Council

Minutes of the meeting on 3 March 2017

Present: The Right Worshipful, the Lord Mayor Councillor Austin-Behan – in the Chair

Councillors –
Akbar, Ahmed Ali, Azra Ali, N. Ali, Sameem Ali, Alijah, Amesbury, Andrews, Barrett, Battle, Bridges, Chohan, Collins, Connolly, Cookson, Cooley, Craig, Curley, Dar, Davies, Ellison, Evans, Farrell, Fender, Flanagan, Fletcher-Hackwood, Grimshaw, Hacking, Hassan, Hewitson, Hitchen, Igbon, S Judge, T Judge, Karney, Kirkpatrick, Knowles, Lanchbury, Leech, Leese, Lone, Ludford, Manco, Midgley, Madeleine Monaghan, Mary Monaghan, Moore, N. Murphy, S. Murphy, E. Newman, S. Newman, Noor, Ollerhead, O'Neil, Paul, Peel, B Priest, H Priest, Pritchard, Rahman, Raikes, Rawlins, Rawson, Razaq, Reeves, Reid, Richards, Rowles, Russell, Sadler, Sharif Mahamed, Shilton Godwin, Siddiqi, A Simcock, K Simcock, Smitheman, Stogia, Stone, Strong, Taylor, Teubler, Wills and Wilson

CC/17/19 Urgent Business

The Lord Mayor informed the Council that he had consented to the minutes of the Constitutional and Nomination Committee on 3 March 2017 being submitted for consideration as urgent business.

CC/17/20 Lord Mayor's Special Business – Former Councillor May Bullows and Sir Gerald Kauffman MP

The Lord Mayor invited Councillor Leese to make a statement about the recent deaths of Sir Gerald Kauffman and former Councillor May Bullows. The Council and those present at its meeting then observed two minutes' silence in their memory.

CC/17/21 Minutes

Decision

To agree the minutes of the ordinary and special meetings on 25 January 2017 as correct records.

CC/17/22 The Council's Revenue and Capital Budget 2017/18 to 2019/20

The proceedings of the Art Galleries Committee on 8 February 2017 which provided details of the Art Galleries budget for 2017/18 were submitted for approval. In addition, the part proceedings of the Executive on 8 February 2017 were submitted for approval, which contained details on the following:

- Overarching Budget Report 2016/17-2019/20 - Summary of the Updated Financial Position
- Budget 2017/20: A Strategic Response

- Medium Term Financial Strategy and Revenue Budget 2016/17 to 2019/20
- Capital Programme (Budget 2017/18 to 2021/22)
- Children's Services and Education and Skills Budget and Business Planning: 2017 - 2020
- Adult Social Care Budget and Business Planning: 2017 – 2020
- Locality Plan – A Healthier Manchester
- Single Commissioning Organisation
- Locality Plan – Local Care Organisations
- Growth & Neighbourhoods Budget and Business Planning: 2017 - 2020
- Strategic Development Budget and Business Planning: 2017 - 2020
- Corporate Core Budget and Business Planning: 2017- 2020
- Housing Revenue Account 2017/18 to 2019/20
- Schools Budget and Dedicated Schools Grant
- Treasury Management Strategy Statement, Borrowing Limits and Annual Investment Strategy 2017/18
- Global Revenue Budget Monitoring 2016/7
- Capital Programme Monitoring 2016/17

And in considering the above items, the Council also considered:

- Capital Programme (Budget 2017/18 – 2021/22) report of the City Treasurer.
- Treasury Management Strategy Statement and Borrowing Limits and Annual Investment Strategy 2017/18 report of the City Treasurer.
- The report of the Chief Executive, the City Treasurer and the City Solicitor containing revised budget calculations, as authorised by the Executive.

In addition, the Council received the minutes of the Resources and Governance Scrutiny Committee on 20 February 2017. At that meeting, the budget and responses to the public consultation were considered.

Council was invited to approve proposals (as set out in Appendix 1) to ensure that the Housing Revenue Account for 2017/18 does not show a debit balance

As part of the recommendations within minute reference Exe/17/027 of the part proceedings: **Medium Term Financial Strategy and Revenue Budget 2016/17 to 2019/20** Council was also invited to approve for the 2017/18 budgets:

(a) an increase in the basic amount of Council Tax (i.e. the City’s element of council tax) by 4.99% (including 3% for adult social care);

(b) the contingency sum of £3.3m;

(c) the inflationary pressures and budgets to be allocated sum of £11.002m; and delegate the authority to set the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources;

(d) the pressures and growth bids of £10.365m and delegate the authority to set the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources as detailed in the report;

(e) corporate budget requirements to cover the cost of levies / charges of £69.106m, capital financing costs of £44.582m, additional allowances and other pension costs of £10.336m and insurance costs of £2.004m;

(f) the estimated utilisation of £7.104m of the surplus from the on street parking and bus lane enforcement reserves after determining that any surplus from these reserves is not required to provide additional off street parking in the authority; and

(g) the position on reserves as identified in the report and in the appendix to these minutes subject to the final call on reserves after any changes are required to account for final levies etc.

In considering the report of the City Treasurer which presented the 2017/18 capital programme and forward commitments (**Capital Programme: Budget 2017/18 – 2021/22**), the Council was asked to approve the capital programme as presented in Appendix 2 of these minutes (for £493.1m in 2017/18, £489.9m in 2018/19, £179.5m in 2019/20, £126.4m in 2020/21 and £288.0m in 2021/22) which will require prudential borrowing of £1,025.1m to fund non-HRA schemes over the three year period for which provision has been made in the revenue budget for the associated financing costs (within limits previously agreed).

As part of the recommendations within minute reference Exe/17/040 of the part proceedings: **Treasury Management Strategy Statement, Borrowing Limits and Annual Investment Strategy 2017/18** Council was also invited to approve

1. The proposed Treasury Management Strategy Statement, in particular the:
    - Treasury Indicators attached at Appendix 2 of these minutes
    - MRP Strategy outlined in Appendix 3
    - Treasury Management Policy Statement at Appendix 4
    - Treasury Management Scheme of Delegation at Appendix 5
    - Borrowing Requirement listed in Appendix 6
    - Borrowing Strategy outlined in Appendix 7
    - Annual Investment Strategy detailed in Appendix 8

Motion Made and Seconded:

1. To approve the proceedings of the Art Galleries Committee on 8 February 2017 in relation to the Art Galleries Budget 2017/18; and the part proceedings of the Executive on 8 February 2017 in relation to the Council’s Revenue and Capital Budget 2017/18 to 2019/20 budget which contained details of the following:

    - Overarching Budget Report 2016/17-2019/20 - Summary of the Updated Financial Position
    - Budget 2017/20: A Strategic Response
    - Medium Term Financial Strategy and Revenue Budget 2016/17 to 2019/20

- Capital Programme (Budget 2017/18 to 2021/22)
- Children's Services and Education and Skills Budget and Business Planning: 2017 - 2020
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- Global Revenue Budget Monitoring 2016/7
- Capital Programme Monitoring 2016/17

2. To note the minutes of the Resources and Governance Scrutiny Committee on 20 February 2017 and the responses to the public consultation.

3. To approve proposals (as set out in the report) to ensure that the Housing Revenue Account for 2017/18 does not show a debit balance

4. To agree the recommendations within minute reference Exe/17/027 of the part part proceedings: **Medium Term Financial Strategy and Revenue Budget 2016/17 to 2019/20**

(a) an increase in the basic amount of Council Tax (i.e. the City's element of council tax) by 4.99% (including 3% for adult social care);

(b) the contingency sum of £3.3m;

(c) the inflationary pressures and budgets to be allocated sum of £11.002m; and delegate the authority to set the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources;

(d) the pressures and growth bids of £10.365m and delegate the authority to set the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources as detailed in the report;

(e) corporate budget requirements to cover the cost of levies / charges of £69.106m, capital financing costs of £44.582m, additional allowances and other pension costs of £10.336m and insurance costs of £2.004m;

(f) the estimated utilisation of £7.104m of the surplus from the on street parking and bus lane enforcement reserves after determining that any surplus from these reserves is not required to provide additional off street parking in the authority; and

(g) the position on reserves as identified in the report and in the appendix to these minutes subject to the final call on reserves after any changes are required to account for final levies etc.

