement and Satisfaction</b>	
4.1 Customer Involvement	
4.2 Customer Satisfaction	
<b>5. Driving Efficiencies</b>	
5.1 Service Transformation	
5.2 Stores	
5.3 Fleet Review	
<b>6. Resource and Financial Requirement</b>	
<b>7. Monitoring and Evaluation</b>	
7.1 Risk Management and Mitigation	
7.2 Performance Monitoring	
7.3 Evaluation	
<b>8. Key Actions for 2018/19</b>	
<b>Annexes</b>	
Annex 1 KPIs – Performance in 2017/18	
Annex 2 Community Benefits	
Annex 3 Action Plan	

## FOREWORD

### 1 INTRODUCTION

This business plan sets out Flintshire County Council's annual review and our financial 30 year plan for the Housing Revenue Account (HRA). The plan provides an overview of our current position identifying our achievements, as well as setting out our action plan to deliver continuous improvements in our services, while achieving value for money through effective delivery, making efficiencies where appropriate, and delivering economies of scale. Whilst reviewing our significant achievements to date, the business plan also sets out our vision and ambitions for housing delivery over the next 30 years through our strategic priorities.

Our primary priority is to continue to grow our housing stock by 1,000 additional homes over the lifetime of the plan. This will be achieved through new build and strategic acquisitions, and will meet the emerging and changing needs of our population and the challenges we face through increased numbers on the housing register and a shrinking private sector rental market. The scale, type and tenure of housing delivery will be led and informed by the intelligence of demand and the profile of those on our housing register, SARTH, as well as importantly through the County's new Housing Strategy to be produced in 2018, which will consider all types of accommodation and identify the current and emerging needs.

Additionally, a further priority will be to maintain, sustain and build on the improvements delivered through the WHQS programme, particularly to improve the energy efficiency of our homes. We aim to continue to improve our asset base, while developing an understanding of the issues of our existing range of improvement offers and installation lifecycles. As part of this process we intend to refresh our housing stock survey to provide a clearer, more comprehensive understanding of our housing stock and enable us to prioritise activity.

The Council is committed to continuous improvement of performance, particularly in relation to service delivery, and while this business plan identifies some significant performance improvements, the longer term priority is to be in the top quartile for performance and quality of service delivery. To achieve this we recognise the need to ensure the intelligence is being gathered in a way it can be interrogated and analysed to inform methods of delivery and robust reporting and benchmarking.

### 2 FLINTSHIRE'S HOUSING SERVICE – THE CONTEXT

#### 2.1 The HRA Business Plan 2018-2048

The HRA Business Plan sets out our approach to delivering and maintaining decent and safe homes to our residents over the period of the plan. There has been significant achievements over 2016/17 through the new build programme, WHQS improved turnaround time for voids and response to emergency and urgent repairs. The plan identifies the Council's ambitions to deliver more efficient and effective service and deliver further improvements in 2017/18 onwards.

## 2.2 The Council Plan (2017 – 2023) Strategic Priorities

Flintshire County Council has identified housing as a key strategic priority as set out in the Council Plan for 2017 - 2023, ensuring its residents have access to:

- Appropriate and affordable homes, through ensuring the supply of affordable and quality council housing of all tenures; and
- Modern, efficient and adapted homes, through ensuring the supply of affordable and quality housing of all tenures.

The Council's aim is to:

- Prevent homelessness
- Meet the diverse housing and accommodation needs of the local population
- Develop more opportunities for people to access affordable rent and low cost home ownership
- Build the maximum number of Council houses possible as part of the housing supply solution
- Meet the Welsh Government target for all social housing to be brought up to the Welsh Housing Quality Standard (WHQS).

In order to achieve the aims and priorities:

- Local Authorities need to be able to access grant funding to support new build affordable and social housing;
- There needs to be sufficient resources to fulfil the duties of the Wales Housing Act;
- Revised capital limits on borrowing for councils to build new houses;
- Maintaining of the funding of Major Repairs Allowance (MRA) so that the council can meet the WHQS by 2020; and
- Maintaining current rent policy so that the Council can achieve WHQS by 2020.

## 2.3 The Well-being for Future Generations Act (Wales) 2015

The seven well-being goals identified in the Act can be considered as aspirations for housing delivery as identified in the More Better report by Dr Ed Green:

<i>A globally responsible Wales</i>	Setting higher standards – reduced carbon footprints and energy-positive communities
<i>A prosperous Wales</i>	Developing an integrated all-Wales supply chain using local resources and a sustainable economy
<i>A resilient Wales</i>	Future proofing with long term flexibility, adaptability, ecological value and climate resilience
<i>A healthier Wales</i>	Reduced pressure on the health service through homes that promote physical and mental wellbeing
<i>A more equal Wales</i>	Eliminating household poverty by delivering affordable housing for all
<i>A Wales of cohesive communities</i>	Stronger neighbourhoods that support co-housing, self-build and cohesive communities
<i>A Wales of thriving culture and language</i>	Promoting diversity through Wales' unique cultural heritage, context and landscape

## 2.4 Flintshire Local Development Plan 2015-2030

Flintshire is in the process of preparing its LDP and has produced its Preferred Strategy Consultation Document, which sets out the growth ambition for the County and its strategic policy for meeting housing needs through the planning system. The Preferred Strategy identifies a requirement for 7,645

new houses during the plan period, 2015 – 2030 and a percentage will be affordable homes of different tenures to meet the local demand.

## **2.5 Right to Buy**

In 2016/17 Flintshire made a successful application to Welsh Government to suspend Right to Buy, enabling us to retain our stock to meet the increasing demand for social housing.

## **2.6 Welfare Reform**

Welfare reform has meant that Universal Credit has been rolled out in Flintshire, resulting in a cap on income from benefit which families and individuals can receive; ending housing benefit and direct payment to landlords; and limiting the amount of housing benefit for working age tenants.

A significant risk to the Business Plan is the collection of rental income as the tenants income reduces or when they are expected to take ownership and manage budgets directly.

## **2.7 Flintshire Community Benefit Strategy**

Flintshire has developed a Council wide Community Benefit Strategy which, once has been signed off by Cabinet, will enable community benefits against all procurement activity across the Council. The objectives of the strategy are:

- To provide a framework which ensures the inclusion of realistic and achievable community benefit via contractual clauses in all applicable Capital Programme contracts.
- To provide a joined up approach to identifying and monitoring of community benefits across Flintshire, ensuring maximum value for money of spend on the Capital programme.
- By working together, avoiding duplication of effort, share best practice, maximise opportunities for leveraging community benefits from suppliers and provide a more common and consistent experience for suppliers.
- To ensure compliance within legislative framework when incorporating community benefits into the contracts and agreements. The core procurement principles of transparency, proportionality, equality and non-discrimination.
- Through guidance and the application of agreed approaches, deliver real and lasting benefits to our stakeholders and assist the overall aim of the Capital Programme, to grow the Flintshire economy, including delivery of sustainable employment outcomes for residents.

## **2.8 Flintshire's Regeneration Priorities**

The six North Wales Local Authorities are working collaboratively on a Growth Deal, with housing as a strategic priority. The proposal is to establish a regional Housing Enabler project that would accelerate the rate of house building and provide support for SME developers across North Wales. The proposed scheme provides support for SME house builders currently experiencing barriers to entering the market; increase the number of housing completions; provide more affordable housing; and increase the number of construction jobs. Outcomes from the project would include 250 affordable housing as part of 1,000 housing programme delivery.

### 3 FLINTSHIRE HOUSING SERVICES – DELIVERY

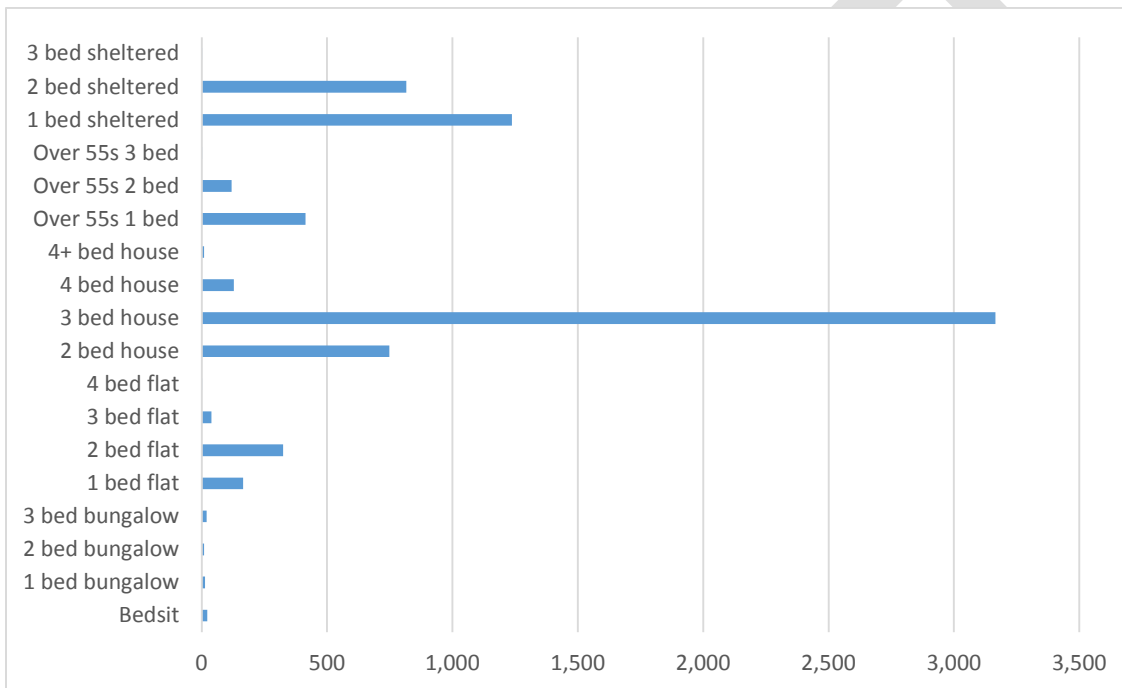
#### 3.1 Overview

The Flintshire housing service aims to:

***Ensure its residents have access to appropriate and affordable homes, through ensuring the supply of affordable and quality council housing of all types.***

The service currently manages a portfolio of 7,233 properties (December 2017 Stock List), a breakdown is set out in the graph below.

#### Flintshire County Council Housing Stock (December 2017)



There has been significant achievements in 2017/18 through:

- The new build programme with 64 new homes transferred into the HRA;
- The WHQS programme continuing to deliver on time and on target in year – xx kitchens xx bathrooms completed;
- The implementation of a revised delivery structure for housing and neighbourhood management teams – 6 hubs created;
- The development of a Customer Involvement Strategy;
- Delivery of the repairs and maintenance improved;
- Voids inspections times reduced and void clearance subcontracted to local social enterprise providing local training and employment opportunities;

The Service continues to deliver its targets, and it recognises the need for continuous improvement to achieve excellent customer service and value for money in all that it does and underpinning this objective there are a series of priorities for the service to deliver in 2017/18.

## **3.2 Housing need and supply**

The demand for housing comes from all sections of our society including the under 35s; the 'squeezed middle' who can't afford to buy but are not eligible for social rented properties; and also the older generation over 65 years. Changing demographics, economic growth and changes in Government policies, such as Welfare Reform, all have an impact on Flintshire and its housing market.

The design and location of some Council properties has resulted in low demand which, from a financial perspective, incurs costs for the council through rent loss, but with the demand for social housing nationally outstripping supply, there is minimal risk to the HRA of not having sufficient demand for its properties in general terms. However, the risk is availability of the right type of supply of housing to meet the needs of those on the housing waiting list, including the older population, single / small households impacted by Welfare Reform and supporting low income families to reduce fuel poverty.

Critically, going forward, up to date and accurate intelligence will help to inform how the supply can meet the demand and reduce the financial risk of rent loss. Initial analysis of the current waiting list, which has increased over the last 12 months, shows significant demand for smaller accommodation to meet the housing requirements of single and couple households.

Intelligence is a key factor to determining and projecting the ongoing need for housing supply across the area, including housing type and numbers, and while there are documents (below) which set out high level priorities and an evidence base for housing growth, they are a snap shot at a particular time and become out dated. The Council aims to be intelligence driven in the delivery of services and housing, which requires a comprehensive understanding of available data and systems to ensure the relevance and affordability of the homes being provided.

### **3.2.1 Local Housing Market Assessment (LHMA) 2014**

The LHMA sets out the annual shortfall in affordable housing provision to meet the projected need of the population. The annual shortfall in all types of affordable housing in Flintshire is 246, and as a result of not meeting this requirement in full annually means the shortfall is carried forward year on year. The LHMA is due to be updated as part of the Local Development Plan process.

The affordable housing requirement is met through a range of sources including through planning conditions on market led sites and on 100% affordable housing sites delivered by the Housing Associations or the Council.

### **3.2.2 Housing Strategy**

One of the key drivers for the increased provision of affordable homes is the 20,000 target set by the Welsh Government for this administrative term. As such the Welsh Government have also made available significant funding for RSLs and Local Authorities to enable different types of affordable housing for example health and housing, or in the way they are delivered by promoting innovation.

The Flintshire Housing Strategy 2012-2017 'A quality home for everyone', which will be updated for 2018, has three objectives:

- More housing choice – to increase the supply of affordable home by at least 740 new properties over the lifetime of the strategy;
- Improving homes and communities – through delivering and investing in homes through WHQS;
- Better services to improve lives – to collaborate and innovate to improve access to suitable housing.

### **3.2.3 Older persons – review of sheltered housing stock**

A comprehensive review has been carried out on all of the council's sheltered housing stock. This included looking at void loss, demand, property size and location. There are issues with low demand and the rent loss across sheltered properties is disproportionate when compared with that of the wider housing stock with over half of the void rent loss attributable to sheltered housing. The review came to the following conclusions:

- Colleagues from social services have identified the need for 'specialist' accommodation with the suggestion of broadening the criteria from 'sheltered accommodation' to 'sheltered and support accommodation'. The suggested amendment is based on Social Services recognition that good housing is integral to the health and well-being of the people supported by the service.
- The adoption of 'Sheltered and Supported' accommodation formalises the current custom and practice (tenants accommodated who don't meet the age criteria but have a range of health or disability needs that can be met within this type of accommodation) NB: Current discussions are taking place looking at the potential development of refurbishing ex-warden property to meet the growing demand for intermediary accommodation i.e. released from hospital but not ready to return to their own home.
- The need for supported accommodation would enable the development of accommodation for individuals with a range of physical disabilities, mental health and Learning disabilities.
- A small number of schemes may require capital expenditure such as the installation of lifts to make them fit for purpose for the future.
- Bedsit accommodation requires further review to ensure that it can best meet changing housing demand and expectation

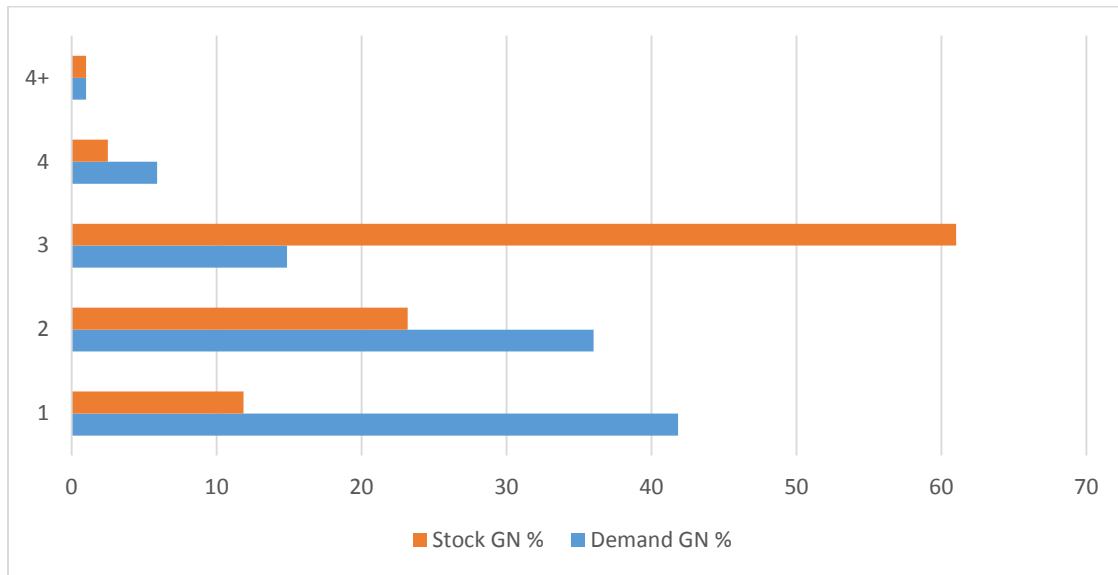
The review recommended a change of categorisation from 'Sheltered Accommodation' to 'Sheltered and Support Accommodation' to validate the existing custom and practice and facilitate further discussions with social services colleagues regarding future accommodation demand needs of their service users. The demand and how we are going to meet the needs of older people going forward will form a major plank of the new Housing Strategy, with the projected supply of accommodation being based on intelligence, including demographic changes and historic trends.