5. To approve the capital programme as presented in Appendix 2 Of these minutes (for £493.1m in 2017/18, £489.9m in 2018/19, £179.5m in 2019/20, £126.4m in 2020/21 and £288.0m in 2021/22) which will require prudential borrowing of £1,025.1m to fund non-HRA schemes over the three year period for which provision has been made in the revenue budget for the associated financing costs (within limits previously agreed).

6. To agree the recommendations within minute reference Exe/17/040 of the part proceedings: **Treasury Management Strategy Statement, Borrowing Limits and Annual Investment Strategy 2017/18** as referenced below:

- Treasury Indicators attached at Appendix 3 of these minutes
- MRP Strategy outlined in Appendix 4
- Treasury Management Policy Statement at Appendix 5
- Treasury Management Scheme of Delegation at Appendix 6
- Borrowing Requirement listed in Appendix 7
- Borrowing Strategy outlined in Appendix 8
- Annual Investment Strategy detailed in Appendix 9

For the motion (82)
Akbar, Ahmed Ali, Azra Ali, N. Ali, Sameem Ali, Alijah, Amesbury, Andrews, Barrett, Battle, Bridges, Chohan, Collins, Connolly, Cookson, Cooley, Craig, Curley, Dar, Davies, Ellison, Evans, Farrell, Fender, Flanagan, Fletcher-Hackwood, Grimshaw, Hacking, Hassan, Hewitson, Hitchen, Igbon, S Judge, T Judge, Karney, Kirkpatrick, Knowles, Lanchbury, Leese, Lone, Ludford, Manco, Midgley, Madeleine Monaghan, Mary Monaghan, Moore, N. Murphy, S. Murphy, E. Newman, S. Newman, Noor, Ollerhead, O'Neil, Paul, Peel, B Priest, H Priest, Pritchard, Rahman, Raikes, Rawlins, Rawson, Razaq, Reeves, Reid, Richards, Rowles, Russell, Sadler, Sharif Mahamed, Shilton Godwin, Siddiqi, A Simcock, K Simcock, Smitheman, Stogia, Stone, Strong, Taylor, Teubler, Wills and Wilson

Against the Motion (1)
Leech

Abstentions (0)

The Lord Mayor declared that the motion was **carried.**

Decision

7. To approve the proceedings of the Art Galleries Committee on 8 February 2017 in relation to the Art Galleries Budget 2017/18; and the part proceedings of the Executive on 8 February 2017 in relation to the Council's Revenue and Capital Budget 2017/18 to 2019/20 budget which contained details of the following:

   - Overarching Budget Report 2016/17-2019/20 - Summary of the Updated Financial Position
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   - Treasury Management Strategy Statement, Borrowing Limits and Annual Investment Strategy 2017/18
   - Global Revenue Budget Monitoring 2016/7
   - Capital Programme Monitoring 2016/17

8. To note the minutes of the Resources and Governance Scrutiny Committee on 20 February 2017 and the responses to the public consultation.

9. To approve proposals (as set out in the report) to ensure that the Housing Revenue Account for 2017/18 does not show a debit balance

10. To agree the recommendations within minute reference Exe/17/027 of the part part proceedings: **Medium Term Financial Strategy and Revenue Budget 2016/17 to 2019/20**

    (a) an increase in the basic amount of Council Tax (i.e. the City's element of council tax) by 4.99% (including 3% for adult social care);

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(g) the position on reserves as identified in the report and in the appendix to these minutes subject to the final call on reserves after any changes are required to account for final levies etc.

11. To approve the capital programme as presented in Appendix 2 Of these minutes (for £493.1m in 2017/18, £489.9m in 2018/19, £179.5m in 2019/20, £126.4m in 2020/21 and £288.0m in 2021/22) which will require prudential borrowing of £1,025.1m to fund non-HRA schemes over the three year period for which provision has been made in the revenue budget for the associated financing costs (within limits previously agreed).

12. To agree the recommendations within minute reference Exe/17/040 of the part proceedings: **Treasury Management Strategy Statement, Borrowing Limits and Annual Investment Strategy 2017/18** as referenced below:

- Treasury Indicators attached at Appendix 3 of these minutes
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Appendix 1 - Housing Revenue Account Budget 2016/17 – 2019/20

	2016/17 (Forecast) £000	2017/18 £000	2018/19 £000	2019/20 £000	See Para.
Income					
Housing Rents	(62,050)	(60,950)	(60,482)	(61,283)	5.7
Heating Income	(1,335)	(1,020)	(1,043)	(1,066)	5.14
PFI Credit	(23,597)	(23,600)	(23,600)	(23,600)	5.11
Other Income	(1,544)	(1,292)	(1,093)	(1,057)	5.1
Funding from General HRA Reserve		(15,428)	(11,728)	(662)	7.2
Total Income	**(88,526)**	**(102,290)**	**(97,946)**	**(87,668)**	
Northwards R&M & Management Fee	21,839	20,646	20,813	21,063	5.24
PFI Contractor Payments	31,371	31,921	32,620	34,086	5.11
Communal Heating	1,267	1,069	1,092	1,116	5.14
Supervision and Management	5,711	5,354	5,354	5,417	5.29
Contribution to Bad Debts	750	922	1,220	1,545	5.22
Depreciation	13,037	13,286	13,617	13,960	5.18
Other Expenditure	1,403	1,299	1,264	1,416	5.29
RCCO	9,538	24,358	16,697	3,958	5.29
High Value Void Sales	0	0	2,000	2,044	5.28
Interest Payable and similar charges	3,467	3,434	3,269	3,063	5.19
Funding to General HRA Reserve	143				7.2
Total Expenditure	**88,526**	**102,290**	**97,946**	**87,668**	
General Reserve:					
Opening Balance	51,165	51,308	35,880	24,152	7.2
Funding (from)/to Revenue	143	(15,428)	(11,728)	(662)	
Closing Balance	**51,308**	**35,880**	**24,152**	**23,490**	

*Northwards fee for 2018/19 and 2019/20 not yet agreed, figures provided are for planning purposes only.

Appendix 2 – Proposed Capital Budget 2016-2022

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
	£'000					
Highway Programme						
Highways Planned Maintenance Programme						
A6 SEMMS - Stockport	5,758	5,266				
Planned Highways Maintenance Programme	4,052	20,786	22,667	22,667	20,000	14,000
Highways Stand Alone Projects Programme						
Ardwick Grove Village Parking		23				
Christies Residents Parking	1					
Didsbury Village Tram Stop Traffic Mitig		18				
North Manchester Hospital Residents Parking	9					
Old Market Street traffic calming	16	1				
Section 106 Highways work around Metrolink			47			
Hyde Road (A57) Pinch Point Widening	181	44	1,588	2,301		
New Islington Free School Road	108					
Armitage School Parking Issues	2					
Delamere Road One Way Order	12					
Barlow Moor Road		27				
Birley Fields Campus highways work	72					
Etihad Expansion - Public Realm	36	373				
Etihad Expansion - S278	92					
Wilmslow Rd / Wilbraham Rd Cycle Routes (Cycle Casualty Reduction)		1,664				
Velocity	416					
Cycle City Phase 2	139	3,015	1,658			
Congestion Target Performance			235			
Burton Road Traffic Management	5					
Piccadilly Undercroft Gating	68					
20mph Zones (Phase 2)	25					
20mph Zones (Phase 3)	31	50	419			
Blocked Gullies	98					
Levenshulme Parking Signage	3					
ITB Minor Works	152					
Great Ancoat St/Pollard St S106	8					
Flood Risk Management - Hidden Watercourses	49					
Flood Risk Management - Calve Croft Flood Risk	25					
Flood Risk Management - Higher Blackley Flood Risk	119					
Manchester/Salford Inner Relief Road (MSIRR)	653					
Great Ancoats Improvement Scheme	312	321				
Highways Maintenance Challenge Fund	2,909	4,817				
Cycle Parking	186	1				
Shadowmoss Rd / Mossnook Rd	58					
Birley Fields Campus improvements	83					
Edge Lane	17					
Cringlebrook Primary School Crossing	42					
Former BBC site Section 278	180	1				
GMCRP Multi Sites	29	1				
Bridge Maintenance		760	760	760	2,460	2,460
SEMMMS PROGRAMME						
Ringway Road Highway Imp Scheme	277					
SEMMMs A6 to Manchester Airport	50	130				
Bus Priority Package Programme						
Bus Priority Package - Rochdale Road	51					
Bus Priority Package - Oxford Road	8,906	945				
Bus Priority Package - Princess Street/Brook Street	283					
Bus Priority Package - Regional Centre	429	44				
Bus Priority - Complementary Measures	85					
Bus Priority - Unallocated			5,773			
Total Highways Programme	**26,027**	**38,287**	**33,147**	**25,728**	**22,460**	**16,460**
Environment Programme						
City Centre Litter Bins	12	21				

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
			£'000			
City Wide Litter Bins	123					
Fleet Collaboration	37					
Additional CCTV Enforcement Vehicles	59					
Street Lighting PFI	1,000	12,383	12,659	6,541		
Civic Quarter Heat Network		8,750	9,250			
Waste Reduction Measures	4,700					
Waste Contract	1,724	5,822	1,000			
Replacement Android Devices	88					
Leisure Services Programme						
Parks Improvement Programme						
Heaton Park	37					
Heaton Hall & Park Improvements	172					
Hollyhedge Park Dranage IMPS	119					
Alex Park Heritage Refurb	48					
Heaton Park	174					
Heaton Park Pay & Display	563					
Harpurhey Park	38					
PIP - Park Events Infrastructure	692					
PIP - Park Furniture	25					
PIP - Wythenshawe Park Play Area Improvement	87					
PIP - Unallocated	98	2,050	6,660	10,050	1,740	
City Centre Planting Containers	130					
Citywide Play Equipment	200	200				
Fletcher Moss Tennis	260					
Leisure & Sports Facilities						
Hough End Leisure Centre	43					
Levenshulme Leisure Centre	97					
National Taekwondo Centre	73					
Clayton Vale Mountain Bike Trail	10					
National Squash Centre - refurbishment for rental	505					
Belle Vue Sports Village	347					
Indoor Leisure - Abraham Moss	175	11,527	4,400			
Indoor Leisure - Moss Side	575	7,687				
Hockey Reprovision	561					
FA Hubs		13,000				
Boggart Hole Clough - Visitors Centre	100	435				
Mount Road S106	108					
Libraries and Info Services Programme						
Central Library Wolfson Award	45	72				
Library Refresh	41					
Wolfson Children's Digital Libraries	250					
Roll Out of Central Library ICT	79	291	222			
Libraries - WiFi Printing	45	30				
Refresh of Radio Frequency Identifier Equipment	27	242	241			
Introduction of On-Line Payments	30					
Upgrade to Customer Facing Furniture	50					
Library 2020		700				
Total Growth and Neighbourhoods Programme	**13,547**	**63,210**	**34,432**	**16,591**	**1,740**	
Cultural Programme						
First Street Cultural Facility	28					
The Factory	6,889	28,459	54,784	16,018		
Corporate Property Programme						
Asset Management Programme	14,358	9,038	8,000	8,000	8,000	8,000
Strategic Acquisitions Programme	11,884	15,000	3,000	3,000	3,000	3,000
On-Street Advertising and Wayfinding	159					
Town Hall Complex Transformation Programme	671					
Hamerstone Road Depot		2,500	8,500	4,000		
Heron House	750	10,750	500			
Carbon Reduction Programme		2,000	2,000	2,000	2,000	2,000

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
	£'000					
Sustaining Key Initiatives		10,000	10,000	5,000		
Estates Transformation		3,500	5,000	5,000	3,500	2,000
Town Hall Refurbishment		6,484	21,658	23,167	39,808	214,987
Development Programme						
Development Programme - East Manchester						
New Islington Public Realm	11					
New Islington Footpath Connection	6					
New Islington Marina	350					
Edison St CPO	121					
Miles Platting Community Hub	4					
The Space Project	3,500	10,500				
Digital Asset Base - Space Project	40	1,360				
Digital Asset Base - One Central Park	100	5,200				
Digital Asset Base - NewCo	30					
New Smithfield Market	807					
Beswick Community Hub - Manchester Institute	639					
Beswick Community Hub - Highway and Public Realm	86					
Eastern Gateway		18,100	16,000	4,500	4,500	4,500
Development Programme - North Manchester						
Irk Valley Improvements	15					
Eccleshall Street - Clean City	7					
Irish World Heritage Centre	276					
Northern Gateway		5,000	10,000	10,000		
Development Programme - City Centre						
NOMA Group Estate - Highways	482					
Hulme Hall Rd Lighting	39					
ST Peters Square	2,336	1,000				
Medieval Quarter Public Realm		2,000				
Development Programme - Enterprise Zone						
Airport City Power Infrastructure (EZ)	2,028	3,850				
Development Programme - Stand Alone Projects						
Digital Business Incubators	2,000	2,000				
Total Strategic Development Programme	**47,616**	**136,741**	**139,442**	**80,685**	**60,808**	**234,487**
Private Sector Housing Programme						
Brunswick PFI (PSH)						
Brunswick PFI Land Assembly	1,085	3,471	3,341			
Collyhurst (PSH)						
Collyhurst PFI Land assembly	18	187	1,070		3,700	
Collyhurst Environmentals		127				
Housing Investment Model						
Site Investigation and Early Works HIF Pilot Sites	40	633	118	123		
Miles Platting PFI (PSH)						
Miles Platting PFI Land Assembly	1,137	1,384				
Private Housing Assistance Citywide Programme						
Disabled Facilities Grant	4,500	6,476	7,602	6,200	6,200	6,200
Eccleshall Street	9	180				
Kingley Ave (previously l-bowne local ph		50	256			
Toxteth St CPO & environmental works	140	75	177			
Bell Crescent CPO		482				
Private Sect Housing Standalone Projects						
HCA Empty Homes Cluster Funding	2					
Redrow Development Programme						
Redrow Development Phase 2 onward	5,642	5,500				
West Gorton (PSH)						
West Gorton Compensation	4	6	5			
West Gorton Ph 2A Demolition & Comm Acqu	100	1,915	303	200		
Residential Development & Regeneration West Gorton		1,421	1,050	1,050		
Private Sector Housing - Capital Projects						
HMRF	150	50	50	50		
RRO and Loans	22	23				
Collyhurst Acquisition & Demolition (Overbrook	300	641				

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
	£'000					
& Needwood Close)						
Extra Care		500	3,500	2,000		
Moston Lane Acquisitions		1,000	3,250	3,250		
Equity Loans		100	400	500		
Learning Disability (Supported Housing Accomodation)		1,000	2,050			
West Gorton Community Park		250				
Ben St. Regeneration	1,340	3,393	4,000	6,877		
Canada St - Walking With Wounded	80	127				
Total Private Sector Housing Programme	**14,569**	**28,991**	**27,172**	**20,250**	**9,900**	**6,200**
Housing Programme - HRA						
Northwards - External Work						
Concrete Repairs - Walkup Flat Balconies	35					
Charlestown - Victoria Ave multis window replacement and ECW - Phase 1		2,500	500			
Door replacements - Phase 5	8					
13/14 Newton Heath Petrock Wlk Roof Wrks	13					
13/14 Ext Cyclical Maint & Imp Wrks Ph1	81					
Riverdale ext & cyclical works phase 1/4	16					
Riverdale ext & cyclical works phase 2/4	20					
Moston Mill Estate Ph1&2	-10					
New Lightbowne (Walderton Ave)	11					
Newton Heath Daisybank Estate	4					
External cyclical works phase 2	183					
New Lightbowne Estate Halliford Road reroofing and ECW	1,136	37				
Harpurhey, Baths Estate roofline works and ECW	42					
External cyclical works phase 3a	3,015	563				
Riverdale estate - External work and ECW (Phase 3 &4)	1,441	141				
Charlestown, Clifford Lamb Court - External wall insulation and window replacement	237	28				
Collyhurst Environmental programme	9	1,497	369			
Multi storey blocks emergency services override switch to front doors	15					
Multi storey blocks replacement of roof top fans and air valves	129	5				
Updating of Electricity Northwest distribution network phase 2 to multi storeys, maisonettes and retirement blocks	36	68				
Ancoats Anita St and George Leigh external cyclical works ph 3b	230	63				
Cheetham Halliwell Lane external cyclical works ph 3b	800	263				
Harpurhey Lathbury & 200 Estates external cyclical works ph 3b	331	396				
Moston Mill estate (excl timber framed) external cyclical works ph 3b	312	636				
Newton Heath Donleigh & Plantagenet estates external cyclical works ph 4a	254	10				
Higher Blackley Central House solid wall insulation	180	109				
Environmental works	100	100	100			
Collyhurst environmental works	108	22				
Harpurhey Shiredale Estate externals	366	151				
Moston Miners Low Rise externals	509	1,124				
Cheetham Smedley Rd externals	64	4				
Newton Heath Limeston Drive externals	231	181				
Moston Bannatyne/Lightbowne Rd/St Geroges Drive externals	233	10				
Delivery Costs	1,271	815	100			
Northwards - Internal Work						
Digital Upgrade to CCTV Systems	13					
Communal area upgrade low rise blocks P2	1					