### **3.2.4 Supply and condition of stock**

Analysis of our local housing register has provided some clear indications of where there is a mismatch of housing stock and demand. As at September 2017 the total number on the Housing Register was 1,686 of which almost half of the people on the register required a 1 bedroom property and around a third required 2 bedrooms. The graph below provides a snapshot of the current make up of the Council's general needs housing stock compared with the demand on the housing register by number of bedrooms. Although it is a relatively crude comparison it does provide evidence of the mismatch between stock and demand, with a clear demand for 1 and 2 bedroom properties.

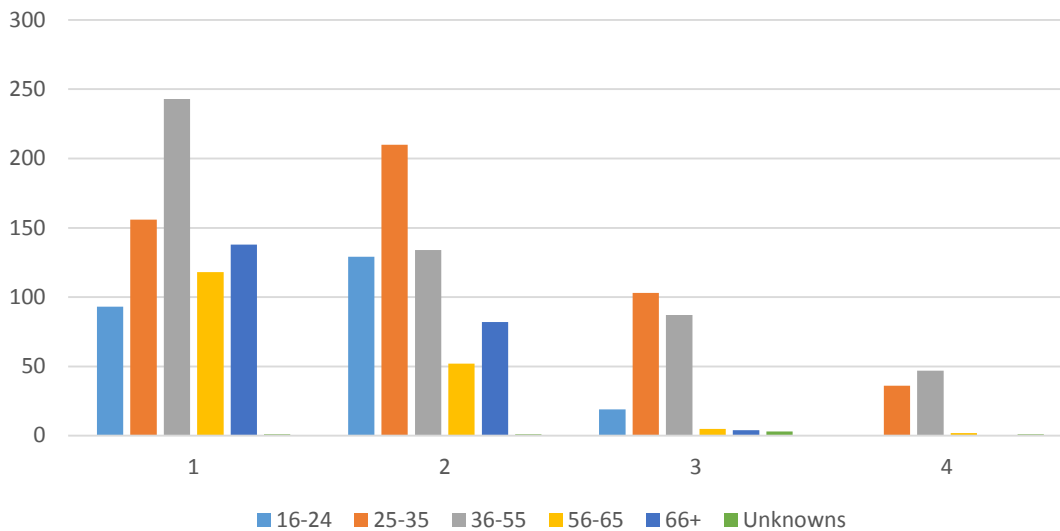


## General needs stock as a percentage against current demand



Further analysis of our housing register provides us with the age profile and interestingly the demand of the 36 – 55 year old requiring a 1 bedroom property. The analysis was undertaken to help the Council understand the potential impact of welfare reform.

## Demand by number of bedrooms and by age group



The Council is aware that the current stock will not meet the demands of single/ couple households. Building on the sheltered housing review and the understanding of the short to medium term demand for general needs, the Council is taking a strategic approach to meeting the demand through a combination of new build; strategic acquisitions; suspension of Right to Buy; and realigning existing stock (i.e. sheltered accommodation).

### 3.3 New Build Programme – Strategic Housing and Regeneration Programme (SHARP)

#### 3.3.1 Context

Following Cabinet approval in September 2014, the Council has made good progress to deliver upon its strategic objective of developing 500 new homes with Wates Residential as the Council's development partner. Of the total number to be built, 200 are to be Council owned (social rent) and the remaining affordable rent through the Council's housing company North East Wales (NEW) Homes. The first 12 Council houses were completed in December 2016 at Custom House, Connah's Quay, and further homes have been completed, or are due to be completed, as set out below.

#### 3.3.2 Delivery

The following table provides an overview of the delivery of new Council homes to date in Flintshire.

Site	Property type	Number of units	Date of completion
Custom House, Connah's Quay	2 Bed House	8	December 2016
	3 Bed House	4	
<b>Total units delivered 2016/17</b>		<b>12</b>	
The Walks, Flint	1Bed Apartment	4	March 2018
	2 Bed Apartment	2	
	2 Bed House	18	
	3 Bed House	6	
Redhall, Connah's Quay	2 Bed House	5	October 2017
Maes y Meillion and Heol Y Goron, Leeswood	2 Bed apartments	4	March 2018
	2 Bed bungalows	4	
	2 Bed House	2	
	3 Bed House	3	
Ysgol Delyn, Mold	2 Bed House	10	March 2018
	3 Bed House	6	
<b>Total units delivered 2017/18</b>		<b>64</b>	
The Dairy site, Connah's Quay	2 Bed House	3	2018/19
	3 Bed House	3	
Former Melrose Centre, Aston	1Bed Apartment	2	
	2 Bed Apartment	2	
	2 Bed House	5	
<b>Total planned units to be delivered 2018/19</b>		<b>15</b>	

The Council is currently in the process of undertaking detailed site feasibility works on a number of additional sites for inclusion in the next tranche for development. These sites will be presented for Council approval in spring 2018. However, the ongoing development programme is subject to securing funding from the Council's Housing Revenue Account, which is close to the borrowing cap limit. The

Council has made representations to WG to increase the borrowing cap in order for the Council to continue to deliver much needed Council homes. The council is also considering the potential for, and feasibility of the Councils Trade operatives undertaking new build schemes on small sites.

### **3.3.3 SHARP Flintshire House Standards**

Properties and land associated with the scheme are designed to comply with the Council's 'Flintshire House Standard'. The Standard informs the design and specification of all the new housing delivered through the SHARP and forms a benchmark to ensure consistent, good quality of internal layout, and fixtures and fittings, high standards of energy efficiency and external appearance in keeping with local circumstance, low maintenance product specifications, adequate parking and a public realm designed to promote cohesive and inclusive communities. A working group, consisting of tenants, Elected Members and Officers, has been established to review the Flintshire House Standard to ensure it continues to provide quality homes which provide value for money to both the Council and NEW Homes. The council will also use this opportunity to assess the Flintshire standard against the Welsh Government Technical Standards, making it eligible for Affordable Housing Grant (AHG).

### **3.3.4 SHARP Community Benefits**

The Community Benefits which have been delivered through the programme to date are set out in annex 2. The programme has delivered a number of apprentices both through FutureWorks Flintshire and CiTB, as well as a range of community engagement activities with local groups including schools and sports clubs.

## **3.4 WHQS**

### **3.4.1 Context**

The stock condition surveys were undertaken by Savills on 7,200 properties in Flintshire and this data formulated the basis from which to plan the workload to achieve the standard by 2020. The programme requires an investment of £107m (stock condition survey figure pre inflation) however it can be assumed that this additional investment will have a positive impact on the demand for repairs, and the scale of investment needed post 2020/21.

### **3.4.2 Delivery**

Flintshire has a 6 year rolling programme of works, which commenced in 2015/16, and is let to selected contractors on various contracts. The work is arranged geographically, each district receiving a programme of works each year. The Council resources assigned to delivering WHQS are approximately 30 members of staff within the Capital Works Team, and other team members have been identified to help facilitate delivery, such as System Auditors, Tenant Liaison Officers, Contract Surveyors, Clerk of Works and Modern Apprentices.

Flintshire's WHQS Compliance Policy and Compliance Certificate forms the framework for delivery and quality standards of the programme. As set out in the compliance policy, the properties are assessed on the criteria Standard Assessment Checklist, which briefly includes:

- Is the building in a good state of repair?
- Is the building safe and secure?
- Is the building adequately heated, fuel efficient and well insulated?
- Does the building contain up-to-date kitchens and bathroom?
- Well managed (rented housing).
- Located in attractive and safe environments.
- Does the building as far as possible, suit the specific requirement of the household (e.g. specific disability)?

The programme internal includes kitchens, bathrooms and central heating, while the envelope works includes roofing, windows and doors. The following are the compliance guidance on installation:

- Electrical installations brought up to WHQS standards when renewed at the end of their economic life.
- Timber fascia's renewed with uPVC at the end of their economic life, unless forming part of wider project such as whole house approach.
- Timber doors renewed with uPVC at the end of their economic life, unless forming part of wider project such as whole house approach.
- Timber windows renewed with uPVC at the end of their economic life, unless forming part of wider project such as whole house approach.
- Kitchens that are over 15 years old are renewed as part of this approach. When renewed, kitchens will be upgraded to meet all requirements of the WHQS.
- Bathrooms without showers are upgraded when the current bathroom reaches the end of its economic life; or as part of a Capital Works Internal project; or 'Major Void' works.

### 3.4.3 Performance

The WHQS reporting mechanisms in place consist of:

- Monthly Project meetings with each contractor to ensure targets are being met.
- Monthly Financial meetings to ensure overall expenditure is on target.
- Monthly Board meetings with Leader / Deputy Leader / Lead member for Housing / Chief Officer to discuss progress to date.
- Quarterly financial reports to Welsh Government when requesting MRA funding.
- Quarterly meetings with the delivery team to ensure Team targets are being met.
- Bi Annual updates for the Tenants Federation and regular updates throughout the year as major changes occur.

Acceptable fails are kept to a minimum, however where the WHQS cannot practically be applied or implemented as intended, these are highlighted and their reason identified. Acceptable fails may only apply to one or a combination of the following elements:

- Cost of remedy
- Timing of remedy
- Resident's choice
- Physical constraint

The existing programme is 'refreshed' every other year to adjust and reflect any changes in 'Acceptable Fail' criteria, and the programme is then realigned to accommodate any changes.

Currently the Capital Works Team is nearing the end of the Internal Work Stream (Kitchens and Bathrooms) and as a result the remaining properties are proving to either be Tenant Refusals or No Access (Acceptable Fails). As at Q2 2017/18, the team have installed approximately 5,500 kitchens and 4,500 bathrooms, and those which still require WHQS work are either difficult to access or have previously refused the works. These properties have directly impacted on year 3 Capital Programme as they make up the Acceptable Fails from years 1, 2 and this current Year (Year 3); thus the number of WHQS completions so far is below our planned targets. Three Contractors have been instructed to reduce the number of openings per week to help facilitate the High Tenant Refusal numbers.

**Table A: Performance targets**

	<b>Year</b>	<b>Internals Target</b>	<b>Envelope Target</b>
1	2015/16	1,457	317
2	2016/17	1,398	209
3	2017/18	1,488	658
4	2018/19	389	860
5	2019/20	-	1,187
6	2020/21	-	969

To successfully deliver Year 4 of the Capital Works Programme, the Council is in the process of comparing various framework providers to ascertain which would be best suited for the individual work streams. We will be reviewing each of the Framework Provider's:

- costs;
- the contractors on their lists; and
- references for past projects.

From this exercise we will be able to tender and procure the best suited contractors to assist us to deliver this element of the Capital Programme with the aim of delivering efficiencies against costs and resource requirements.

#### **3.4.4 Customer satisfaction**

WHQS are currently achieving an average of 95% customer satisfaction. Each contractor is scored from 10 questions, which maps the tenant's journey through the upgrade works and scores key elements which allows us to identify any weaknesses or risks and to action accordingly. The tenant satisfaction survey is completed by the Council's Tenant Liaison Officers in a face-to-face informal interview, asking for honest feedback that can help the team and service to improve. Some tenants prefer to complete the survey in their own time and can return it via Free Post or can have it collected. This important part of the process enables the team to gather key performance data that is used to correctly measure the contractors' customer focus onsite.

#### **3.4.5 WHQS Community Benefits**

The WHQS programme has implemented the Value Wales Measurement Toolkit and provide data to Welsh Government on its contracts and the Measurement Toolkit provides data on the major WHQS work streams.

The Council have committed to provide 200 local jobs and 20 apprenticeship schemes through their commitment of spending circa £100 million over all the streams of work to help achieve WHQS. In addition to Core Targets, contractors are required to supply Non-Core Community Benefits within this contract. The reporting process for capturing the community benefit outputs are being developed for 2018/19.

### **3.5 Housing and Neighbourhood Management**

#### **3.5.1 Context**

The service provides a strategic and important link to addressing tenants' vulnerability through a proactive approach with other internal teams such as the Income Team and Supporting People; as well as with key partners including RSLs. This ensures a joined up approach with maximum impact, whilst delivering an effective approach efficiently. As part of the approach to addressing vulnerability, the Council has produced a policy to focus the approach with the following objectives:

- To identify tenants who require support in the management of their tenancy.
- To encourage and promote partnerships and multi-agency working with both internal and external agencies in assessing and meeting the support needs of tenants.
- To enable tenants to reduce instances of breached tenancies and subsequent court actions.
- To provide practical assistance and financial advice to tenants who need this service.
- To attempt to prevent tenancy failure and resulting homelessness.

By having an approach that recognises the needs of vulnerable people and provides the necessary levels of support, will enable tenants to be more able to meet their obligations to being a responsible tenant. As a result, tenancies will be more stable and long term and the instances of anti-social behaviour will be reduced. All tenancies are managed and operated within the framework of the Council's Tenancy Management Policy.

### **3.5.2 Service delivery**

Over the last 12 months the Housing Management Service has been the subject of a review, resulting with a restructure of the delivery teams. The new structure aims to transform service delivery by making it more efficient, effective and better value for money by re-focusing on the following areas:

- Lettings homes - getting it right at the start by matching a person's housing need to the right property.
- Tenancy enforcement – dealing effectively with anti-social behavior, community safety and tenancy related issues.
- Neighbourhoods – maintaining and managing the places we work, helping to protect our asset and create sustainable communities.
- Tenancy sustainment – supporting independent living by helping people gain the skills and confidence to manage their home by promoting financial awareness, employment and skills opportunities and health and well-being.
- Customer engagement – involving, empowering, consulting and working in partnership with tenants to help improve services, resolve issues, improve their neighbourhood and create opportunities for community cohesion.

The service will now be delivered through 4 teams: Neighbourhood team; New Customer team; Community Safety team; and Customer Engagement team, whose roles are set out below. The teams will be fully operational by June 2018, with the 6 hubs established and the local action plans in place.

#### **(i) Neighbourhood Team**

The proposal includes the addition of a new post focused on tenancy sustainment and inclusion. There are 7 Neighbourhood Housing Officers within the structure and, to support the further integration of housing and asset management, it is proposed that the designated neighbourhood areas are aligned to the 6 New District areas of:

- Buckley (1003)
- Connahs Quay and Shotton (1276)
- Deeside and Saltney (1191)
- Flint (1041)
- Holywell (1473)
- Mold (1212)

Each Officer will be designated to one of the new 6 district areas, with the 7<sup>th</sup> Neighbourhood Officer being used to provide additional support in areas that require intensive management intervention and support. They will also be used to provide flexibility and cover to help build the resilience of the team.

The designated neighbourhood areas are an increase from the current Neighbourhood Officers patch size, however this is a reflection of the change in the functions and the creation of a new customer team who will be responsible for the allocations and lettings. The role of the Neighbourhood Officer will be more focused on providing a visible and accessible tenancy and estate management service. This includes dealing with low level ASB cases with the specialist community safety team taking responsibility for high level and complex ASB cases.

Neighbourhood Officers will be expected to work agile providing a responsive and mobile service, which is visible and accessible to customers. This will include regular estate walkabouts, tenancy profile visits, new tenants visits along with other initiatives to develop a more detailed knowledge of the portfolio of homes including stock profile, resident's needs and wider community issues. Neighbourhood Officers will then use this customer insight and data to tailor services and develop effective neighbourhood plans to target resources and drive forward improvements.

The Caretaker/ Janitor role has been reviewed creating a handyman service. This role will be used to support some of the Council more vulnerable customers, helping them to maintain their tenancy. The handyman's service will also help support local community initiatives and projects helping to maintain clean, green and safe neighbourhoods.

#### **(ii) New Customer Team**

There are 4 New Customer Housing Officers within the team who will each be designated to one of the 1.5 of the new district areas and they will be responsible for covering each other's areas. Discussion will need to take place to ensure an even distribution of voids across the Officers. There are approximately 700 voids per year across the stock, which equates to 175 voids per annum per new Customer Housing Officer. When broken down further this would be approximately 14 voids per month/ 3 per week.

The new customer team will be responsible for ensuring the effective and efficient allocation for the letting of void properties and ensuring that pre-tenancy assessment are carried out and support identified to help minimise tenancy failures. They will work closely with Housing Solutions and the Voids team to ensure a seamless delivery of the service working to ensure that empty properties are re-let in the most efficient and effective way. This will include adopting innovative and dynamic approaches to marketing and allocating vacant homes. The new customers team will also lead on marketing the Council 'available to let' homes on the website.

A new Tenancy Sustainment Officer is to be appointed to provide initial support to more vulnerable customer to help support them set up their new home and sustain their tenancy. This support will be for an initial period, during which time referrals will be made to the relevant support services. It is anticipated that by offering a seamless transition of support it will help to reduce the number of tenancy failures.