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
	£'000					
Various Multis Communal fire door and other upgrading works	183	10				
Lift replacement / refurbishment programme	332	39				
Multi storeys - rooftop extractor fans/water pump/water tank renewal	17					
Clifford Lamb Court - heat pump	6					
NEDO 13/14 Air source heat pump/solar thermal Ph1&2	143	10				
Ground Source Heat Pumps in 2/4 blocks	5					
Various - Boiler replacements (excluding 2/4 blocks)	109					
2 and 4 blocks heating replacement with Ground source heat pumps - Phase 1	50	1,302	500			
13/14 Decent Homes Kitchen Mop Ups	8					
Decent Homes mop ups - Phase 7, and voids	168	3				
Sprinkler system pilot	6					
Boiler replacements	358	200				
Decent Homes mop ups phase 8 and voids	701	299				
One off rewires, boilers, doors, insulation etc	400	50				
Retirement blocks lift programme	117	65				
Warden call system renewal at Liverton & Apprentice Courts	83					
Fire alarm system renewal in community room at Victoria Square	15					
Charlestown Whitebeck Court communal areas		45				
Charlestown Victoria Avenue Multis - building level meters	17					
Multi-storey lift replacement	150	332				
Retirement blocks lift programme	54	3				
Boiler Replacement at Cheetham Hill Local Services Office	135					
Delivery Costs	385	243	52			
Northwards - Off Debits/Conversions						
Dam Head flats - bringing basement flats back into use and ECW / reroofing / environmental works	9					
Crumpsall, Moxley Road acquisitions - Improvement work	8					
Delivery Costs	2					
Homeless Accommodation						
Improvements to Homeless accommodation city wide	619	531				
Plymouth Grove Women's Direct Access Centre	538	60				
Delivery Costs	145	61				
Northwards - Acquistions						
Northwards Acquisitions		102				
Delivery Costs		11				
Northwards - Adaptations						
Disabled Adaptations	1,009	500				
Adaptations						
Northwards - Unallocated						
Northwards Housing Programme Unllocated		10,931	22,394	18,000	18,500	18,900
Retained Housing Programme						
Collyhurst Maisonette Compensation & Dem		151	935			
West Gorton Regeneration Programme						
West Gorton PH2A Low & High Rise Demolit	59	20				
Future Years Housing Programme						
Housing Investment Proposals	1,861	4,960	13,650		1,000	
Collyhurst Regen - Highways Phase 1	1,760	200	1,229			
Collyhurst Regen - Churnett Street	10	780				
Collyhurst Regen - Needwood & Overbrook acquisition / demolition	300	211				
Willert Street Park Improvements	323					
North Manchester New Builds	25	7,039				
Parkhill Land Assembly		4,180		90		
New Universal Housing System	778					

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
	£'000					
Brunswick PFI HRA	1,199	1,050				
Total Public Sector Housing (HRA) Programme	**23,511**	**42,111**	**39,829**	**18,090**	**19,500**	**18,900**
Childrens Services Programme						
Basic Need Programme						
Temple	67					
Moston Fields - Increase capacity	95					
Cheetham Academy	1,435	48				
Crab Lane - Increase capacity	26					
Benchill	29					
Northridge	2					
Cavendish Community - Increase capacity	1,299	70				
Ashbury Meadow - Increase capacity	147					
E-Act Academy - increase capacity	66					
Crosslee - Increase capacity	50					
Claremont - Increase capacity	310					
Wilbraham Primary School	125					
Mauldeth Road - Increase capacity	68					
Charlestown - Increase accomodation	78					
St. John's CE Primary	1,588	26				
Briscoe Land Academy	176					
Holy Trinity VC Primary	3,127	50				
Stanley Grove - contribution to PFI	965					
Gorton Mount - New School	321					
Manchester Communication Primary Academy	320					
Dean Trust Ardwick	12,859	389				
Ardwick PRU	98					
ULT Manchester Academy	324					
ULT William Hulme	6,146					
Rodney House conversion	2,082	37				
Sacred Heart Expansion	432					
Lytham Rd	15,614	9,462				
St Annes RC VA - Increase capacity	50					
St Marys RC VA Levenshulme - Increase capacity	30					
Abbey Hey - Increase accommodation	250					
Abraham Moss - Additional Classrooms	538	3				
Fulmead CC	316					
Abraham Moss Dining Hall	616					
Manchester Health Academy expansion	3,559	3,460				
Co-op Academy expansion	8,000	6,555				
Plymouth Grove SEN	167					
Manchester Enterprise Academy	6,300	2,000				
St Margarets C of E	441	2,329				
Basic need - unallocated funds		20,292	53,810			
Basic need - Estimated 2016/17 allocation	5,072	9,163	116			
Universal Infant Free School Meals (UIFSM) - Allocated	558					
Universal Infant Free School Meals (UIFSM) - Unallocated	492					
Schools Maintenance						
Birchfields Boiler Replacement	15					
Sandilands - Kitchen	3					
Chorlton Park Primary roof	-7					
Loreto HS Highway Improvements	11					
St Margarets CE Rewire	1					
Charlestown New boiler	1					
Abraham Moss - Hall Heating	60					
Cavendish - Rewire	536					
Brookburn - Heating works	135					
Holy Trinity - Rewire	378					
Manley Park - Junior rewire	381					
Moston Lane - re-roof	605	598				

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
	£'000					
Wilbraham - Rewire	331					
Moston Fields (NMHSG) - Drainage	9					
Lily Lane - new boiler	216					
Armitage - Highways works	9					
Ravensbury - Highways works	9					
Schools Capital Maintenance -unallocated	1,166	3,000	3,000	3,000	3,000	3,000
Education Standalone Projects						
Haveley Hey/Children of Success	3					
Paintpots	43					
Kids 1st Start	15					
Big Life Moss Side (EE 2 Yr Olds)	56					
Martenscroft Nursery	54					
Building Blocks	48					
Early Education for Two Year Olds	4	301				
Salix School schemes	67					
School Crossings	800	1,000				
Building Schools for the Future						
BSF Acadamies	42					
BSF Phase 1	62					
BSF Phase 2 (W4)	3,873					
Total Children's Services Programme	**83,164**	**58,783**	**56,926**	**3,000**	**3,000**	**3,000**
ICT Capital Programme						
ICT						
ICT Business Transformation - Unallocated		686				
PSN Compliance	523					
Hybrid Mail	6					
Desktop Refresh	26					
One System Upgrade	37					
SAP BP&C	281					
SAP CLM_SLC		369				
Solaris	123					
ICT Infrastructure & Mobile Working Programme						
Infrastructure & Mobile Working	565	2,539				
Citrix 7.6 Migration	713	196				
Windows 7 Migration	1,306					
Mobile Device Refresh	88	32				
Disaster Recovery	819					
PSN Windows 2003	169	159				
ICT Investment Plan		8,000	18,600	10,400	9,000	9,000
ICT Stand Alone Projects						
Broadband Connection Vouchers (Full)	8					
Broadband Connection Vouchers (Phase 3)	753					
Applications						
Information Strategy Project	8					
Applications Funding Unallocated		248				
Infrastructure						
Infrastructure Funding Unalloacred		835				
Wider Area Network Redesign	57					
Total ICT Programme	**5,482**	**13,064**	**18,600**	**10,400**	**9,000**	**9,000**
Adults and Children's Programme						
Capitalisation of Community Equipment	350					
Child Protection Info Systems (CPIS)	30					
C&F ICT Projects	90	97				
Locality Plan Programme Office	190	978				
Integrated Working - Gorton Health Hub		3,000	15,000	4,796		
Evergreen Loans	25	25				
Total Adults and Children's Capital Programme	**685**	**4,100**	**15,000**	**4,796**		
Total Manchester City Council Capital Programme	**214,601**	**385,287**	**364,548**	**179,540**	**126,408**	**288,047**

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Project Name	**Forecast Outturn**	**Proposed Budget**	**Proposed Budget**	**Proposed Budget**	**Proposed Budget**	**Proposed Budget**
	£'000					
Projects carried out on behalf of Greater Manchester						
Housing Investment Fund	55,000	105,000	121,657			
Greater Manchester Loan Fund	1,600	2,800	3,650			
Total GM projects	**56,600**	**107,800**	**125,307**			
Total CAPITAL PROGRAMME	**271,201**	**493,087**	**489,855**	**179,540**	**126,408**	**288,047**

Appendix 3 - Treasury Limits and Prudential Indicators for approval

Please note last years approved figures are shown in brackets.

Treasury Management Indicators	2017-18		2018-19		2019-20
	£m		£m		£m
Authorised Limit - external debt					
Borrowing	1,555.4	(1,245.0)	1,595.7	(1,245.0)	1,814.1
other long term liabilities	216.0	(216.0)	216.0	(216.0)	216.0
TOTAL	1,771.4	(1,461.0)	1,811.7	(1,461.0)	2,030.1
Operational Boundary - external debt					
borrowing	1,159.8	(1,096.2)	1,412.9	(1,187.4)	1,541.6
other long term liabilities	216.0	(216.0)	216.0	(216.0)	216.0
TOTAL	1,375.8	(1,312.2)	1,628.9	(1,403.4)	1,757.6
Actual external debt	936.6	(954.9)	1,258.7	(1,074.2)	1,357.5
Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0
Upper limit for fixed interest rate exposure Net borrowing at fixed rates as a % of total net borrowing	96%	(100%)	100%	(100%)	100%
Upper limit for variable interest rate exposure Net borrowing at variable rates as a % of total net borrowing	92%	(95%)	97%	(100%)	100%

Maturity structure of new fixed rate borrowing during 2017-18	Upper Limit		Lower limit	
under 12 months	70%	(70%)	0%	(0%)
12 months and within 24 months	1000%	(100%)	0%	(0%)
24 months and within 5 years	80%	(90%)	0%	(0%)
5 years and within 10 years	70%	(70%)	0%	(0%)
10 years and above	70%	(70%)	0%	(0%)
Has the Authority adopted the CIPFA Treasury Management Code?				Yes

The status of the indicators will be included in Treasury Management reporting during 20017/18. They will also be included in the Council's Global Revenue Budget monitoring.

Definitions and Purpose of the Treasury Management noted in the table above (Indicators are as recommended by the CIPFA Prudential Code)

Authorised Limit - external debt

The local authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. This prudential indicator is referred to as the Authorised Limit.

Operational Boundary - external debt

The local authority will also set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. This prudential indicator is referred to as the Operational Boundary.

Both the Authorised Limit and the Operational Boundary need to be consistent with the authority's plans for capital expenditure and financing; and with its treasury management policy statement and practices. The Operational Boundary should be based on the authority's estimate of most likely, i.e. prudent, but not worst case scenario. Risk analysis and risk management strategies should be taken into account.

The Operational Boundary should equate to the maximum level of external debt projected by this estimate. Thus, the Operational Boundary links directly to the authority's plans for capital expenditure; its estimates of capital financing requirement; and its estimate of cash flow requirements for the year for all purposes. The Operational Boundary is a key management tool for in-year monitoring.

It will probably not be significant if the Operational Boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the Operational Boundary would be significant and should lead to further investigation and action as appropriate. Thus, both the Operational Boundary and the Authorised Limit will be based on the authority's plans. The authority will need to assure itself that these plans are affordable and prudent. The Authorised Limit will in addition need to provide headroom over and above the Operational Boundary sufficient for example for unusual cash movements.

Actual external debt

After the year end, the closing balance for actual gross borrowing plus (separately), other long-term liabilities is obtained directly from the local authority's Balance Sheet.

The prudential indicator for Actual External Debt considers a single point in time and hence is only directly comparable to the Authorised Limit and Operational Boundary at that point in time. Actual debt during the year can be compared.

Upper limit for total principal sums invested for over 364 days

The authority will set an upper limit for each forward financial year period for the maturing of investments made for a period longer than 364 days. This indicator is referred to as the prudential limit for Principal Sums Invested for periods longer than 364 days.

The purpose of this indicator is so the authority can contain its exposure to the possibility of loss that might arise as a result of its having to seek early repayment or redemption of principal sums invested.

Upper limit for fixed interest rate exposure

The authority will set for the forthcoming financial year and the following two financial years upper limits to its exposures to the effects of changes in interest rates. These indicators will relate to both fixed and variable interest rates. They may relate to either the authority's net interest on, or to its net principal sum outstanding on its borrowing/investments.

Upper limit for variable interest rate exposure

This indicator is as described and calculated above for Fixed Interest Rate Exposures, but substitutes 'variable rates' for 'fixed rates'.

Maturity structure of new fixed rate borrowing

The authority will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowing. These indicators are referred to as the Upper and Lower limits respectively for the Maturity Structure of Borrowing.

Has the Authority adopted the CIPFA Treasury Management Code?

This prudential indicator in respect of treasury management is to confirm that the local authority has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The aim is to ensure that treasury management is led by a clear and integrated forward treasury management strategy, and a recognition of the preexisting structure of the authority's borrowing and investment portfolios.

Appendix 4 - Minimum Revenue Provision Strategy

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2011/12 and has assessed its MRP for 2016/17 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The Council is required to make provision for repayment of an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP).

DCLG Regulations require full Council to approve an MRP Statement, in advance of each year. If the Council wishes to amend its policy during the year this would need to be approved by full Council. A variety of options are available to councils to replace the previous Regulations, so long as there is a prudent provision. The options are:

- ***Option 1:*** Regulatory Method – can only be applied to capital expenditure incurred prior to April 2008 or Supported Capital Expenditure. This is calculated as 4% of the non-housing CFR at the end of the preceding financial year, less some transitional factors relating to the movement to the new Prudential Code in 2003.

- ***Option 2:*** CFR Method – a provision equal to 4% of the non-housing CFR at the end of the preceding financial year.

- ***Option 3:*** Asset Life Method – MRP is calculated based on the life of the asset, on either an equal instalment or an annuity basis.

- ***Option 4:*** Depreciation Method – MRP is calculated in accordance with the depreciation accounting required for the asset.

Options 1 and 2 may be used only for supported expenditure, which is capital expenditure for which the Council has been notified by Government that the costs of that expenditure will be taken into account in the calculation of revenue grant due to the Council.

It is important to note that the Council can deviate from these options provided that the approach taken ensures that there is a prudent provision. The Council has historically followed option 1 for supported expenditure based on the level of support provided by Government through Revenue Support Grant (RSG).

The assets created or acquired under Supported Capital Expenditure predominantly had long asset lives of .c 50 years, such as land or buildings, and an MRP of 4% suggests a significantly shorter asset life. As the level of RSG the Council receives has reduced in recent years, it is prudent to review the approach to MRP on supported borrowing to reflect the Government support received.