#### **(iii) Community Safety Team**

The 3 Community Housing Officers will each be designated to 2 of the 6 new district areas and will be responsible for dealing with high level and complex ASB cases including any legal action. They will be responsible for overseeing the management of cases via REACT and assisting with performance reporting. As well as being responsible for using a wide range of tools to prevent and tackle ASB including adopting a multiagency approach. The team will be the lead contacts for MARAC and other Community Safety Partnership Meetings.

#### **(iv) Customer Engagement Team**

This team includes the addition of a new customer Inclusion post which will focus on financial and digital inclusion as well as supporting and promoting employment related initiatives.

#### **3.5.3 Performance**

The Housing Service has not been achieving its performance targets, as set out in annex xx, which has been integral in the review of the service. Moving forward each team will have a range of KPIs to achieve and these are outlined in annex [xx].

### **3.6 Repairs and Maintenance**

#### **3.6.1 Context**

The service delivers all responsive repairs and maintenance, with a team of 110 operatives, across the Council's stock. The service provided includes:

- Gas servicing, including for NEW Homes;
- Electrical checks in line with legislative requirements;
- Cyclical maintenance including monthly lighting checks and fire alarm testing;
- Emergency 24 hours call out service;
- All capital repairs.

The priorities for the service are:

- to improve the efficiency of the service through improved resource management;
- to support other areas of the service to become more efficient (i.e. void turn arounds); and
- to become more effective through new ways of working.

#### **3.6.2 Service delivery**

The service has recently undertaken a value for money review, identifying and subsequently achieving efficiencies, and will continue to work within a VFM framework, embedding the principles of economy, effectiveness and efficiency, whilst maintaining a good quality of service. The review included an appraisal of contractors spend resulting in reduced costs and contractors being used for one off works or major works only.

One of the priorities identified is the implementation of a new IT based compliance tool Sky360, which will enable the service to manage, review and report on the regulatory landlord compliance [service areas] including interrogating the system to produce a delivery dashboard as well as 'diary' checks of operatives to maximise efficiency.

As a result of wider market influences the service has faced some recruitment challenges particularly for skilled workers which is compounded by the national skill shortage in the construction sector, thereby putting pressure on the limited resources, which is an issue out of the control of the Council. The service, however, has been proactive in reducing sickness absence from 14% to 2% in 2016/17, which has had a positive impact on the delivery of the service.

There have been a number of improvements across a range of areas of the service including:

- reducing the void period and speeding up the turn around, resulting in reduced rent loss for the service. This is achieved through operatives reporting any issues prior to the property becoming empty and completing any external work once the tenants have moved in.
- In addition, the service provides a repairs and maintenance service for NEW Homes and the Council's private rented temporary accommodation through an SLA.
- Successful delivery of the in-house gas service team, which received a positive audit inspection in 2017.



Looking forward, the team is proactively planning for legislative changes such as the new regulations for electrical installations and checks, and installation of carbon monoxide monitors, with the aim of positively managing any potential impact on the service.

### 3.6.3 Performance and standards

The breakdown of service performance is set out in annex 1, however the headline response times for repairs are being exceeded as set out below:

Repair	Target	Performance achieved
Emergency	24 hours	2 hours
Urgent	7 days	4 days
Routine	28 days	14 days

The team is currently considering the implementation of a recharge policy, which would mean that the tenancy agreement would set out the respective responsibilities for landlord and tenant in relation to the maintenance of the property. The organisation authority may recharge the tenant for any repairs that it has to carry out, which fall within the scope of the tenant's responsibilities. These types of repairs are usually as a result of tenant misuse, abuse, neglect, wilful damage or carelessness, caused by the tenant themselves, family or visitors to their home. Where these repairs cannot be attributed to normal wear and tear or component failure we expect tenants to pay for these repairs in full or, alternatively, the tenant may carry out the repair themselves.

The delivery of the wider service will be proactive in working to negate any issues at an early stage through regular estate 'walk abouts' by the management team; and the localisation of housing staff in the hubs and the development of positive relationships in the neighbourhoods.

## 3.7 Voids

### 3.7.1 Delivery of voids

During the year the Void Service has undergone a performance review with each element of the delivery process being appraised and assessed with the aim of improving performance and efficiency.

#### (i) Void inspections

The voids inspection service was reviewed to refocus of the resource utilisation and the time it took for the inspection, ensuring a quicker inspection turn around. Subsequently, two skilled / trades employees were seconded to solely undertake the void inspections, significantly improving the performance of the service.

#### (ii) Void clearance

The clearance is now sub-contracted to a social enterprise 'Flintshire Refurbs', who employs 2 of the Council's tenants for a year, providing employability skills and basic skills training and assisting them into further employment at the end of the contract. The contract commences in January 2018 with a contracted performance target to complete the clearance within 5 days, reducing the period for rent loss.

### **(iii) Major and minor works**

The existing contractor framework for major works on voids is currently under a value for money review looking at overall and comparative costs, and as a consequence of significant increase in the costs and the quality of the work, the team is to retender for framework contractors.

All of the minor works and some of the major is completed by the in-house team, including bathrooms and kitchens, where this is deemed to be efficient.

### **3.7.2 Standards and performance**

The Council has set out what standards a tenant can expect when they move into their new home, which covers all aspects of a home including the structure, kitchens, bathrooms, heating, external and internal decoration etc. This aims to manage tenants expectations and have a clear understanding of where the responsibility of the Council ends and the tenants starts.

Performance is set out in annex 1.

### **3.8 Aids and adaptations**

The Council is in the process of developing an Aids and Adaptations Policy which is a cross service policy and aims to align delivery across the Council. The purpose of the policy is to: 'support council tenants to be supported to obtain the best solutions for themselves and their carers as quickly as possible ensuring a fair and timely system for all. This may involve carrying out adaptations or being supported to look at alternative solutions to meet people's needs'.

The Council will consider and adapt to the principles of the:

- Housing and Regeneration Act 1996
- Human Rights Act 1998
- Equality Act 2010
- Social Services and Wellbeing Act (Wales) 2014
- Enable adaptations scheme 2016

whilst meeting its financial and overarching duties to all its citizens.

The Council has a dedicated annual budget for aids and adaptations of £1.3m, which funds minor adaptations up to £1k (which is under review) and major adaptations up to £36k as per Welsh Government guidelines. The adaptations are delivered by a dedicated team of skilled trades people and an in-house Surveyor. Where the work is specialised or major then contractors are used to expedite speedy delivery.

In addition, the Council works in partnership with its RSL partners and Social Services to capture and address the demand for specialist housing through the Specialist Housing Group, which is deemed as good practice by Welsh Government. The demand is met through either existing stock and the necessary DFG; an acquisition of a property which can be adapted by our partner RSLs; or through a specifically designed and built property as part of the new build programme. This approach has resulted in people being housed in suitably adapted property over the last 12 months.

## 4 CUSTOMER INVOLVEMENT AND SATISFACTION

### 4.1 Customer Involvement

The Council has recently developed a Customer Involvement Strategy and Action Plan to underpin the delivery of the housing service and ensuring full customer involvement in all that it delivers, as such:

***The aim of the strategy and action plan (2018-2021) is to support the involvement of our customers in the development of effective, efficient and quality housing services.***

The strategy sets out our commitment to involving our customers in a meaningful and effective way and identifies its key aims as to:

- Ensure that customers are provided with a range of involvement opportunities.
- Provide customers with training and development opportunities to support their involvement.
- Ensure that customer involvement is considered a mainstream feature in all our service delivery activities.
- Encourage mutual trust, respect and partnership between customers and Flintshire County Council's Housing Service to ensure we have effective customer feedback.
- Work in partnership with other agencies and organisations to improve the communities of our customers.

Underpinning these aims we are focusing on engaging and supporting (through training and information) our tenants by;

- Providing more opportunities for tenants to engage particularly through the development of local arrangements.
- Helping tenants to resolve issues that affect them and help us ensure that tenants retain satisfaction in the quality of our services.
- Improving and extending the range of communication options to ensure our tenants are informed, engaged and have the opportunity to challenge.
- Developing training programmes which encourage participation and encourages their involvement in the development of resilient communities.

The action plan will be reviewed on a quarterly basis to ask if we have achieved what we said we would do and what impact those actions are having. A review of progress will be published in our quarterly housing news and published on our website, and the Council will produce an annual impact assessment report which sets out how customers and clients have changed, shaped and influenced the way we work across Flintshire.

### 4.2 Customer satisfaction

The overall service performance as set out in annex 1, identifies areas of positive service delivery as well as areas for improvement, including capturing customer feedback, compliments and complaints, particularly in relation to the allocation and move in element of the service. This is an urgent action for the coming year and will include a number of solutions however we envisage IT to be an important factor in the ongoing delivery:

- Sourcing an independent company to undertake follow-up satisfaction surveys based on service delivered through regular surveys;
- Joining up the IT and delivering a digital solution using apps to capture feedback – this may require some up front work with tenants to ensure they use the service but it aligns with the Council's digitalisation strategy going forward;

- Reviewing resource management and ensuring ***we get it right first time***;
- Undertake the STAR annual survey to benchmark customer satisfaction; and
- Use Housemark to benchmark our performance and levels of customer satisfaction.

## 5 DRIVING EFFICIENCIES

Through all of the reviews of the service delivery detailed in this business plan, a key driver is to achieve value for money and improve service efficiency.

### 5.1 Service Transformation

Service reviews on all areas of the business have continued during the year, staff and customers have been involved in ensuring that key services are providing value for money, meet customer expectations and increase productivity. Some of our achievements in 2016/17 are:

- Restructure of Housing Management teams to allow a clear focus on new customers and existing customers through introducing dedicated teams for both. This will ensure the right people are allocated the right property making tenancies more sustainable.
- Upgraded the IT systems used to manage ASB which will allow for improved monitoring of performance, customer satisfaction and case management.
- Implemented new “self-serve” procedure for customer decorating materials, allows customer to order on line and reduces management and administration costs.
- Reduced cost of void security by only using physical security on “higher risk” voids.
- Contracted a local social enterprise to deliver void clearance services, employing Flintshire tenants and creating further job opportunities, by April 2017.
- Upgraded base systems such as Open Housing – modular development on an IT platform for more detailed regulatory landlord compliance requirements.
- Development of local hubs, integrating the Housing Officer and the Accommodation Support Officer’s roles.

### 5.2 Stores

The Council has secured a new contract with Travis Perkins to provide stock through bulk supply. The contract enables the Council to ensure best value for the top 500 stock items through a transparent process where the Council can benchmark and challenge prices through reviewing the high spend and high volume products and go out to the market.

### 5.3 Fleet Review

A new corporate contract to supply fleet is being secured through EFS, the service required has been established together with targeted efficiencies including mileage and fuel. The vehicles will be tracked and reports produced for team leaders on mileage, fuel consumption and driving behaviours, providing a ‘demand plan’ for the usage of the vehicles and, through constant review, will enable management of the impact of the costs of the fleet.

## 6 RESOURCE AND FINANCIAL REQUIREMENT

### 6.1 Rents

The Social Housing rents policy was introduced by Welsh Government in April 2015 for local authorities. This policy was aimed at achieving rent convergence between council and housing association rents over time.

The WG rent policy required all service charges to be disaggregated from rents by April 2016. There is flexibility for each landlord to set the rent band at either target rent, 5% below or 5% above. Cabinet decided to set Flintshire rents at target to support tenant affordability. The exception being new build rents which are set at 5% above the Welsh Government target.

The rent policy sets out the total target rent band for each landlord. The council's target rent for 2018/19 is £96.51. On 1<sup>st</sup> April 2018 the Councils average rent will be £90.51. Where a landlord's weekly rent is lower than the target rent band, transitional protection will apply to tenants. In any year a landlord will not be permitted to increase the rent for any individual tenant by more than £2 per week in addition to the agreed average annual rate of rent increases for the sector as a whole. The inflation indices to be used for uplifting rents each year will be based on CPI at the previous September and a real increase percentage of 1.5% will be applied to the inflation indices.

CPI for Sept 2017 was 3% plus 1.5% giving rent inflation for 2018/19 of 4.5%. For the purposes of option 1, we have included a 3% plus up to £2 a week increase in rents. Anticipated Rental (including voids rent loss) and other income for the three year period 2018/19, 2019/20 and 2020/21 are shown in the table below:

Year	Net Rental Income	Other Income	Total Income
2018 – 2019	£33.068m	£ 1.334m	£ 34.401m
2019 – 2020	£35.536m	£ 1.465m	£ 37.001m
2020 – 2021	£36.344m	£ 1.590m	£ 37.934m

Rent Charges		2018/19				
		£'s			No.	
		Target Rent	Average Transitional Rent	Variance	Equal to / above Target Rent	Below Target Rent
Property Type	No. of Properties					
G1Bedsit	22	69.50	69.72	0.22	22	0
G1bungalow	13	86.42	82.33	-4.09	1	12
G1Flat	161	78.19	78.07	-0.12	156	5
G1House	1	86.42	77.03	-9.39	0	1
G2Bungalow	3	96.02	88.34	-7.68	0	3
G2Flat	305	86.87	85.84	-1.04	206	99
G2House	702	96.02	90.57	-5.45	1	701
G2Maisonette	9	84.37	85.87	1.50	9	0
G3Bungalow	4	105.62	104.00	-1.62	0	4
G3Flat	37	95.56	92.82	-2.74	17	20
G3Maisonette	1	93.06	93.06	0.00	1	0
G3House	3,115	105.62	96.42	-9.20	3	3,112
G4House	128	115.22	103.28	-11.94	0	128
G5House	5	124.82	111.42	-13.40	0	5
G6House	5	124.82	115.64	-9.18	1	4
GNB1Apariment	4	82.10	82.10	0.00	0	4
GNB2Apariment	6	91.22	91.22	0.00	0	6
GNB2House	44	100.82	99.02	-1.80	0	44
GNB3House	18	110.90	108.57	-2.33	0	18
GNB2Bungalow	4	100.82	100.18	-0.64	0	4
M1Mini Group Bungalow	298	86.42	82.33	-4.08	0	298
M1Mini Group Flat	116	78.19	78.24	0.05	114	2
M2Mini Group Bungalow	95	96.02	91.08	-4.93	0	95
M2Mini Group Flat	23	86.87	86.87	0.00	23	0
M3Mini Group Bungalow	1	105.62	104.86	-0.76	0	1
S1Sheltered Bedsit	64	69.50	69.85	0.35	64	0
S1Sheltered Bungalow	850	86.42	82.95	-3.47	2	848
S1Sheltered Flat	321	78.19	78.21	0.02	321	0
S1Sheltered House	1	86.42	86.15	-0.26	0	1
S2Sheltered Bungalow	510	96.02	88.87	-7.14	3	507
S2Sheltered Flat	306	86.87	86.85	-0.03	301	5
S2Sheltered House	1	96.02	86.40	-9.62	0	1
S2Wardens Bungalow	2	96.02	95.51	-0.51	0	2
S2Wardens Flat	4	86.87	86.87	0.00	4	0
S2Wardens House	1	96.02	91.14	-4.87	0	1
S3Sheltered Bungalow	2	105.62	103.13	-2.49	0	2
S3Wardens Bungalow	16	105.62	103.06	-2.56	0	16
S3Wardens Flat	1	95.56	95.56	0.00	1	0
S3Wardens House	20	105.62	98.04	-7.58	0	20
S4Wardens Flat	1	104.25	106.94	2.69	1	0
SO3Shared ownership houses	13	105.62	94.86	-10.76	0	13
<b>Total</b>	<b>7,233</b>	<b>96.51</b>	<b>90.51</b>	<b>-5.99</b>	<b>1,251</b>	<b>5,982</b>

**Note**

G = General Need

GNB = General Needs New Build

S = Sheltered

M = Mini Group (over 55s with no warden service)

SO = Shared Ownership

The number equates to the number of bedrooms the property has for example a G3house is a general need 3 bed house.

The above chart shows the transitional rents chargeable to Flintshire tenants under the new rents policy from 2018/19 and how they compare to target rents. The average rent chargeable for 2018/19 is £90.51 some £5.99 below the weekly target rent under the new policy. On 1<sup>st</sup> April 2018 17% of tenancies will be at target rent.

### **6.2 Empty Properties**

Void rent loss is currently at 1.41 % of rental income. The business plan continues to assume this level of void rent loss.

### **6.3 Service Charges**

By April 2016, the Welsh Government expected all social landlords to separate services from rents and introduce charges, to recover the cost of services in addition to rent. Prior to this the cost of these services were spread across all tenancies. Through the separation of service charges from rents, tenants are able to see how much they pay for the rent of their home and how much they pay for any additional services that they receive e.g. aerials, laundry services, window cleaning and communal cleaning.

The introduction of service charges aims to achieve greater transparency and fairness for tenants, providing greater accountability whilst helping to improve both the efficiency and quality of services being delivered.

The Council is currently working in collaboration and sharing best practice with three other North Wales stock retaining Councils. These being Wrexham, Denbighshire and Isle of Anglesey.

Flintshire is implementing service charges on a phased basis for existing/ongoing tenancies. Since April 2015 all new tenants have paid for services. A tenant consultation is currently under way to review services and discuss implementation of revised charges from April 2018.

With the exception of services provided for the benefit of individuals, the service charges outlined above are all currently 'housing benefit eligible'.

### **6.4 Garage Rents**

Garage rents are currently charged at £6.61 per week. We are proposing an increase of £1 per week. Garage plots are currently a £1.20 per week. We are proposing a 20p increase per week.

## 6.5 Expenditure Proposed financial changes to the 2018/19 business plan

### HRA Business Planning

#### Revenue Efficiencies/Use of one off funding

No	Section	Description	2018/19 £	Notes
1	Repairs & Maintenance Support	Deletion of 0.6 FTE Finance Assistant (vacant post)	(15,450)	
2	Repairs & Maintenance Support	Reduction in grade	(15,148)	
3	Responsive Repairs	Deletion of 2 x Builder (vacant posts)	(61,390)	
4	Void Repairs	Deletion of 1 x Plasterer and 1 x Floor Layer (vacant posts)	(59,004)	
5	Tenancy Management	Deletion of 1 x Tenancy Sustainment Officer (vacant post)	(33,324)	
6	Responsive Repairs	Reduction to subcontractor Budget	(83,891)	
7	Housing Programmes	Deletion of 0.2 FTE Programme Manager Welfare Reform 18/19 only	(12,002)	Non recurring. Substantive post holder seconded to Welsh Gov
8	Rents	Reduction of 0.65% in the budgeted contribution to the Bad Debt Provision	(200,000)	Approx. figure (will change depending on rent increase applied)
9	Estate Management	Removal of tenant incentive (downsizing) budget	(15,300)	May need to be reviewed in future years.
10	Responsive Repairs	Remove increase to R&M budget for additional SHARP properties	(80,360)	Non recurring. To be reviewed during 2019/20 budget setting process.
11	Housing Programmes	Realignment of staffing costs (Council Fund & NEW Homes)	(30,643)	
		<b>Total HRA</b>	<b>(606,512)</b>	

#### Revenue Investment Decisions/Cost Pressures

No	Section	Description	2018/19 £m	Notes
1	Income	Service Charges	287,000	Reduction in income in line with phased introduction of Service Charges
2	Support Services	Central Overheads	84,000	Increase in the cost of corporate overheads
		<b>Total HRA</b>	<b>371,000</b>	
		<b>Grand Total HRA</b>	<b>(235,512)</b>	

## 6.6 Staff and associated costs

The business plan includes 218.84 established Positions (FTE) within the Housing Revenue Account in 2018/19.

## 6.7 Housing Asset Management

Housing Asset Management (HAM) includes Responsive repairs, voids, WHQS and cyclical works and Disabled adaptations. Total FTE's for HAM assumed in the plan are 164.2. The revenue budget for 2018/19 is £8.234m (£1,138 per tenancy).

## 6.8 Estate Management

Estate Management includes Rents, Anti-Social Behaviour, Tenant participation and Tenancy management services. Total FTE's assumed in the plan are 33.36. The planned budget is £1.638m.

## 6.9 Landlord Services

Landlord Services includes all costs associated with service charges and landlord costs for communal buildings. Total FTE's assumed in the plan for Landlord Services are 7.5. The planned budget is £1.340m.



## 6.10 Management & Support Services

Management & Support Services include Finance and cash collection, I.T, member services, HR and Training, Legal, Insurance, Buildings, admin and corporate management costs. The FTE's assumed on the plan for Management & Support Services are 13.78. The planned budget is £2.419m.

## 6.11 Capital Financing

Financial Year	New Build Programme	WHQS	Mid Year	Total Costs	Closing HRA Debt	Limit on indebtedness	Borrowing Capacity
2018.19	£11.800m	£5.122m	£134.111m	£8.573m	£141.303m	£143.934m	£2.631m
2019.20	£2.000m	£2.300m	£142.040m	£9.218m	£142.777m	£143.934m	£1.158m
2020.21	£3.000m		£142.848m	£9.284m	£142.921m	£143.934m	£1.013m

As per the self-financing agreement introduced in April 2015, the borrowing limits agreed for the council were £15m for new build, £25m for WHQS and £107.2m for the buy-out. This new borrowing in addition to existing borrowing gave us a debt cap of £143.9m (limit on indebtedness above).

The above table shows the planned new borrowing for WHQS and new build alongside the closing HRA debt balance and borrowing cap. The level of borrowing remains within the cap.

The capital programme for 2018/19 is £36.496m of which £21m is allocated to achieving the Welsh Housing Quality Standard, £1m to DFGs and £14m to new builds.

## 7 MONITORING AND EVALUATION

Risk management plans have been developed for the WHQS programme and the SHARP new build programme, which are regularly monitored by the Housing and Regeneration programme board; the Scrutiny committee and the Council's Cabinet.

The risk register below for the overall HRA is updated and monitored monthly at the Housing and Regeneration Programme Board.

Ref	Description/Issue	Risk	Mitigation Act (MA) / Response Plan (RP)
1	MRA funding certainty - MRA is included within the HRA 30 year Business Plan at £5.0m per annum	MRA funding is only guaranteed year on year MRA funding not received	Ensure delivery of WHQS programme Fully complete Welsh Government MRA returns on a quarterly basis Lobby Welsh Government on need for MRA to continue to invest in the Housing stock Monitor and review at HRA Programme Board
2	Meeting the WHQS by 2020 - Delivering a significantly increased investment programme	Annual programme not delivered to targets Major supplier issues Contractor performance or contractor viability issues	Effective contractor management Appoint sufficient resource in delivery team Develop a revised delivery team structure

		Loss of key staff Recruitment to delivery team Significant stock condition issues Tenant satisfaction	Appoint additional Tenant Liaison Officers Post inspection of completed work Stock Condition Survey in place Monitor and review at HRA Programme Board
3	Delivering the New Build programme by 2020	Mobilisation Phase of the Programme does not achieve the completion of the first phase of development in Flint by April 2016 Unsuitable sites selected for development and / or planning permission not granted Reputational risk through poor communication of Programme objectives progress and outcomes	Integration of the Programme with the development of the Local Development Plan (LDP) and the housing strategy Integrated Communications Plan Design Procurement process to meet commissioning objectives More intensive site visits to be conducted on potential development sites Early feasibility investigations to be undertaken in respect of sites identified Concurrent work stream to liaise with highways; planning and street scene officers Monitor and review at HRA Programme Board
4	Introduction of charging for services	Quality and cost of services delivered Recovery of income Tenant satisfaction	Extensive tenant consultation Effective debt management arrangements Review of standard and cost of services delivered Monitor and review at HRA Programme Board
5	Maximising rental income particularly in light of ongoing Welfare Reforms	Poverty issues Increase in rent arrears Tenancy sustainment issues	Effective tenancy management Creative use of DHP Consideration to resource for tenancy sustainment Monitor and review at HRA Programme Board
6	Meeting Annual Efficiency targets - Delivering the HRA efficiency plan ensuring savings targets are achieved	Efficiency targets not met Detrimental impact on service delivery Tenant satisfaction	Monitor progress through Council Housing Service Senior Management Team Service Plans and 1:1's Financial management and monitoring Monitor and review at HRA Programme Board
7	Proposed Rent review	Impact on HRA Business Plan Ability to deliver WHQS Ability to deliver New Build programme Impact on HRA services and sustainability	Ensure dialogue with Welsh Government Ensure representation on relevant National boards Modelling and risk management Monitor and review at HRA Programme Board
8	Gas to be phased out over the next 15yrs.	This will have an impact on the 30yrs Business Plan, due to	To be determined

		costs for replacement of cookers/boilers etc	
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## 8 KEY ACTIONS FOR 2018/19

The following are a summary of the key priorities for the next operational year:

- (i) To deliver WHQS targets within year and within budget by 2020;
- (ii) Deliver cyclical and responsive maintenance in an effective and efficient manor;
- (iii) To ensure 100% sustainable tenancies through effective pre-tenancy checks;
- (iv) To implement the new hub structure and develop local action plans across the County;
- (v) To deliver 50 new homes per annum to meet the demand of the social housing register;
- (vi) To undertake strategic acquisitions to support local regeneration or other local priorities including meeting short/medium term demand;
- (vii) To implement the Customer Involvement Strategy and Action Plan.

## ANNEX 1: KPIs TARGETS FOR 2018/19

Area	Target
<b>New build - SHARP</b>	
Numbers built (completed) in 2017//18	50
Numbers to be built - complete 2018/19	50
Residents satisfaction of new homes	100%
<b>WHQS</b>	
Kitchens completed – intervention rate	100%
Bathrooms completed – intervention rate	100%
Central heating completed – intervention rate	100%
Roofing / windows / doors completed – intervention rate	100%
Customer satisfaction	90%
Jobs created	38pa
<b>Housing Management</b>	
New lettings	
Percentage accepting first offer– started to record October 2017	80%
Average days re-let– started to record October 2017	33
Average lettings	7
Rent lost	1.4%
Pre-tenancy assessments	100%
<b>Voids</b>	
Average clearance – number of days	5 days
Average time spent in maintenance (days)	
- Major	45
- Standard	20
<b>Adaptations</b>	
Spend against budget	£1m
<b>Repairs and Maintenance</b>	
Emergency repairs	Within 24 hours
Urgent repairs	Within 7 days
Non-urgent repairs	Within 28 days
<b>Anti-Social Behaviour</b>	
Percentage of ASB actions completed in target time	95%
<b>Customer services</b>	
Number of seconds is the average time for the customer services team to answer a call	30 seconds
Percentage of calls answered within target time	80%
Percentage of calls abandoned	10%

## ANNEX 2: COMMUNITY BENEFITS

### New Build - SHARP

KPI	Target 16/17	Performance up to Oct 2017	Notes
Local (Flintshire) SME spend: Locality Radius	25%	23%	Spend locally is projected to increase as the SHARP rolls out across the County.
Local (Flintshire) Labour Usage	50%	51%	This exceeds the target figure agreed with the Council. Wherever possible, the Council will look to maximize opportunities for local labour.
Percentage of Supply Chain Opportunities Advertised	100%	100%	A number of "Meet the Buyer" events have been held with Wates Residential to maximize the supply chain opportunities for Flintshire-based businesses.
Performance against CITB Client Based Approach Performance Levels	100%	Yearend target	Exceeded apprenticeship target of 6, anticipate 11 apprentices recruited by the end of the year.  Wates Residential are actively working with Communities First and have so far placed 3 employees within the construction sector.

SHARP Community Investment Performance	
<b>Employment and Training</b>	
471	Local people have benefited from Employment & Training Initiatives on this project
6,040	Training/employment weeks have been created for local people
41,733	Hours have been invested to support these people by Wates staff
£2,230,374	Value of investment into training local people
<b>Investing in the local economy</b>	
£4,470,309	Has been spent with local small businesses on this project
£7,286,604	Economic Benefit has been generated for the local community as a result of this spend
£19,460	Has been invested into Social Enterprises on this project
<b>Investing in the Community</b>	
£4,463	have been invested into volunteering in the community
£244,851	Has been invested into local charities / community causes
£9,782,377	Worth of Economic, Environmental and Social Value has been generated on this project
*According to FSB, 63 pence of every £1 spent locally with an SME is reinvested into the local economy for the Batch 1 sites (Custom House and The Walks).	

### ANNEX 3: ACTION PLAN

The following actions will support the delivery of the priorities set out in this business plan:

1. Grow the housing stock by 1,000 over the lifetime of the plan;
2. Maintain, sustain and build on the improvements delivered through WHQS investment;
3. To be in the top quartile for performance and quality of service delivery.

Strategic and Operational				
	Action	Detail	Timeframe	Responsible / lead team
1	Improved IT capability for reporting including Open Housing and KPIs	Update the servers to enable the productivity module to be opened in Open Housing so individual work output can be monitored.		
		Join up the IT and deliver a digital solution using apps to capture customer feedback – this may require some up front work with tenants to ensure they use the service but it aligns with the Council’s digitalisation strategy going forward.		
2	Preventative work with vulnerable tenants to address rent arrears in conjunction with the Income Team	Working across internal teams including the Income Team, Benefit Team; Housing Solutions; Housing Options and Housing Management, develop appropriate actions around the following areas: 1. Lettings arrangements and tenancy allocation to vulnerable tenants. 2. Early identification of arrears. 3. Initial contact to tenants experiencing financial difficulties. 4. Direct contact with tenants. 5. Arrangements in place to support tenants experiencing financial difficulties.		
3	Proactive Neighbourhood Management	Regular meetings with other landlords and key partners, including the Police, as part of the implementation of a proactive Neighbourhood Management plan.		
4	Improved understanding of asset base	Undertake/ update the stock condition survey		
		Review and assess the potential to realign existing housing stock to meet changing demands on the stock		
5	Develop a robust and intelligence led strategic framework to delivery of new build, acquisitions and services.	Inform and influence the wider Council’s housing strategy development.		
		To undertake strategic acquisitions to support local regeneration or other local priorities including meeting short/medium term demand;		
6	Improved understanding of	To implement the Customer Involvement Strategy and Action Plan.		

	customer satisfaction and involvement			
		Source an independent company to undertake follow-up satisfaction surveys based on service delivered through regular surveys		
		Review resource management with the aim of ensuring we get it right first time, particularly in relation to the call centre.		
		Undertake the STAR annual survey to benchmark customer satisfaction		
		Use Housemark to benchmark our performance and levels of customer satisfaction.		

<b>New Build Programme – SHARP</b>				
	<b>Action</b>	<b>Detail</b>	<b>Timeframe</b>	<b>Responsible / lead team</b>
1	To deliver 50 new homes per annum up to 2020 to meet the demand of the social housing register	Ensure the delivery of new build adds value through addressing the pressures for certain housing types by basing development plans on intelligence.		
		Undertake a review and update of the Flintshire House Standards		
		Consider feasibility and potential for the trades team to undertake new build on small sites		

<b>WHQS</b>				
	<b>Action</b>	<b>Detail</b>	<b>Timeframe</b>	<b>Responsible / lead team</b>
1	To deliver WHQS targets within year and within budget by 2020	Undertake a review of contractors to deliver the fourth year of the programme to achieve efficiencies against costs and resource requirements		
2	To deliver community benefits as part of the WHQS programme	To develop a framework to identify and agree the community benefits to be delivered		
		To establish a process, in line with the Council wide strategy, to measure and capture community benefits.		

<b>Housing and Neighbourhood Management</b>				
	<b>Action</b>	<b>Detail</b>	<b>Timeframe</b>	<b>Responsible / lead team</b>
1	To implement the new hub structure	Develop local action plans across the County	by June 2018	

2	Lettings homes - getting it right at the start by matching a person's housing need to the right property.	To ensure 100% sustainable tenancies through effective pre-tenancy checks		
3	Tenancy enforcement	Dealing effectively with anti-social behavior, community safety and tenancy related issues through a multi agency approach		
	Neighbourhoods – maintaining and managing the places we work, helping to protect our asset and create sustainable communities.			
	Customer engagement	Working in partnership with tenants to help improve services, resolve issues, improve their neighbourhood and create opportunities for community cohesion.		

<b>Housing Assets</b>				
	<b>Action</b>	<b>Detail</b>	<b>Timeframe</b>	<b>Responsible / lead team</b>
	Reduce void periods	Increase reporting of issues prior to property becoming empty		
	Improve efficiencies on major and minor works	Undertake a value for money review on the comparative costs and retender		
	Aids and Adaptations Policy	Develop and consult on the policy to provide a framework for undertaking aids and adaptations to Council stock		
		Working with Housing Options develop a register of stock that has existing aids and adaptations which can be identified at re-let for most appropriate letting, to achieve better efficiency of existing stock.		