It is therefore proposed to make a provision of 2% of the non-housing CFR from the end of the preceding financial year. This is in line with many over local authorities who have reviewed the basis for their MRP or something similar.

There will be no adjustment to MRP charged before 2016/17.

The Council approved the following MRP Statement in January 2017:
It is the Council's policy that MRP relating to an asset will start to be incurred in the year after the capital expenditure on the asset is incurred or, in the case of new assets, in the year following the asset coming into use, in accordance with DCLG's guidance.

The Council recognises that there are different categories of capital expenditure, for which it will incur MRP as follows:

- For non HRA Supported Capital Expenditure: MRP policy will be charged at a rate of 2% on a similar basis to option 1 of the guidance (the regulatory method) but at a lower rate, better reflecting the asset lives of the assets funded through Supported Borrowing.

- For non HRA unsupported capital expenditure incurred the MRP policy will be:

- Asset Life Method – MRP will be based on a straight line basis or annuity method so linking the MRP to the future flow of benefits from the asset, dependant on the nature of the capital expenditure, in accordance with option 3 of the guidance.

- If the expenditure is capital by virtue of a Ministerial direction, has been capitalised under a Capitalisation Directive, or does not create a council asset, MRP will be provided in accordance with option 3 of the guidance with asset lives calculated as per the table below:

Expenditure type	**Maximum period over which MRP to be made**
Expenditure capitalised by virtue of a direction under s16 (2) (b).	20 years.
Regulation 25(1) (a). Expenditure on computer programs.	Same period as for computer hardware.
Regulation 25(1) (b). Loans and grants towards capital expenditure by third parties.	The estimated life of the assets in relation to which the third party expenditure is incurred.
Regulation 25(1) (c). Repayment of grants and loans for capital expenditure.	25 years or the period of the loan if longer.
Regulation 25(1) (d). Acquisition of share or loan capital.	20 years, or the estimated life of the asset acquired.
Regulation 25(1) (e). Expenditure on works to assets not owned by the authority.	The estimated life of the assets.
Regulation 25(1) (ea). Expenditure on assets for use by others.	The estimated life of the assets.

Regulation 25(1) (f). Payment of levy on Large Scale Voluntary Transfers (LSVTs) of dwellings.	25 years.

- For PFI service concessions and some lessee interests: Following the move to International Accounting Standards arrangements under private finance initiatives (PFIs) service concessions and some lessee interests (including embedded leases) are accounted for on the Council's balance sheet. Where this occurs, a part of the contract charge or rent payable will be taken to reduce the balance sheet liability rather than being charged as revenue expenditure. The MRP element of these schemes will be the amount of contract charge or rental payment charged against the balance sheet liability. This approach will produce an MRP charge comparable to that under option 3 in that it will run over the life of the lease or PFI scheme.

In some exceptional cases, the Council will deviate from the policy laid out above provided such exceptions remain prudent. Any exceptions are listed below:

- Where capital expenditure is incurred through providing loans to organisations, and where those loans are indemnified or have financial guarantees protecting against loss, no MRP will be charged in relation to the capital expenditure. Similarly, loans given by the Council where any losses incurred on the investment will impact solely on a third party, such as those provided under the City Deal arrangement with the HCA, will not require an MRP charge.

Appendix 5 - Treasury Management Policy Statement

1. This organisation defines its treasury management activities as:
   The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

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

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

The Council will invest its monies prudently, considering security first, liquidity second, and yield last, carefully considering its investment counterparties. It will similarly borrow monies prudently and consistent with the Council's service objectives.

Appendix 6 - Treasury Management Scheme of Delegation

i **Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy

ii **Responsible body – Audit Committee**

- approval of/amendments to the organisation’s adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment

iii **Body with responsibility for scrutiny** - Resource and Governance Scrutiny

Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body

iv **City Treasurer**

- delivery of the function

Appendix 7 - Borrowing Requirement

The potential long-term borrowing requirements over the next three years are:

Table 2	**2017/18**	**2018/19**	**2019/20**
	£'000 estimate	**£'000 estimate**	**£'000 estimate**
Planned Capital Expenditure funded by Borrowing	302,793	287,254	109,907
Change in Grants & Contributions	8,927	-4,497	-3,064
Change in Capital Receipts	-20,170	12,620	15,050
Change in Reserves	7,243	2,636	7,703
MRP Provision	-17,374	-23,913	-30,762
Refinancing of maturing debt (GF)	8,447	40,546	-
Refinancing of maturing debt (HRA)	1,553	7,454	-
Movement in Working Capital	109,375	-	-
Estimated Borrowing Requirement	**400,794**	**322,100**	**98,834**
Funded by:			
GF	294,241	192,989	98,834
HRA	1,553	7,454	-
HCA/HIF	105,000	121,657	-
	400,794	**322,100**	**98,834**

The borrowing detailed in Table 2 maintains the Council within its previously agreed Government debt deal limit.

Appendix 8 - Borrowing Strategy

General Fund

The proposed Capital Budget, submitted to Executive in February and Council in March, contains significant capital investment across the city. The scale of the investment is such that it is highly likely that the Council will need to undertake external borrowing in the immediate future, and will not be able on to rely on internal borrowing alone. However, where possible, internal borrowing will be the first option due to the interest savings generated.

The Council's borrowing strategy should utilise the annual provision it is required to make to reduce debt, in the form of its Minimum Revenue Provision (MRP). The most efficient arrangement is for the Council's existing long term debt to be matched to MRP. As in the past, if the Council continued to use long term borrowing whilst having a need to borrow in the short term MRP would accumulate. This is because there would be no opportunity to use MRP to repay debt other than at considerable cost.

In previous years this has not been an issue as the Council has had significant borrowing requirements year on year which have allowed it to use the MRP to reduce the borrowing required. However, the borrowing requirement may well be expected to fall in the long term and therefore, a prudent strategy is to seek to borrow in the medium term, with maturities to match the estimated MRP that is generated in that period. This avoids an accumulation of cash on the Balance Sheet that would need to be invested (at a net cost and investment risk to the Council).

The overall aim of the borrowing strategy is to rebalance the portfolio by introducing more medium term debt when there is a borrowing requirement, whilst seeking to continue to utilise the Council's significant level of reserves and provisions by internally borrowing when possible.

HRA

The current business plan for the HRA suggests a borrowing requirement of £1.553m in 2017/18.

However, in the event that some of the current debt is required to be repaid, perhaps through a bank calling one of the LOBO loans, it would be the aim of the HRA to rebalance the portfolio by introducing more medium term debt whilst also seeking to use any reserves or provisions by internally borrowing. Internal cash balances will be utilised before any borrowing is undertaken.

Should the HRA require temporary borrowing, this will be sought from the General Fund. This is discussed further in Appendix I.

Borrowing Options

The Council's borrowing strategy will firstly utilise internal borrowing. Forgoing investment income at historically low rates provides the cheapest option. However as the overall forecast is for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs. Rates are expected to be higher in future years for longer term loans.

After this, new borrowing will be considered in the forms noted below. At the time of the borrowing requirement the options will be evaluated alongside their availability and an assessment made regarding which option will provide value for money. The options described below are not presented in a hierarchical order. At the point of seeking to arrange borrowing all options will be reviewed.

i Public Works Loan Board (PWLB)

PWLB borrowing is available for between 1 and 50 year maturities on various bases. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt, and allow the Council to align maturities to MRP.

In the March 2012 Budget, the Chancellor announced the availability of a PWLB ‘Certainty Rate’ for local authorities, which could be accessed upon the submission of data around borrowing plans for individual authorities. The Council submitted their return in April 2015. The Certainty Rate allows a local authority to borrow from the PWLB at 0.20% below their published rates. The Government are also currently consulting with local authorities regarding the potential introduction of a PWLB Infrastructure Rate which will could be at 0.4% lower than standard PWLB rates.

These reductions, alongside the flexibility the PWLB provides in terms of loan structures and maturity dates, together with the current lack of availability of market debt options, suggests that should long term borrowing be required, PWLB borrowing might provide the best value for money.