Flintshire County Council - HRA 30 Year Business Plan

Yr	Financial Year	Income			Expenditure						Net Operating Balance					Available Capital Funding							Capital Programme				
		Net Rent Income	Other Income	Total Income	Estate Mgmt	Landlord Services	Repairs & Maint	Mgmt & Support	Debt Charges	Total Expenses	Net Operating Expenditure	Balance B/F	CERA	Balance C/F	3% of expenditure	CERA	MRA	Prudential Borrowing	Affordable Housing Grant	Shared Ownership Receipts	Commutated Sums	Total Capital Funding	WHQS Capital Programme	DFG	SHARP Replacement	SHARP Developments	Total Capital Programme
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	2017.18	(30,850)	(1,282)	(32,132)	1,653	1,311	8,601	2,319	7,643	21,526	(10,606)	(1,117)	10,540	(1,183)	(962)	10,540	5,065	14,767		335		30,707	20,010	1,030	0	9,667	30,707
1	2018.19	(33,068)	(1,334)	(34,401)	1,638	1,340	8,234	2,419	8,619	22,249	(12,152)	(1,183)	12,170	(1,165)	(1,033)	12,170	5,065	16,922	1,900		439	36,496	21,215	1,051	0	14,230	36,496
2	2019.20	(35,536)	(1,465)	(37,001)	1,669	1,366	8,537	2,475	9,262	23,310	(13,692)	(1,165)	13,382	(1,475)	(1,101)	13,382	5,065	4,300	1,243			23,990	21,048	1,072	0	1,870	23,990
3	2020.21	(36,344)	(1,590)	(37,934)	1,689	1,391	8,675	2,518	9,328	23,602	(14,332)	(1,475)	14,603	(1,205)	(1,146)	14,603	5,065	3,000				22,668	17,374	1,093	0	4,200	22,668
4	2021.22	(37,620)	(1,610)	(39,230)	1,710	1,417	8,830	2,562	9,326	23,844	(15,385)	(1,205)	15,397	(1,192)	(1,177)	15,397	5,065	2,500				22,962	15,147	1,115	0	6,700	22,962
5	2022.23	(38,647)	(1,630)	(40,277)	1,731	1,443	9,005	2,606	9,313	24,099	(16,178)	(1,192)	15,923	(1,448)	(1,201)	15,923	5,065	3,000				23,988	15,450	1,137	0	7,400	23,988
6	2023.24	(39,816)	(1,650)	(41,466)	1,766	1,472	9,051	2,658	9,323	24,269	(17,197)	(1,448)	16,922	(1,722)	(1,236)	16,922	5,065	3,000				24,987	14,527	1,160	0	9,300	24,987
7	2024.25	(41,089)	(1,670)	(42,760)	1,801	1,501	9,104	2,712	9,320	24,438	(18,322)	(1,722)	18,136	(1,908)	(1,277)	18,136	5,065	2,500				25,701	14,818	1,183	0	9,700	25,701
8	2025.26	(43,171)	(1,703)	(44,874)	1,837	1,531	9,158	2,766	9,308	24,600	(20,274)	(1,908)	20,056	(2,126)	(1,340)	20,056	5,065	3,000				28,121	15,114	1,207	0	11,800	28,121
9	2026.27	(43,639)	(1,713)	(45,352)	1,874	1,562	9,222	2,821	9,317	24,797	(20,556)	(2,126)	20,284	(2,398)	(1,352)	20,284	5,065	3,000				28,349	15,416	1,231	2	11,700	28,349
10	2027.28	(44,933)	(1,735)	(46,668)	1,911	1,593	9,285	2,878	9,327	24,994	(21,675)	(2,398)	21,429	(2,643)	(1,393)	21,429	5,065	3,000				29,494	15,724	1,256	14	12,500	29,494
11	2028.29	(46,271)	(1,757)	(48,028)	1,950	1,625	9,351	2,935	9,324	25,185	(22,843)	(2,643)	22,428	(3,059)	(1,428)	22,428	5,065	2,500				29,993	14,681	1,281	31	14,000	29,993
12	2029.30	(47,654)	(1,780)	(49,434)	1,989	1,657	9,423	2,994	9,312	25,375	(24,060)	(3,059)	24,050	(3,069)	(1,483)	24,050	5,065	3,000				32,115	14,975	1,307	33	15,800	32,115
13	2030.31	(49,104)	(1,803)	(50,908)	2,028	1,691	9,503	3,054	9,321	25,597	(25,311)	(3,069)	25,081	(3,299)	(1,520)	25,081	5,065	3,000				33,146	15,275	1,333	39	16,500	33,146
14	2031.32	(51,571)	(1,840)	(53,412)	2,069	1,724	9,585	3,115	9,319	25,812	(27,600)	(3,299)	27,310	(3,589)	(1,594)	27,310	5,065	2,500				34,875	16,663	1,359	53	16,800	34,875
15	2032.33	(52,135)	(1,851)	(53,986)	2,110	1,759	9,666	3,177	9,307	26,019	(27,967)	(3,589)	27,720	(3,836)	(1,612)	27,720	5,065	3,000				35,785	16,996	1,387	102	17,300	35,785
16	2033.34	(53,723)	(1,876)	(55,600)	2,152	1,794	9,749	3,241	9,317	26,252	(29,347)	(3,836)	29,052	(4,131)	(1,659)	29,052	5,065	3,000				37,117	17,336	1,414	166	18,200	37,117
17	2034.35	(55,367)	(1,901)	(57,268)	2,195	1,830	9,833	3,305	9,315	26,479	(30,789)	(4,131)	30,547	(4,374)	(1,711)	30,547	5,065	2,500				38,112	17,683	1,443	186	18,800	38,112
18	2035.36	(57,077)	(1,927)	(59,004)	2,239	1,867	9,920	3,372	9,303	26,700	(32,304)	(4,374)	32,060	(4,619)	(1,763)	32,060	5,065	3,000				40,125	18,037	1,471	217	20,400	40,125
19	2036.37	(58,878)	(1,953)	(60,831)	2,284	1,904	10,011	3,439	9,312	26,950	(33,881)	(4,619)	33,631	(4,869)	(1,817)	33,631	5,065	3,000				41,696	17,431	1,501	265	22,500	41,696
20	2037.38	(61,950)	(1,995)	(63,945)	2,330	1,942	10,110	3,508	9,322	27,211	(36,734)	(4,869)	36,297	(5,306)	(1,905)	36,297	5,065	3,000				44,362	17,779	1,531	352	24,700	44,362
21	2038.39	(62,754)	(2,007)	(64,761)	2,376	1,981	10,217	3,578	9,320	27,471	(37,290)	(5,306)	37,092	(5,504)	(1,937)	37,092	5,065	2,500				44,657	18,135	1,561	460	24,500	44,657
22	2039.40	(64,792)	(2,035)	(66,827)	2,424	2,020	10,320	3,649	9,308	27,722	(39,105)	(5,504)	38,950	(5,659)	(2,000)	38,950	5,065	3,000				47,015	18,498	1,593	525	26,400	47,015
23	2040.41	(66,918)	(2,063)	(68,981)	2,472	2,061	10,430	3,722	9,317	28,003	(40,979)	(5,659)	40,633	(6,005)	(2,059)	40,633	5,065	3,000				48,698	18,867	1,625	606	27,600	48,698
24	2041.42	(69,131)	(2,092)	(71,224)	2,522	2,102	10,542	3,797	9,316	28,278	(42,946)	(6,005)	42,712	(6,239)	(2,130)	42,712	5,065	2,500				50,277	18,616	1,657	704	29,300	50,277
25	2042.43	(71,445)	(2,122)	(73,567)	2,572	2,144	10,658	3,873	9,304	28,551	(45,016)	(6,239)	44,687	(6,567)	(2,197)	44,687	5,065	3,000				52,752	18,989	1,690	823	31,250	52,752
26	2043.44	(75,301)	(2,169)	(77,470)	2,624	2,187	10,780	3,950	9,314	28,855	(48,615)	(6,567)	48,189	(6,993)	(2,311)	48,189	5,065	3,000				56,254	19,368	1,724	961	34,200	56,254
27	2044.45	(76,407)	(2,183)	(78,590)	2,676	2,231	10,911	4,029	9,312	29,160	(49,430)	(6,993)	49,038	(7,386)	(2,346)	49,038	5,065	2,500				56,603	19,756	1,758	1,088	34,000	56,603
28	2045.46	(79,021)	(2,214)	(81,235)	2,730	2,275	11,039	4,110	9,301	29,455	(51,780)	(7,386)	51,735	(7,432)	(2,436)	51,735	5,065	3,000				59,800	20,173	1,794	1,233	36,600	59,800
29	2046.47	(81,750)	(2,246)	(83,996)	2,784	2,321	11,174	4,192	9,311	29,782	(54,215)	(7,432)	53,829	(7,817)	(2,508)	53,829	5,065	3,000				61,894	20,576	1,829	1,389	38,100	61,894
30	2046.47	(84,588)	(2,279)	(86,866)	2,840	2,367	11,311	4,276	9,320	30,115	(56,752)	(7,817)	56,443	(8,126)	(2,597)	56,443	5,065	3,000				64,508	20,988	1,866	1,554	40,100	64,508

Appendix C

**Draft HRA Capital Programme 2018/19**

<b>HRA Capital Programme</b>	
<b>WHQS</b>	<b>£'m</b>
<b>CATCH UP REPAIRS / MAJOR WORKS</b>	
Urgent Capital Works	0.529
<b>IMPROVEMENTS / COMMUNAL WORKS</b>	
Fire Risk Assessments Work	0.510
General DDA Work	0.051
<b>IMPROVEMENTS / ACCELERATED WORKS</b>	
Asbestos Survey and Removal (Ongoing Programme)	0.612
Off Gas Programme	0.357
Welfare Reform / Adaptations	0.102
<b>PROGRAMMED WORK STREAMS</b>	
Internal Works	4.136
Envelope Works	10.542
External Works, Paths, Fences	0.485
Environmental Works - General	0.969
Capitalised Salaries	1.158
WHQS Acceptable Fails	1.000
Empty Properties	0.765
<b>Total WHQS</b>	
	<b>21.215</b>
<b>Non WHQS</b>	
Disabled Facility Grants (DFG) - Mandatory/ Minor Adaps	1.051
Solar PV	-
<b>Total Non - WHQS</b>	
	<b>1.051</b>
<b>SHARP Programme</b>	
Batch 3	14.230
<b>Total SHARP Programme</b>	
	<b>14.230</b>
<b>Total Capital Spend</b>	
	<b>36.496</b>



## FLINTSHIRE COUNTY COUNCIL

<b>Date of Meeting</b>	Tuesday, 20 <sup>th</sup> February 2018
<b>Report Subject</b>	Prudential Indicators 2018/19 to 2020/21
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

This report presents the Prudential Indicators for the period 2018/19 to 2020/21 for approval.

Cabinet will consider the detailed report from the Corporate Finance Manager in respect of the setting of Prudential Indicators for the period 2018/19 to 2020/21, included at Appendix 1, at their meeting on 20<sup>th</sup> February 2018 and their recommendations will be reported at the meeting.

### RECOMMENDATIONS

1	Approve the Prudential Indicators for 2018/19 – 2020/21 as detailed in Section 1 of the attached Cabinet report (Appendix 1).
2	Delegate authority to the Corporate Finance Manager to effect movements between the separately agreed limits within the authorised limit for external debt and the operational boundary for external debt (paragraphs 1.14 - 1.15 of the attached Cabinet report (Appendix 1)).

### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE PRUDENTIAL INDICATORS</b>
1.01	The Prudential Code has been developed by the Chartered Institute of Public Finance & Accountancy (CIPFA) as a professional code of practice to support local authorities in determining their programmes for capital investment in fixed assets. Local authorities are required by Regulation to have regard to the Prudential Code when carrying out duties under Part 1 of the Local Government Act 2003.

1.02	The framework established by the Prudential Code is intended to support local strategic planning, local asset management planning and robust option appraisal. The objectives of the Code are to ensure, within a clear framework, that the capital investment plans of local authorities are <b>affordable, prudent and sustainable</b> , and that treasury management decisions are taken in accordance with good professional practice.
1.03	The Prudential Code sets out the indicators that must be used, and the factors that must be taken into account in preparing such. Further details are contained in the attached report to Cabinet (Appendix 1).

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	As per the attached report (Appendix 1).

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	As per the attached report (Appendix 1).

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	As per the attached report (Appendix 1).

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 - Report to Cabinet 20 <sup>th</sup> February, 2018 - Prudential Indicators 2018/19 to 2020/21.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<b>Contact Officer:</b> Liz Thomas, Finance Manager, Technical Accountancy <b>Telephone:</b> (01352) 702289 <b>E-mail:</b> <a href="mailto:liz.thomas@flintshire.gov.uk">liz.thomas@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	As per the attached report (Appendix 1).



## CABINET MEETING

<b>Date of Meeting</b>	Tuesday 20th February 2018
<b>Report Subject</b>	Prudential Indicators 2018/19 - 2020/21
<b>Portfolio Holder</b>	Leader of the Council and Cabinet Member for Finance
<b>Report Author</b>	Corporate Finance Manager
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

Under the Prudential Code for Capital Finance in Local Authorities (the Prudential Code), authorities are required to set a range of Prudential Indicators (PI's). This report provides details of the Council's Prudential Indicators for 2018/19 – 2020/21:

- Prudential Indicators for Prudence
- Prudential Indicators for Affordability

### RECOMMENDATIONS

1	<p>That members approve and recommend to the County Council on 20th February 2018:-</p> <ul style="list-style-type: none"> <li>• The Prudential Indicators for 2018/19 - 2020/21 as detailed in Section 1 of the report.</li> <li>• Delegated authority for the Corporate Finance Manager to effect movements between the separately agreed limits within the authorised limit for external debt and the operational boundary for external debt (1.14 - 1.15).</li> </ul>
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## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE PRUDENTIAL INDICATORS</b>
	<b>BACKGROUND</b>
1.01	The Prudential Code has been developed by the Chartered Institute of Public Finance & Accountancy (CIPFA) as a professional code of practice to support local authorities in determining their programmes for capital investment in fixed assets. Local authorities are required by Regulation to have regard to the Prudential Code when carrying out duties under Part 1 of the Local Government Act 2003.
1.02	The framework established by the Prudential Code is intended to support local strategic planning, local asset management planning and robust option appraisal. The objectives of the Code are to ensure, within a clear framework, that the capital investment plans of local authorities are <b>affordable, prudent and sustainable</b> , and that treasury management decisions are taken in accordance with good professional practice.
1.03	The Prudential Code sets out the indicators that must be used, and the factors that must be taken into account in preparing such.
	<b>Changes to CIPFA's Codes of Practice 2017</b>
1.04	CIPFA published new editions of the Prudential Code for Capital Finance in Local Authorities and the Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance in late December 2017 which complement each other.
1.05	<p>The 2017 edition of the Prudential Code for Capital Finance has expanded objectives and includes a requirement for authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources, and ensure that decisions are being made with sufficient regard to the long term financing implications and potential risks to the authority.</p> <p>The Code introduces the requirement for a Capital Strategy which sets out the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Its intention is to give a high level overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability, linking the Capital Strategy with the Treasury Management Strategy.</p>
1.06	The Council already has a Capital Strategy and Asset Management Plan in

place and considers that it prudently assesses the long-term context of capital expenditure and any non-treasury investment decisions, and their associated risks and rewards on future financial sustainability. Nevertheless, the requirements of the changes of both Codes will need to be worked through with careful consideration to ensure compliance with the requirements of the Codes. Appropriate risk management frameworks and reporting mechanisms will also need to be further developed in consultation with Chief Officers and Members and will take some time.

CIPFA have yet to publish the updated guidance notes to both Codes which will include examples and more detailed practical guidance. These guidance notes are needed to assist the Council in interpreting the practical implications of the updated Codes.

Due to the timing of the publications, and the need to set the Capital Programme and the resulting Prudential Indicators for 2018/19 before the start of the financial year, it is appropriate to set them under the existing arrangements of the 2011 Codes. However, changes to the revised Codes which impact on the Prudential Indicators are minimal. The main difference being that there is no longer a need to include an indicator for the Estimated Impact of Capital Decisions on Council Tax and Rent levels. All changes within the 2017 Code which impact on Prudential Indicators below have therefore been made.

**Prudential Indicators for Prudence**

**Estimates of Capital Expenditure**

1.07 Based on those resources currently allocated (including specific grants, but excluding any rephasing of expenditure from 2017/18 to future years), the estimates of capital expenditure to be incurred in 2018/19 and the following 2 years are as indicated in Table 1 below.

**Table 1**

<b>ESTIMATES OF CAPITAL EXPENDITURE</b>			
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Council Fund	20.408	15.644	8.415
Housing Revenue Account	36.496	23.990	22.968
<b>Total</b>	<b>56.904</b>	<b>39.634</b>	<b>31.383</b>

1.08 This is in line with the capital programme proposals in the Council Fund Capital Programme – 2018/19 - 2020/21 report and the HRA budget report which are included elsewhere on this agenda.

1.09 The capital expenditure totals essentially provide the base financial data

	from which all other indicators follow.																												
	<b>Estimates of Capital Financing Requirement</b>																												
1.10	<p>Estimates of the capital financing requirement for 2018/19 and the following 2 years are shown in Table 2 below:</p> <p><b>Table 2</b></p> <table border="1"> <thead> <tr> <th colspan="4"><b>ESTIMATES OF CAPITAL FINANCING REQUIREMENT</b></th> </tr> <tr> <th></th> <th><b>2018/19</b></th> <th><b>2019/20</b></th> <th><b>2020/21</b></th> </tr> <tr> <th></th> <th><b>Estimate</b></th> <th><b>Estimate</b></th> <th><b>Estimate</b></th> </tr> <tr> <th></th> <th><b>£m</b></th> <th><b>£m</b></th> <th><b>£m</b></th> </tr> </thead> <tbody> <tr> <td>Council Fund</td> <td>207.034</td> <td>216.186</td> <td>216.218</td> </tr> <tr> <td>Housing Revenue Account</td> <td>134.600</td> <td>142.509</td> <td>142.559</td> </tr> <tr> <td><b>Total</b></td> <td><b>341.634</b></td> <td><b>358.695</b></td> <td><b>358.777</b></td> </tr> </tbody> </table>	<b>ESTIMATES OF CAPITAL FINANCING REQUIREMENT</b>					<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>		<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>		<b>£m</b>	<b>£m</b>	<b>£m</b>	Council Fund	207.034	216.186	216.218	Housing Revenue Account	134.600	142.509	142.559	<b>Total</b>	<b>341.634</b>	<b>358.695</b>	<b>358.777</b>
<b>ESTIMATES OF CAPITAL FINANCING REQUIREMENT</b>																													
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>																										
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>																										
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<b>Total</b>	<b>341.634</b>	<b>358.695</b>	<b>358.777</b>																										
1.11	<p>The capital financing requirement measures the Council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements.</p> <p>In accordance with best professional practice, the Council does not associate debt with particular items or type of expenditure. The authority has an integrated treasury management strategy and has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Council has, at any point in time, a number of cash flows both positive and negative, and manages its treasury position in terms of its debt and investments in accordance with its approved Treasury Management Policy and Strategy.</p> <p>In day to day cash management, no distinction can be made between revenue cash and capital cash. External debt arises as a consequence of all the financial transactions of the Council and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the Council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements.</p>																												
1.12	<p>CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following; gross debt and the capital financing requirement, as a key indicator of prudence.</p> <p><i>'In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional financing requirement for the current and next two financial years'.</i></p> <p>The purpose of the indicator is to ensure authorities are only borrowing in the medium to long term for capital purposes.</p>																												
1.13	The Corporate Finance Manager reports no difficulty in meeting this																												



requirement for the future period to which the prudential indicators apply. This view takes into account current commitments, existing plans, and all budget proposals.

**Authorised Limit**

1.14 In respect of its external debt, it is recommended that the Council approves the authorised limits shown in Table 3 below for its total external debt gross of any investment for the next three financial years. These limits separately identify borrowing from other long term liabilities such as finance leases. The Council is asked to approve these limits and to delegate authority to the Corporate Finance Manager, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its meeting following the change.

**Table 3**

<b>AUTHORISED LIMIT</b>			
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
All Borrowing	373.000	376.000	374.000
Other Long Term Liabilities	35.000	35.000	35.000
<b>Total</b>	<b>408.000</b>	<b>411.000</b>	<b>409.000</b>

The authorised limits are consistent with the Council’s current commitments, existing plans and the proposals in the capital programme report, and with its approved Treasury Management Strategy 2018/19. They are based on the estimate of most likely, prudent position with, sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.

**Operational Boundary**

1.15 Council is also asked to approve the operational boundary for external debt for the same period, shown in Table 4 overleaf. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the estimate of the most likely, prudent provision, without the additional headroom included in the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate.

The operational boundary represents a key management tool for in year

monitoring. Within the operational boundary, figures borrowing and other long term liabilities are separately identified. Council is also asked to delegate authority to the Corporate Finance Manager, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the authorised limit. Any such changes will be reported to Council at its next meeting following the change.

**Table 4**

<b>OPERATIONAL BOUNDARY</b>			
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
All Borrowing (Cap/Rev)	353.000	356.000	354.000
Other Long Term Liabilities	20.000	20.000	20.000
<b>Total</b>	<b>373.000</b>	<b>376.000</b>	<b>374.000</b>

1.16 It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since actual external debt reflects the position at a point in time.

Council is asked to note that the authorised limit determined in 2018/19 (see section 1.14 above) will be the statutory limit determined under section 3 (1) of the Local Government Act 2003.

**Prudential Indicators for Affordability**

**Estimates of Financing Costs to Net Revenue Stream**

1.17 Estimates of the ratio of financing costs to net revenue stream for 2018/19 based on those expenditure assumptions outlined in the Council Fund and Housing Revenue Account (HRA) budget report (both included elsewhere on this agenda), are as included in Table 5 below; these indicators of affordability address the revenue implications of the Council's financial strategy.

**Table 5**

<b>ESTIMATES OF FINANCING COSTS TO NET REVENUE STREAM</b>			
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Council Fund	5.2%	5.4%	5.5%
Housing Revenue Account	25.0%	24.8%	24.5%

1.18 The Council Fund net revenue stream is the amount to be met from Welsh

	Government (WG) grants and local taxpayers, and the HRA equivalent is the amount to be met from WG grants and rent payers. The estimate of financing costs includes the current commitments and the proposals included in the capital programme report.
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no resource implications as a direct result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	No consultation is required or carried out.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Decisions made which involve the Council's assets and its Capital Programme often have very large and long term financial implications which carry a variety of risks. This report assess the affordability, prudence and sustainability of the capital plans to manage those associated risks.

<b>5.00</b>	<b>APPENDICES</b>
5.01	None.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Various Welsh Government papers.  <b>Contact Officer:</b> Liz Thomas - Finance Manager, Technical Accountancy <b>Telephone:</b> (01352) 702289 <b>E-mail:</b> <a href="mailto:liz.thomas@flintshire.gov.uk">liz.thomas@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Asset Management Plan</b> - A plan maintained by an authority of the condition and suitability of its assets, updated regularly and utilised to assess future capital needs.  <b>Capital Expenditure</b> - Expenditure on the acquisition of <b>Non-current Assets</b> or expenditure that extends the life or value of an existing asset.  <b>Capital Programme</b> - The Council's financial plan covering capital schemes

and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme.

**Capital Receipt** - Receipts (in excess of £10,000) from the disposal of an asset.

**Capital Scheme** - An individual capital project which is monitored and managed in isolation. The aggregate of all schemes comprises the **Capital Programme**.

**Capital Strategy** - A corporate document providing clear strategic guidance about an authority's objectives, priorities and spending plans, demonstrating the link to key corporate and service objectives. May be combined with the **Asset Management Plan (AMP)** to form a single document.

**Council Fund** - The fund to which all the Council's revenue and capital expenditure is charged.

**Disposal** - The decommissioning or transfer of an asset to another party.

**Financing** - The process of allocating resources to meet the cost of capital expenditure, which can be done on a project, asset or whole programme basis. This contrasts with making the invoice payments relating to capital expenditure, which should be managed within the authority's overall treasury management policy.

**General Capital Grant** - Annual capital grant from Welsh Government which the Council decides how to use the funding.

**Housing Revenue Account** - The fund to which all the Council's revenue and capital expenditure relating to its housing stock is charged.

**Local Government Borrowing Initiative (LGBI)** - Similar to **supported borrowing**. In recent years as Welsh Government funding has been under pressure, schemes that would have been funded by capital grant have been funded by LGBI. Welsh Government provides the revenue support for borrowing costs incurred by the Council in borrowing to fund capital schemes (the difference with supported borrowing being that it's for a specific purpose aligned to Welsh Government priorities). LGBI has recently been used for highways maintenance and is now being used to part fund the Welsh Government element of the 21<sup>st</sup> century schools programme.

**Non-current Asset** - A resource controlled (but not necessarily owned) by an authority, from which economic benefits or service potential are expected to flow to the authority for more than 12 months.

**Prudential Code** - The code of practice drawn up by the Chartered Institute of Public Finance and Accountancy (CIPFA) to underpin the requirements of the Local Government Act 2003 in respect of an authority's duty to determine the affordability, prudence and sustainability of its capital investment needs.

**Prudential Indicators** - Required by the **Prudential Code**, these take the form of limits, estimates or actual figures used to support the local decision

making process for capital investment.

**Revenue Expenditure** - All expenditure incurred by an authority that cannot be classified as capital expenditure.

**Revenue Financing** - Charges made to the revenue account to finance capital expenditure. May also be referred to as Capital Expenditure charged to Revenue Account (CERA).

**Non-current Asset** - A resource controlled (but not necessarily owned) by an authority, from which economic benefits or service potential are expected to flow to the authority for more than 12 months.

**Unhypothecated Supported Borrowing (USB), commonly referred to as Supported Borrowing** - Each year Welsh Government provide Council's with a Supported Borrowing allocation. Council's borrow to fund capital expenditure equivalent to that annual allocation, Welsh Government then include funding to cover the revenue costs associated with the borrowing for future years within the Revenue Support Grant. The Council decides how this funding is spent.

**Unsupported Prudential Borrowing** - Borrowing administered under the **Prudential Code**, whereby authorities can set their own policies on acceptable levels and types of borrowing. The Prudential Framework allows authorities to take out loans in response to overall cash flow forecasts and other factors provided they can show that the borrowing is to meet planned capital expenditure in the current year or the next three years.

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## FLINTSHIRE COUNTY COUNCIL

<b>Date of Meeting</b>	Tuesday 20 <sup>th</sup> February 2018
<b>Report Subject</b>	Treasury Management Strategy 2018/19
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

The report presents the Treasury Management Strategy 2018/19 for approval.

At a meeting of the Audit Committee on 24<sup>th</sup> January 2018 Members reviewed the Strategy and recommended approval by Council to Cabinet.

Cabinet will consider the detailed report from the Corporate Finance Manager with regard to setting the 2018/19 Treasury Management Strategy, included at Appendix A, at their meeting on 20<sup>th</sup> February 2018 and their recommendations will be reported at the meeting.

### RECOMMENDATIONS

1	Members approve the Treasury Management Strategy 2018/19.
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### REPORT DETAILS

<b>1.00</b>	<b>BACKGROUND TO THE REPORT</b>
1.01	The Local Government Act 2003 requires all local authorities to have due regard to both the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice (The CIPFA Code of Practice) and Welsh Government guidance on Local Authority Investments.

1.02	<p>The Council has adopted The CIPFA Code of Practice which requires:-</p> <ul style="list-style-type: none"> <li>• The Council to create and maintain a Treasury Management Policy Statement which states the Council’s policies, objectives and approach to risk management of its treasury management activities.</li> <li>• The Council to create and maintain suitable Treasury Management Practices (TMPs) and accompanying schedules, stating how those policies and objectives will be achieved and prescribing how those activities will be managed and controlled.</li> <li>• The Council to receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.</li> <li>• Responsibility for Treasury Management to be clearly defined. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Corporate Finance Manager, who will act in accordance with the organisation’s policy statement and TMPs and, CIPFA’s <i>Standard of Professional Practice on Treasury Management</i>.</li> <li>• A body to be responsible for the scrutiny of Treasury Management Policy, Strategy and Practices. The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management function. The Audit Committee has previously agreed to include treasury management as a standing item on each quarterly agenda to receive an update.</li> </ul>
1.03	<p>The Welsh Government guidance on Local Authority investments requires that the Council prepares an Investment strategy before the start of each financial year which sets out the Council’s policies for the prudent management of its investments, giving priority, firstly to the security of those investments (protecting the capital sum from loss), and secondly liquidity (keeping money readily available for expenditure). The generation of investment income is distinct from these prudential objectives, however provided that proper levels of security and liquidity are achieved, it may (but only then) be reasonable to seek the highest yield consistent with those priorities.</p> <p>The guidance stipulates that the investment strategy must also include the following:</p> <ul style="list-style-type: none"> <li>• Specified Investments</li> <li>• Non-specified Investments</li> <li>• Credit Risk Assessment</li> <li>• Investment Consultants</li> <li>• Investment Training</li> <li>• Investment of money borrowed in advance of need</li> </ul>
1.04	In preparation for approving the 2018/19 Treasury Management Strategy



	training for all Members was held on 4 <sup>th</sup> December 2017. The workshop presented by Arlingclose, the Council's Treasury Management advisors covered a detailed introduction to Treasury Management in Local Authorities, including the regulatory framework and the role of the elected Member in scrutinising the Treasury Management function. The training included an in depth presentation on investments and borrowing.
1.05	As required by the Council's Financial Procedure Rules, the Strategy was reviewed by Audit Committee on 24 <sup>th</sup> January 2018 and Cabinet on 20 <sup>th</sup> February 2018. Audit Committee scrutinised the report, and recommended it to Cabinet. Concerns were raised about the potential risk arising from late availability of CIPFA guidance on the updated Codes of Practice (explained in detail in the Cabinet report paragraphs 1.06 to 1.09 in Appendix A). The Audit Committee agreed to receive an update on progress in implementing the new CIPFA Codes of Practice in the second quarter of financial year 2018/19.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Financial implications are addressed in the attached report to Cabinet and its appendices; no other resource implications directly as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Arlingclose Ltd, being the Council's treasury management advisors.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Risk Management directly addressed within appendices including identification of risks and measures to mitigate likelihood and impact of risks identified.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A - Cabinet report: Treasury Management Strategy 2018/19.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<b>Contact Officer:</b> Liz Thomas – Technical Finance Manager <b>Telephone:</b> 01352 702289 <b>E-mail:</b> <a href="mailto:liz.thomas@flintshire.gov.uk">liz.thomas@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	Please see the attached Cabinet report at Appendix A.



## CABINET

<b>Date of Meeting</b>	Tuesday 20 <sup>th</sup> February 2018
<b>Report Subject</b>	Treasury Management Strategy 2018/19
<b>Cabinet Member</b>	Leader of the Council and Cabinet Member for Finance
<b>Report Author</b>	Corporate Finance Manager
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

The report presents the draft Treasury Management Strategy 2018/19 for approval and recommendation to Council.

### RECOMMENDATIONS

1	Cabinet approves and recommends to Council the Treasury Management Strategy 2018/19.
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## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE APPENDICIES</b>
	<b><u>BACKGROUND</u></b>
1.01	The Local Government Act 2003 requires all local authorities to have due regard to both the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice (The CIPFA Code of Practice) and Welsh Government guidance on Local Authority Investments.
1.02	<p>The Council has adopted The CIPFA Code of Practice which requires:-</p> <ul style="list-style-type: none"><li>• The Council to create and maintain a Treasury Management Policy Statement which states the Council's policies, objectives and approach to risk management of its treasury management activities.</li><li>• The Council to create and maintain suitable Treasury Management Practices (TMPs) and accompanying schedules, stating how those policies and objectives will be achieved and prescribing how those activities will be managed and controlled.</li><li>• The Council to receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.</li><li>• Responsibility for Treasury Management to be clearly defined. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Corporate Finance Manager, who will act in accordance with the organisation's policy statement and TMPs and, CIPFA's <i>Standard of Professional Practice on Treasury Management</i>.</li><li>• A body to be responsible for the scrutiny of Treasury Management Policy, Strategy and Practices. The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management function. The Audit Committee has previously agreed to include treasury management as a standing item on each quarterly agenda to receive an update.</li></ul>
1.03	The Welsh Government guidance on Local Authority investments requires that the Council prepares an Investment strategy before the start of each financial year which sets out the Council's policies for the prudent management of its investments, giving priority, firstly to the security of those investments (protecting the capital sum from loss), and secondly liquidity (keeping money readily available for expenditure). The generation of investment income is distinct from these prudential objectives, however provided that proper levels of security and liquidity are achieved, it may (but only then) be reasonable to seek the highest yield consistent with those priorities.