The Capita forecast for the PWLB Certainty Rate is as follows:

Table 3	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Mar 19	Mar 20
Bank Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.75%
5 yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.80%	2.00%
10 yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.50%	2.70%
25 yr PWLB rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.20%	3.40%
50 yr PWLB rate	2.70%	2.70%	2.70%	2.80%	2.80%	3.00%	3.20%

A more detailed Capita forecast is included in Appendix G to this report.

ii European Investment Bank (EIB)

Rates can be forward fixed for borrowing from the EIB and this will be considered if the arrangement represents better value for money. The Council has agreed a £100m facility with the EIB which will form part of the Council’s future overall borrowing strategy. There has not been any advice from the EIB that post Brexit these arrangements will change.

The EIB’s rates for borrowing are generally favourable compared to PWLB, allowing for existing planned future borrowing from PWLB to be replaced by cheaper funding from the EIB. The EIB appraises its funding plans against individual schemes, particularly around growth and employment and energy efficiency, and any monies borrowed are part of the Council's overall pooled borrowing.

iii Third Party Loans

These are loans from third parties that are offered at lower than market rates, for example, Salix Finance Ltd is offering loans to the public sector at 0% to be used specifically to improve their energy efficiency and reduce carbon emissions.

iv Housing Investment Funding and the Homes and Communities Agency

Both HIF and HCA are DCLG funding, see paragraphs 8.11-15 for further details.

v Market Loans including inter-Local Authority advances

Both short and long term loans are often available in the inter Local Authority market in addition to offers from the general market.

These types of borrowing will need to be evaluated alongside their availability, particularly whilst there is a very limited availability of traditional market loans. The traditional market loans available tend to be Lender Option Borrower Option (LOBO) loans and they are not currently offered at competitive rates of interest. LOBOs provide the lender with future options to increase the interest rate, whilst the local authority has the option to repay if the increase in the rate is unacceptable to them.

Further to this, following HRA reform the vast majority of the Council's existing debt portfolio consists of LOBOs, and the Authority needs to consider diversifying its loan book to reduce the impact of any volatility that may cause these loans to be called. It should be noted, however, that the Council's current LOBO loans are unlikely to be called in the medium term at current interest rates.

Homes and Communities Agency Funding

The Homes and Communities Agency (HCA) has made £23m funding available to the City Council and this was received in 2015/16 and 2016/17 The funding is, in effect, a 'loan' of the HCA's receipts from the disposal of its land and property within Greater Manchester (GM), as agreed in the GM City Deal. The funds can be used to invest in any project which supports GM City Deal objectives. Some of the funds will be passed on to other GM authorities for projects within their areas.

The funding from the HCA is held as an interest free loan, until such time as an investment approval is made. At this point, the approved element of the loan becomes risk-based, with the return to the HCA based on the performance of that investment. The funds are to be used for projects within Greater Manchester; the location depends on where the receipts originate from, and whether the receipt is due to the sale of residential or commercial property. Proceeds from commercial property will not be borough-specific, whereas proceeds from residential property will be.

The funds received are to be repaid to the HCA in March 2022. No interest will be charged to MCC for the receipt of the funds, however, should an investment made with HCA funds not be recovered, the loss is deducted from the amount due to HCA. Conversely, should any profit be made by an investment these will be added to the amount due to the HCA.

Housing Investment Funding (HIF)

The Council has arranged with the Homes and Communities Agency to receive housing investment funding on behalf of Greater Manchester. The funds will be treated as a loan to the Council in a similar manner to HCA funds as detailed in paragraphs 8.11-13. These monies will then be invested in housing related projects with any losses met by Government (up to 20%) or by guarantee from the ten Greater Manchester authorities (including Manchester).

Total HIF funding of £300m has been agreed the Department for Communities and Local Government (DCLG), of which £98.3m has been received to date. DCLG require any HIF receipts that are not utilised by the financial year end to be returned on the 31st March. The return of these funds does not mean that the HIF financing is lost as it can be called down again starting in 2017/18, and it is consequently anticipated the Council will receive £105m in 2017/18, £122m in 2018/19 as shown in Table 2 at paragraph 5.1.

Sensitivity of the forecast

In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. Council officers, in conjunction with the treasury advisors, will continually monitor both the prevailing interest rates and the market forecast, adopting the following responses to a change of sentiment:

- **If it were felt that there was a significant risk of a sharp FALL in long and short term rates**, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed.
- **If it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that current forecast**, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, the portfolio position will be re-appraised. The likely action will be that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

External v. Internal borrowing

There is currently a difference of around £133m between the Council’s General Fund gross debt and net debt, i.e. the gross debt after deducting cash balances. The current borrowing position reflects the historic strong Balance Sheet of the Council, as highlighted in Section 4. It enables net interest costs to be minimised and reduces credit risk by making temporary use of internal borrowing (reserves, provisions, positive cash flows, etc). The policy remains to keep cash as low as possible and minimise temporary investments.

The next financial year is again expected to be one of very low Bank Rate. This provides a continuation of the window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.

Over the next three years, investment rates are expected to be significantly below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by limiting new external borrowing and by using internal cash balances to finance new capital expenditure, or to replace maturing external debt. This is referred to as internal borrowing and maximises short term savings.

However, short term savings from avoiding new long term external borrowing in 2017/18 will also be weighed against the potential for incurring additional long term extra costs by delaying new external borrowing until later years when longer term rates are forecast to be significantly higher. Consideration will also be given to forward fixing rates whilst rates are favourable.

Against this background caution will be adopted within 2017/18 treasury operations. The City Treasurer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body at the next available opportunity.

Policy on borrowing in advance of need

Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds. In determining whether borrowing is undertaken in advance of need the Council will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt profile which supports the need to take funding in advance of need;
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered;
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the merits and demerits of alternative forms of funding;
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use; and
- consider the impact of borrowing in advance temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

Debt rescheduling

It is likely that opportunities to reschedule debt in the 2017/18 financial year will be limited, particularly as the Council no longer holds any PWLB loans. This leaves the possibility of rescheduling other funding sources, such as market loans, but it should be stressed that the likelihood of any rescheduling remains very remote.

An exception to this is that the required 12 month’s notice will be given to stockholders before the close of the 2016/17 financial year of the Council’s intention to redeem the stock it issued between 1874 and 1891. This will result in a £5.1m reduction in long term debt by the end of 2017/18. The reduction might be realised in a staged manner before the 2017/18 year end as the Council's redemption offer will allow stockholders the opportunity to redeem their stock before the end of the 12 month notice period if they wish to do so. There is also £3m of long term debt relating to irredeemable stock. Before the close of the 2016/17 financial year the Council will make a further redemption offer to the holders of this stock. The offer will be open to the end of the 2017/18 financial year, however take up is at the discretion of the stockholder.

As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential for some residual opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the size of the premiums incurred, their short term nature, and the likely cost of refinancing those short term loans once they mature, compared to the current rates of longer term debt in the existing debt portfolio.

The debt portfolio of the Council following HRA reform consists mainly of LOBOs, and the premia associated with rescheduling these make it unlikely that it will provide a cost effective rescheduling opportunity. This is because the premia will not only relate to the future interest payments associated with the loan, but also because the Council would need to compensate the lender for the buy-back of the interest rate options the loan has embedded in it.

The Council will continue to monitor the LOBO market and in particular opportunities to reschedule, redeem or effectively alter the profile of existing LOBO debt. The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the strategy outlined in section 8 above;
- enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility)

Any restructuring of LOBOs will only be progressed if it provides value for money for the Council, and reduces the overall treasury risk the Council faces, for example interest rate risk or credit risk. Members are requested to delegate authority to the City Treasurer, in consultation with the Executive Member for Finance to pursue any restructuring, rescheduling or redemption opportunities available, including amendments to the Treasury Management Strategy if the changes require it. Any changes required to the Strategy will be reported to Members at the earliest opportunity.

Consideration will also be given to identify if there is any residual potential left for making savings by running down investment balances to repay debt prematurely. It is likely short term rates on investments will be lower than rates paid on current debt.