1.04	<p>The guidance stipulates that the investment strategy must also include the following:</p> <ul style="list-style-type: none"> <li>• Specified Investments</li> <li>• Non-specified Investments</li> <li>• Credit Risk Assessment</li> <li>• Investment Consultants</li> <li>• Investment Training</li> <li>• Investment of money borrowed in advance of need.</li> </ul>
1.05	<p>In preparation for approving the 2018/19 Treasury Management Strategy training for all Members was held on 4<sup>th</sup> December 2017. The workshop presented by Arlingclose, the Council’s Treasury Management advisors covered a detailed introduction to Treasury Management in Local Authorities, including the regulatory framework and the role of the elected Member in scrutinising the Treasury Management function. The training included an in depth presentation on investments and borrowing.</p>
	<p><b><u>CONSIDERATIONS</u></b></p>
	<p><b>Changes to CIPFA’s Codes of Practice - Treasury Management Code 2017 and Prudential Code for Capital Finance in Local Authorities 2017</b></p>
1.06	<p>CIPFA published new editions of the Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance and the Prudential Code for Capital Finance in late December 2017 which complement each other.</p>
1.07	<p>The 2017 edition of the Prudential Code for Capital Finance has expanded objectives and includes a requirement for authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources, and ensure that decisions are being made with sufficient regard to the long term financing implications and potential risks to the authority.</p> <p>The code introduces the requirement for a Capital Strategy which sets out the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Its intention is to give a high level overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability, linking the Capital Strategy with the Treasury Management Strategy.</p>
1.08	<p>In the 2017 edition of the Treasury Management Code the definition of ‘investments’ has been widened to include all financial assets as well as non-financial assets held primarily for financial returns such as investment property. All investments will require appropriate investment management and risk management framework, including investments which are not managed as part of traditional treasury management.</p>

	<p>A new section within the Treasury Management Practices and Schedules has been added to cover investments made for reasons other than treasury management activity. Examples of these include loans supporting service outcomes, investment in subsidiaries and investment property portfolios.</p> <p>Other more minor amendments have been made to the Treasury Management Practices and Schedules.</p>
1.09	<p>The Council already has a Capital Strategy and Asset Management Plan in place and considers that it prudently assesses the long-term context of capital expenditure and any non-treasury investment decisions, and their associated risks and rewards on future financial sustainability. Nevertheless, the requirements of the changes of both codes in paragraphs 1.07 and 1.08 above will need to be worked through with careful consideration to ensure compliance with the requirements of the Codes. Appropriate risk management frameworks and reporting mechanisms will also need to be further developed in consultation with Chief Officers and Members and will take some time.</p> <p>CIPFA have yet to publish the updated guidance notes to both Codes which will include examples and more detailed practical guidance. These guidance notes are needed to assist the Council in interpreting the practical implications of the updated Codes.</p> <p>Due to the timing of the publications, and the need to set the Treasury Management Strategy for 2018/19 before the start of the financial year, it is appropriate to set the strategy for this year under the 2011 requirements. This is the approach being recommended by our treasury management advisors.</p>
	<p><b>2018/19 Treasury Management Policy Statement, Strategy and Practices</b></p>
1.10	<p>The Treasury Management Policy Statement was approved by Council in February 2016 and covers the 3 year period from 2016/17 to 2018/19. This document defines the Council's treasury management activities, sets out the Council's criteria to measure the effectiveness of treasury management activities and includes the Council's high level policies for borrowing and investments. Once approved, it was agreed that the document only be reported to Members during its lifetime in the event of any significant changes. There is no change to this document.</p>
1.11	<p>Similarly the Treasury Management Practices (TMPs) and accompanying schedules to cover the 3 year period from 2016/17 to 2018/19 were approved in February 2016 and it was agreed that these operational documents will only be reported to Members during its lifetime in the event of any significant changes.</p> <p>The TMPs and schedules state how treasury management policies and objectives will be achieved and give specific details of the systems and routines employed and the records to be maintained including:-</p> <ul style="list-style-type: none"> <li>• TMP 1 Treasury risk management</li> <li>• TMP 2 Performance measurement</li> <li>• TMP 3 Decision-making and analysis</li> </ul>

	<ul style="list-style-type: none"> <li>• TMP 4 Approved instruments, methods and techniques</li> <li>• TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements</li> <li>• TMP 6 Reporting requirements and management information arrangements</li> <li>• TMP 7 Budgeting, accounting and audit arrangements</li> <li>• TMP 8 Cash and cash flow management</li> <li>• TMP 9 Money laundering</li> <li>• TMP 10 Staff training and qualifications</li> <li>• TMP 11 Use of external service providers</li> <li>• TMP 12 Corporate governance</li> </ul>
1.12	<p>Following the publication of the 2017 edition of the Treasury Management Codes a review of existing practices and schedules has been undertaken and as a result a small number of minor changes have been made to the TMPs and schedules.</p> <ul style="list-style-type: none"> <li>• TMP 1 Risk Management. Inflation risk reintroduced to the practice and schedule. Minor amendment to refinancing risk to include any financial guarantees given and market risk management now renamed price risk management.</li> <li>• TMP 4 Approved Instruments, Methods and Techniques. Reference to the classification of the Council by financial institutions under MIFID II has been added to the practice, with a list of those institutions and their classification included in the schedule.</li> </ul>
	<b>Treasury Management Strategy 2018/19</b>
1.13	<p>The 2018/19 Treasury Management Strategy is attached at Appendix 1 for review and discussion. The Strategy is updated and reported annually to Members in accordance with the CIPFA Code of Practice (2011 edition) and Welsh Government guidance.</p> <p>The Treasury Management Strategy details the approach that the Council will take for investing and borrowing over the next year, including the budgetary implications of the planned investment and borrowing strategy, and a number of treasury management indicators that the CIPFA Code requires.</p>
1.14	<p>The 2018/19 Strategy has not changed significantly from that of the 2017/18 Strategy. Matters that merit the attention of Members are summarised below:-</p> <ul style="list-style-type: none"> <li>• Section 2 – Economic context, provided by Arlingclose, the Council's treasury management advisor, and highlights that the major external influence on the strategy is negotiating the UK's exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.</li> </ul>

	<ul style="list-style-type: none"> <li>• Section 4 – Local context. This section summarises the anticipated treasury position in 2018/19. Activity in 2018/19, as in 2017/18 will focus more on borrowing and less on investing; as the Council’s requirement to borrow is forecast to grow due to a planned increase in capital expenditure, and there is less surplus cash to invest as services plan to spend reserves.</li> <li>• Section 5 – Investment Strategy. This section is largely a continuation of the 2017/18 strategy, the aim being to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.</li> <li>• Section 6 - Borrowing Strategy. Again, this section is largely a continuation of the 2017/18 strategy. The Council continues to forecast a significant long term borrowing requirement. The required amounts needs to be confirmed before a commitment to long term borrowing is made and the use of short term borrowing will be used to assist during this period.</li> </ul>
1.15	As required by the Council’s Financial Procedure Rules, the Strategy was reviewed by Audit Committee on 24 <sup>th</sup> January 2018 and will also be reported to Council on 20 <sup>th</sup> February 2018. Audit Committee scrutinised the report, and recommended it to Cabinet. Concerns were raised about the potential risk arising from late availability of CIPFA guidance on the updated Codes of Practice. The Audit Committee agreed to receive an update on progress in in implementing the new Codes of Practice in the second quarter of financial year 2018/19.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Financial implications are addressed in the report and appendices; no other resource implications directly as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Arlingclose Ltd, being the Council’s treasury management advisors.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Risk Management directly addressed within appendices including identification of risks and measures to mitigate likelihood and impact of risks identified.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Draft Treasury Management Strategy 2018/19



6.00	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><b>Contact Officer:</b> Liz Thomas – Technical Finance Manager  <b>Telephone:</b> 01352 702289  <b>E-mail:</b> <a href="mailto:liz.thomas@flintshire.gov.uk">liz.thomas@flintshire.gov.uk</a></p>

7.00	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Authorised Limit:</b> A statutory limit that sets the maximum level of external debt for the Council.</p> <p><b>Balances and Reserves:</b> Accumulated sums that are held, either for specific future costs or commitments (known as earmarked) or generally held to meet unforeseen or emergency expenditure.</p> <p><b>Bank Rate:</b> The official interest rate set by the Bank of England’s Monetary Policy Committee and what is generally termed at the “base rate”.</p> <p><b>Basis Point:</b> A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in interest rates and bond yields. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points.</p> <p><b>Bond:</b> A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.</p> <p><b>Capital Expenditure:</b> Expenditure on the acquisition, creation or enhancement of capital assets.</p> <p><b>Capital Financing Requirement (CFR):</b> The Council’s underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.</p> <p><b>Certificates of Deposits (CD’s):</b> A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks. The term of a CD generally ranges from one month to five years.</p> <p><b>Cost of Carry:</b> The “cost of carry” is the difference between what is paid to borrow compared to the interest which could be earned. For example, if one takes out borrowing at 5% and invests the money at 1.5%, there is a cost of carry of 3.5%.</p> <p><b>Consumer Price Index (CPI):</b> The UK’s main measure of inflation (along with Retail Price Index or ‘RPI’) The Monetary Policy Committee of the Bank of England set the Bank Rate in order to try and keep CPI at or close to the</p>

target set by the Government. The calculation of CPI includes many items of normal household expenditure but excludes some items such as mortgage interest payments and Council Tax.

**Credit Rating:** Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.

**Corporate Bonds:** Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.

**Counterparty List:** List of approved financial institutions with which the Council can place investments.

**Debt Management Office (DMO):** The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the Debt Management Account Deposit Facility (DMADF). All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign credit rating.

**Federal Reserve:** The US central bank, the equivalent of the Bank of England. (Often referred to as "the Fed").

**Financial Instruments:** Financial instruments are tradable assets of any kind. They can be cash, evidence of an ownership interest in an entity, or a contractual right to receive or deliver cash or another financial instrument.

**Gilts:** Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged'. They are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.

**LIBID:** The London Interbank Bid Rate (LIBID) is the rate bid by banks on Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks).

**LIBOR:** The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.

**LOBO:** Stands for Lender Option Borrower Option. The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.

**IFRS:** International Financial Reporting Standards.

**Maturity:** The date when an investment or borrowing is repaid.

**Maturity Structure / Profile:** A table or graph showing the amount (or percentage) of debt or investments maturing over a time period.

**Monetary Policy Committee (MPC):** A committee of the Bank of England, which meets to decide the Bank Rate. Its primary target is to keep CPI inflation within 1% of a central target of 2%. Its secondary target is to support the Government in maintaining high and stable levels of growth and employment.

**Money Market Funds (MMF):** Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

**MiFID II (Markets in Financial Instruments Directive):** EU legislation that regulates firms who provide services to clients linked to 'financial instruments'. As a result of MiFID II, from 3<sup>rd</sup> January 2018 local authorities will be treated as retail clients but can "opt up" to professional client status, providing that they meet certain qualitative and quantitative criteria.

**Minimum Revenue Provision (MRP):** An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.

**Non Specified Investment:** Investments which fall outside the WG Guidance for Specified investments (below).

**Operational Boundary:** This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

**Premiums and Discounts:** In the context of local authority borrowing,  
(a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and  
(b) the discount is the gain arising when a loan is redeemed prior to its maturity date.

**Prudential Code:** Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.

**Prudential Indicators:** Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators.

**Public Works Loans Board (PWLB):** The PWLB is a statutory body operating within the United Kingdom Debt Management Office, an Executive

Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

**Quantitative Easing (QE):** QE is a form of monetary policy where a Central Bank creates new money electronically to buy financial assets, like government bonds. This cash injection lowers the cost of borrowing and boosts asset prices to support spending.

**Revenue Expenditure:** Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.

**Retail Price Index (RPI):** A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent.

**Term Deposits:** Deposits of cash with terms attached relating to maturity and rate of return (Interest).

**Specified Investments:** Term used in the Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than one year. UK government, local authorities and bodies that have a high credit rating.

**Supported Borrowing:** Borrowing for which the costs are supported by the government or third party.

**Supranational Bonds:** Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry an AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.

**Treasury Bills (T-Bills):** Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. They are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have an AAA-rating.

**Treasury Management Code:** CIPFA's Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009 and 2011.

**Treasury Management Practices (TMP):** Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.

**Temporary Borrowing:** Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.

**Unsupported Borrowing:** Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.

	<b>Yield:</b> The measure of the return on an investment instrument.
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**FLINTSHIRE COUNTY COUNCIL**

**DRAFT TREASURY MANAGEMENT  
STRATEGY**

**2018/19**

## CONTENTS

<u>Section</u>		<u>Page</u>
1.0	Introduction	1
2.0	Economic Context	1
3.0	Current Treasury Portfolio	3
4.0	Local Context	4
5.0	Investment Strategy	6
6.0	Borrowing Strategy	12
7.0	Policy on the use of Financial Derivatives	15
8.0	Policy on apportioning interest to Housing Revenue Account	15
9.0	Treasury Management Indicators	15
10.0	Other Matters	17
APPENDIX A – Debt Maturity Profile		19



## Treasury Management Strategy Report 2018/19

**The Council is recommended to:**

- **approve the Treasury Management Strategy for 2018/19**
- **approve the Treasury Management Indicators for 2018/19**

### **1.0 Introduction**

In April 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

In addition, the Welsh Government (WG) issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

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

The successful identification, monitoring and control of risk are central to the Council's treasury management strategy as the Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates.

In accordance with WG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly.

### **2.0 Economic Context (including Interest Rate Forecast – as provided by Arlingclose Ltd, November 2017).**

**Economic background:** The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control

mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

**Credit outlook:** High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

**Interest rate forecast:** The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

Table 1: Interest rate forecast

	Bank Rate	3 month LIBID	12 month LIBID	20 year Gilt rate	50 year Gilt rate
Q1 2018	0.50	0.50	0.70	1.85	1.70
Q2 2018	0.50	0.50	0.70	1.85	1.70
Q3 2018	0.50	0.50	0.70	1.85	1.70
Q4 2018	0.50	0.50	0.70	1.85	1.70
Q1 2019	0.50	0.50	0.80	1.85	1.70
Q2 2019	0.50	0.50	0.80	1.90	1.75
Q3 2019	0.50	0.50	0.80	1.90	1.80
Q4 2019	0.50	0.50	0.80	1.95	1.85
Q1 2020	0.50	0.50	0.80	1.95	1.90
Q2 2020	0.50	0.50	0.80	2.00	1.95
Q3 2020	0.50	0.50	0.80	2.05	1.95
Q4 2020	0.50	0.50	0.80	2.05	1.95

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.35%, and that new long-term loans will be borrowed at a weighted average rate of 2.65%.

### **3.0 Current Treasury Portfolio**

The Council's treasury portfolio as at 31<sup>st</sup> December 2017 was as follows:

Table 2: Current Treasury Portfolio

	Principal £m	Interest rate %
<b>Investments:</b>		
Call accounts	3.1	0.30%
Money market funds	4.6	0.42%
Short-term deposits	7.0	0.46%
Long-term deposits		
<b>Total Investments</b>	<b>14.7</b>	<b>0.41%</b>
<b>Borrowing:</b>		
Short-term loans	37.1	0.45%
Long-term PWLB loans (fixed)	220.8	5.24%
Long-term PWLB loans (variable)	10.0	0.36%
Long-term market loans (LOBOs)	18.95	4.53%
Other Government loans	2.34	0.00%
<b>Total Borrowing</b>	<b>289.19</b>	<b>4.37%</b>
<b>Net Borrowing</b>	<b>274.49</b>	

#### 4.0 Local Context

Forecast changes in the sums in section 3 are shown in the balance sheet analysis in the table below.

Table 3: Balance Sheet Summary and Forecast

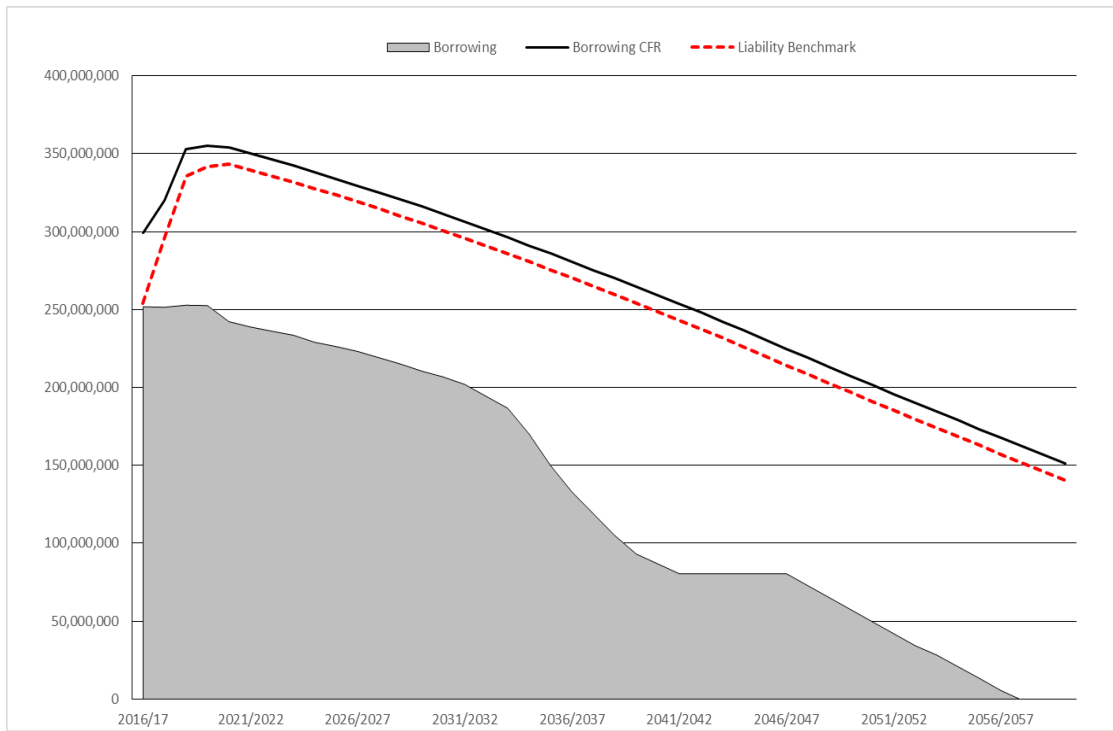
	31.3.17 Actual £m	31.3.18 Estimate £m	31.3.19 Estimate £m	31.3.20 Estimate £m	31.3.21 Estimate £m
Council Fund Capital Financing Requirement (Borrowing only)	185	193	211	213	212
Housing Revenue Account Capital Financing Requirement (Borrowing only)	114	127	142	143	142
<b>Capital Financing Requirement (Borrowing only)</b>	<b>299</b>	<b>320</b>	<b>353</b>	<b>356</b>	<b>354</b>
Less: Current ST borrowing	-12	-252	-253	-253	-242
Less: Current LT borrowing	-251				
<b>Funding Required</b>	<b>36</b>	<b>68</b>	<b>100</b>	<b>103</b>	<b>112</b>
Less: Usable reserves	-48	-29	-25	-22	-20
Adj: Working capital	3	6	8	8	9
<b>Investments / New borrowing (called the Liability Benchmark)</b>	<b>9</b>	<b>-45</b>	<b>-83</b>	<b>-89</b>	<b>-101</b>

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing below the CFR, sometimes known as internal borrowing. Internal borrowing is currently cheaper and incurs lower credit risk than external long term borrowing.

Table 3 shows the Authority's CFR increases during 2017/18, this is linked with the capital programme (examples of schemes funded by borrowing include the 21<sup>st</sup> century schools building programme and the HRA capital programme which includes building new social housing and improving the existing stock to Welsh Housing Quality Standard (WHQS)). The level of reserves the Authority has is expected to fall in 2017/18 as funding earmarked for specific purposes falls due for payment and the Council uses un-earmarked reserves to balance the budget. The combination of the increase in capital expenditure and a reduction in reserves, results in a sustained requirement for new borrowing over the medium term.

The graph in table 4 shows the Council’s anticipated liability benchmark over the next 50 years, being the net requirement for borrowing after considering resources available from reserves and working capital. The rise in the liability benchmark corresponds with the need to borrow to fund the increase in capital expenditure described above. The strategy in 2018/19, the same as in 2017/18, and over the medium term, is to ensure that any new borrowing undertaken does not exceed the liability benchmark and cause the council to borrow more than it needs.

Table 4: Liability Benchmark - Flintshire County Council (January 2018)



**Budget implications**

The budget for investment income in 2018/19 is £40k, based on an average investment portfolio of £10m at an average interest rate of 0.4%. The total budget for loan interest paid in 2018/19 is £14.2m, based on a debt portfolio of £334.6m at an average interest rate of 3.73%. This will be apportioned between the Council Fund and the HRA. If levels of investments, borrowing and interest rates differ from those forecast, performance against budget will be correspondingly different.

Please note that development of the Capital Programme 2018/19 – 2020/21 is well underway, however has yet to be considered by Members. The figures included within section 4 therefore are prudent estimates based on the information available in early January 2018.

## **5.0 Investment Strategy**

The Council holds surplus funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £3.7m and £29.6m.

Both the CIPFA Code and the WG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

### **Negative Interest Rates**

If the UK enters into a recession in 2018/19, there is a very small chance that the Bank of England could set its Bank Rate at or below zero, which could feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. Although cash levels are decreasing, the Council could not avoid the need to occasionally invest funds in the short term for cash flow (liquidity) purposes, and therefore will be exposed to negative rates. This means that when an investment is returned at maturity, it will be less than originally invested as interest will be charged by the Counterparty rather than being paid. In this event, the aim will be to minimise investments and invest at the lowest negative rate.

### **Strategy**

Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to diversify into more secure and/or higher yielding asset classes during 2018/19 so far as cash liquidity requirements allow. This is especially the case if any medium to longer-term investments are made. The majority of the Authorities surplus cash is currently invested in short-term unsecured bank deposits and money market funds.

## Investment criteria and limits

The Council may invest its surplus funds with any of the counterparties in the following table, subject to the monetary and time limits shown.

Table 5: Investment criteria and limits

*(This table should be read in conjunction with the notes that follow it)*

<b>Minimum Credit Rating</b>	<b>Banks Unsecured</b>	<b>Banks Secured</b>	<b>Government</b>	<b>Corporates</b>	<b>Registered Providers</b>
<b>UK Government</b>			£ Unlimited 50 years		
<b>AAA</b>	£2m 5 years	£3m 5 years	£2m 25 years	£2m 5 years	£2m 10 years
<b>AA+</b>					
<b>AA</b>	£2m 4 years	£3m 4 years	£2m 15 years	£2m 4 years	
<b>AA-</b>	£2m 3 years	£3m 3 years	£2m 10 years	£2m 3 years	
<b>A+</b>	£2m 2 years	£3m 2 years	£2m 5 years	£2m 2 years	£2m 5 years
<b>A</b>	£2m 1 year	£3m 1 year		£2m 1 year	
<b>A-</b>	£2m 6 months	£3m 6 months		£2m 6 months	
<b>Pooled Funds</b>	£3m per fund				
<b>BBB-</b>	The Council is restricted to overnight deposits in its' own current account bank with a limit of £2m where the banks lowest credit rating is BBB+, BBB or BBB- (or equivalent)				
<b>Unrated Local Authorities</b>			£3m 2 years		
<b>Unrated Other</b>	The Council may invest in any other unrated organisation, subject to: <ul style="list-style-type: none"> <li>• an external credit assessment and specific advice from the Authority's treasury management adviser (£1m each / 1 year limit)</li> <li>• a further policy framework for investing with any other organisations being developed (£100k each / 5 year limit)</li> </ul>				

## Credit Rating

Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account

### Banks Unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Authority's current account bank.

### Banks Secured

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

### Government

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

### Corporates

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

### Registered Providers

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

### Pooled Funds

Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money



Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

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

#### Operational bank accounts

The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2m. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

#### Other Organisations

The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Authority's treasury management adviser.

#### Foreign countries

Investments in foreign countries will be limited to those that hold an AAA or AA+ / Aa1 sovereign credit rating from all three major credit rating agencies, and to a maximum of £5 million per foreign country. Investments in countries whose lowest sovereign rating is not AAA will be limited to one year's duration. No country limit will apply to investments in the UK, irrespective of the sovereign credit rating.

#### Risk assessment and credit ratings

The Council uses long-term credit ratings from the three main rating agencies Fitch Ratings Ltd, Moody's Investors Service Inc. and Standard & Poor's Financial Services LLC to assess the risk of investment default. The lowest available credit rating will be used to determine credit quality.

Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative

grade. The Council's credit rating criteria are set to ensure that it is unlikely that the Council will hold speculative grade investments, despite the possibility of repeated downgrades.

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

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

Where a credit rating agency announces that a rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it is likely to fall below the above criteria, then no further investments will be made in that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks.

#### Other information on the security of investments

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

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

#### Specified investments

The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

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

### Non-Specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments in foreign currencies. Non-specified investments will therefore be limited to long term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement; those that are defined as capital expenditure, such as money market funds and other pooled funds; and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in the table below.

Table 6: Non-Specified Investment Limits

	Cash Limit
Total long-term investments	£4m
Total invested in pooled funds	£20m
Total investments without credit ratings or below A- (except UK Government and UK local authorities)	£5m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£1m
Total non-specified investments	£30m

### Liquidity management

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council’s medium term financial plan and cash flow forecast.

### Planned investment strategy for 2018/19

Treasury management staff will continue to seek out investments that meet the criteria detailed within this strategy whilst having full regard for the Council’s cash flow requirements.

The cash flow forecast will be used to divide surplus funds into three categories:

- Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period.

- Medium-term – cash required to manage the annual seasonal cash flow cycle, including amounts to cover forecast shortages, planned uses of reserves, and a longer-term contingency.
- Long-term – cash not required to meet cash flows, and used primarily to generate investment income.

Short-term funds are required to meet cash flows occurring in the next month or so, and the preservation of capital and liquidity is therefore of paramount importance. Generating investment returns is of limited concern here, although it should not be ignored. Instant access money market funds and bank deposit accounts will be the main methods used to manage short-term cash.

Medium-term funds which may be required in the next one to twelve months will be managed concentrating on security, with less importance attached to liquidity but a slightly higher emphasis on yield. The majority of investments in this period will be in the form of fixed term deposits with banks and building societies. A wide spread of counterparties and maturity dates will be maintained to maximise the diversification of credit and interest rate risks.

Cash that is not required to meet any liquidity need can be invested for the longer term with a greater emphasis on achieving returns that will support spending on local authority services. Security remains important, as any losses from defaults will impact on the total return, but fluctuations in price and even occasional losses can be managed over the long term within a diversified portfolio. Liquidity is of lesser concern, although it should still be possible to sell investments, with due notice, if large spending commitments arise unexpectedly. A wider range of instruments, including structured deposits, certificates of deposit, gilts and corporate bonds will be used to diversify the portfolio.

## **6.0 Borrowing Strategy**

The Council currently holds £252.1m of long-term loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in section 4 shows that the Council expects to undertake significant new borrowing during the remainder of 2017/18 and 2018/19.

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

The Council's capital expenditure plans will continue to be monitored throughout 2018/19 to inform and confirm the Council's long term borrowing need (figures in section 4 are an estimate). This is to ensure that the Council does not commit to long term borrowing too early and borrow unnecessarily which will be costly. The use of short-term borrowing will assist with such. This will be balanced against securing low long term interest rates currently being forecast.

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

By doing so, the Council is able to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk, credit risk as a result of bail-in legislation in particular. The benefit of internal/short term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when the long term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional costs in the short-term.

Whilst such a strategy is most likely to be beneficial in the short term as official interest rates are expected to remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing costs are forecast to rise.

Alternatively, the Authority may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow for short periods of time to cover unexpected cash flow shortages.

#### Sources of borrowing

The approved sources of long-term and short-term borrowing will be:

- Public Works Loan Board (PWLB) and any successor body
- UK local authorities
- any institution approved for investments above
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Clwyd Pension Fund)
- capital market bond investors
- Local Capital Finance Company (see below) and other special purpose companies created to enable joint local authority bond issues.

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

- operating and finance leases
- hire purchase

- Private Finance Initiative
- sale and leaseback

### Municipal Bond Agency (Local Capital Finance Company)

The LGA Bond Agency is a Local Capital Finance Company established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities.

This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet.

### LOBOs

The Authority holds £18.95m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2018/19, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

### Short-term and Variable Rate loans

As at 31<sup>st</sup> December 2017, the Authority held £37.1m of short term (temporary) loans with an average rate of 0.45%.

These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators in section 9.

### Debt Rescheduling

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

### Planned borrowing strategy for 2018/19

The Corporate Finance Manager will:

- Manage the Council's debt maturity profile, i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing with the limits stated in this Strategy Statement. Appendix A analyses the debt portfolio of the Council, as at 31st December, 2017.
- Effect any borrowing that maybe required in 2018/19 at the cheapest cost commensurate with future risk based on interest rate forecasts.
- Monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movements, within the limits stated in this Strategy.
- Continue to monitor options for debt-restructuring and debt re-payment.

The Corporate Finance Manager will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances, reporting any decisions and actions taken under delegated powers to Cabinet via the Audit Committee.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as bond issues and bank loans, that may be available at more favourable rates.

## **7.0 Policy on Use of Financial Derivatives**

In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

## **8.0 Policy on Apportioning Interest to HRA**

The Council has adopted a single pool of loans which in part funds the capital expenditure of both Council Fund and HRA activities. The interest payable and other costs/income arising from long term loans (e.g. premiums and discounts on early redemption) is apportioned between the revenue accounts using the average Capital Financing Requirement (which measures the underlying need to borrow to fund capital expenditure) during the year.

Given that the HRA has minimal level of reserves compared to the total level of reserves held by the Council, any interest received on investments will be credited to the Council Fund revenue account.

## **9.0 Treasury Management Indicators**

The Council measures and manages its exposures to treasury management risks using the following indicators. The Council is asked to approve the following indicators:

### Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed will be:

	2017/18	2018/19	2019/20
Upper limit on fixed interest rate exposures	£373m	£376m	£374m
Upper limit on variable interest rate exposures	£100m	£100m	£100m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

### Maturity structure of borrowing

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

	Lower	Upper
Under 12 months	0%	20%
12 months and within 24 months	0%	20%
24 months and within five years	0%	30%
Five years and within 10 years	0%	50%
10 years and above	0%	100%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

### Principal sums invested for periods longer than 364 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long term principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on total principal invested beyond year end	£5m	£5m	£5m

Any long term investments carried forward from previous years will be included in each years limit.

### Borrowing limits

The Council is being asked to approve these Prudential Indicators as part of the Capital Programme report. However they are repeated here for completeness.



	2018/19	2019/20	2020/21
Operational boundary – borrowing	£353m	£356m	£354m
Operational boundary – other long-term liabilities	<u>£20m</u>	<u>£20m</u>	<u>£20m</u>
Operational boundary – TOTAL	£373m	£376m	£374m
Authorised limit – borrowing	£373m	£376m	£374m
Authorised limit – other long-term liabilities	<u>£35m</u>	<u>£35m</u>	<u>£35m</u>
Authorised limit – TOTAL	£408m	£411m	£409m

## **10.0 Other Matters**

The WG Investment Guidance requires the Council to note the following three matters each year as part of the investment strategy:

### Treasury Management Advisers

The Council's treasury management adviser, Arlingclose continues to provide advice and information on the Council's investment and borrowing activities, although responsibility for final decision making remains with the Council and its officers. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,
- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

The quality of this service is controlled by Financial Procedure Rules

### Investment training

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

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

### Investment of Money Borrowed in Advance of Need

The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks

will be managed as part of the Authority's overall management of its treasury risks.

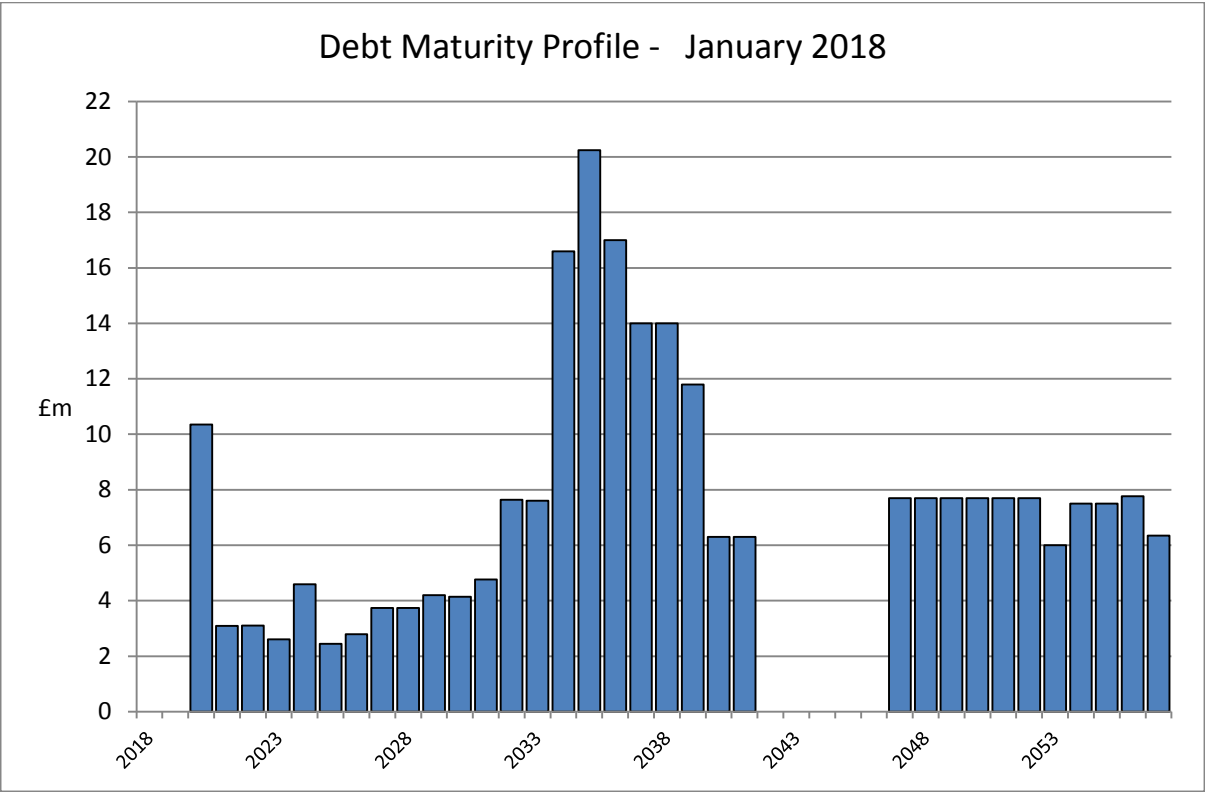
The total amount borrowed will not exceed the authorised borrowing limit of £408 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

### Other Options Considered

The WG Investment Guidance and the CIPFA Code of Practice do not prescribe any particular treasury management strategy for local authorities to adopt. The Corporate Finance Manager believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in the following table.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter periods.	Interest income will be lower	Reduced risk of losses from credit related defaults
Invest in a wider range of counterparties and/or for longer periods.	Interest income will be higher	Increased risk of losses from credit related defaults
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain
Reduce level of borrowing if debt rescheduling costs weren't prohibitive	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain

**APPENDIX A – DEBT MATURITY PROFILE**



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