All rescheduling will be reported to the Executive, as part of the normal treasury management activity reports.

Appendix 9 - Annual Investment Strategy

9. **General Fund**

Introduction

9.1 The Council will have regard to the DCLG's Guidance on Local Government Investments (the Guidance) and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA TM Code). The Council's investment priorities are:

- the security of capital; and
- the liquidity of its investments.

9.2 The Council will also aim to achieve the optimum return on its investments commensurate with desired levels of security and liquidity. The risk appetite of the Council is low in order to give priority to the security of its investments.

9.3 The borrowing of monies by an Authority purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

9.4 These principles would be important in normal circumstances, however the Icelandic banks crisis, and the financial difficulties faced by UK and international banks that followed, have placed security of investments at the forefront of Treasury Management investment policy.

Changes to Credit Rating Methodology

9.5 Through much of the financial crisis the main rating agencies (Fitch, Moody's and Standard & Poor's) provided some institutions with a ratings 'uplift' due to implied levels of sovereign support (government backing should an institution fail).
In response to the evolving regulatory regime and the declining probability of government support, the rating agencies are removing these 'uplifts'. The result of this is that some institutions ratings have been downgraded by up to two notches.

9.6 The rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the removal of the implied levels of sovereign support that were built into ratings throughout the financial crisis. The removal of sovereign support is taking place now that the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis. As a result of these rating agency changes, the credit element of Capita's future methodology focuses solely on the short and long term ratings of an institution, and officers believe that the Council should follow the same methodology.

9.7 The key change to the regulatory framework in respect of banks is the introduction of the European Union's Banking Recovery and Resolution Directive (BRRD).
In response to the banking crisis some governments used taxpayer funds to support banks in danger of failing. In future BRRD will require 'bail-in' to be

applied in such a scenario. In the UK this will mean that after shareholders' equity, depositors' funds comprising balances over c£85k (linked to the value of the Euro) will be used to support a bank at risk. The £85k threshold is not available to local authorities and therefore all their bank deposits will be at risk of bail-in. This increases the risk to the Council of holding unsecured cash deposits with banks and building societies.

Investment Policy

9.8 As previously, the Council will not just utilise ratings as the sole determinant of the quality of an institution. It is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as 'credit default swaps'[1] and overlay that information on top of the credit ratings.

9.9 Investment in banks and building societies are now exposed to bail-in risk as described above and rather than increase investment in banks and building societies in practice lower limits for investment in banks and building societies have been adopted in 2016/17. This is apart from the limit with Barclays bank; Barclays is the Council's main banker and is the investment destination of last resort for the close of daily trading. These revised limits are interim operational changes and to preserve flexibility should circumstances change the overall investment limits approved for banks and building societies for 2016/17 will be maintained in 2017/18.

9.10 The investment constraint brought by bail-in risk means the Council needs to continue to identify ways that it can broaden and diversify its basis for lending. During 2016/17 after the reduced level of bank deposits, the strategy saw a significant proportion of the Council's investments placed with the Government (via the DMO) or with other Local Authorities. In the financial year 2016/17 to December 2016 an average of
c. 88% of the investment portfolio was with the DMO and other Local Authorities. This highlights the relatively low credit risk that the Council takes when investing.

9.11 For 2017/18 investment the Council will consider trading in Money Market Funds, Treasury Bills, Certificates of Deposit and Covered Bonds. In addition to diversification of the investment portfolio each of these options offer the Council benefits which are noted in paragraphs 9.25 to 9.32 below. Treasury Bills, Certificates of Deposit and Covered Bonds require the Council to have specific custodian and broker facilities. This provision has been opened in 2016/17, however work is continuing to open further access points to markets. Officers are also working to ensure they are in a position to monitor these new

[1] A credit default swap is a financial instrument that effectively provides the holder insurance against a loan defaulting. The CDS spread is the difference between the price at which providers are willing to sell the swap, and the price at which buyers are willing to buy. A relatively high spread may suggest that the loan is more likely to default.

markets to identify opportunities for benefit.

9.12 It should be noted that, whilst seeking to broaden the investment base, officers will seek to limit the level of risk taken by the Council. It is not expected that the measures considered above will have a significant impact on the rates of return the Council currently achieves.

HRA

9.13 In order to maintain efficient, effective and economic treasury management for the Council as a whole, the HRA will only be able to invest with the General Fund. This is discussed further in Appendix I.

Specified and Non-Specified Investments

9.14 Investment instruments identified for use in the financial year are listed below, and are all specified investments. Any proposals to use other non-specified investments will be reported to Members for approval.

9.15 Specified investments are sterling denominated, with maturities up to a maximum of one year and meet the minimum 'high' rating criteria where applicable. Further details about some of the specified investments below can be found in later paragraphs within Section 9.

Table 4	**Minimum 'High' Credit Criteria**	**Use**
Term deposits – banks and building societies*	See Para 9.9.	In-house
Term deposits – other Local Authorities	High security. Only one or two local authorities credit-rated	In-house
Debt Management Agency Deposit Facility	UK Government backed	In-house
Certificates of deposit issued by banks and building societies covered by UK Government guarantees	UK Government explicit guarantee	In-house
Money Market Funds (MMFs)	AAA_M	In-house
Non-UK Banks/ Building Societies	Domiciled in a country which has a minimum sovereign Long Term rating of AAA	In-house
Treasury Bills	UK Government backed	In-house
Covered Bonds	AAA	In-house

* Banks & Building Societies

The Council will keep the investment balance below or at the maximum limit based on the institutions credit rating as detailed in paragraph 9.21 below. If this limit is breached, for example due to significant late receipts, the Treasurer will be notified as soon as possible after the breach, along with the reasons for it. Please note this relates to specific investments and not balances held within the Council's bank accounts, including the general bank account.

Creditworthiness policy

9.16 The Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies; Fitch, Moody's and Standard & Poor's. Capita supplement the credit ratings of counterparties with the following overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap spreads to provide early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

9.17 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. This classification is called durational banding.

9.18 The Council has regard to Capita's approach to assessing creditworthiness when selecting counterparties. It will not apply the approach of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The Capita creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one agency's ratings.

9.19 In summary therefore the Council will approach assessment of creditworthiness by using the Capita counterparty list as a starting point, and then applying as an overlay its own counterparty limits and durations. All credit ratings will be monitored on a daily basis and re-assessed weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of Credit Ratings, the Council will be advised of information in Credit Default Swap against the iTraxx benchmark[2] and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

9.20 Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on

[2] The Markit iTraxx Senior Financials Index is a composite of the 25 most liquid financial entities in Europe. The index is calculated through an averaging process by the Markit Group and is used as the benchmark level of CDS spreads on Capita Asset Services' Credit List.

government support for banks and the credit ratings of that government support. The Council will assess investments only against the criteria listed above, and will not seek to evaluate an organisation's ethical policies when making these assessments.

Investment Limits

9.21 As advised by Capita Asset Services, the Council's treasury advisors, the financial investment limits of banks and building societies are linked to their short and long-term ratings (Fitch or equivalent) as follows:

Banks & Building Societies

Long Term	Amount
Fitch AA+ and above	£20 million
Fitch AA/AA-	£15 million
Fitch A+/A	£15 million
Fitch A-	£10 million
Fitch BBB+	£10 million

The Council will only utilise those institutions that have a short term rating of F2 or higher, (Fitch or equivalent).

UK Government (includes Debt Management Office)	£200 million
Greater Manchester Combined Authority	£200 million
Other Local Authorities	£20 million

9.22 It may be prudent, depending on circumstances, to temporarily increase the limits shown above as in the current economic environment, it is increasingly difficult for officers to place funds. If this is the case officers will seek approval from the City Treasurer for such an increase and approval may be granted at the City Treasurer's discretion. Any increase in the limits will be reported to Members as part of the normal treasury management reporting process. It should be noted that any HCA funds invested with other local authorities will form part of the £20m limit detailed above.

Country Limits

9.23 The Council has determined that it will only use approved counterparties from countries that meet the Council's criteria based on the creditworthiness policy described in paragraph 9.21. The list of countries that qualify using this credit criteria as at 4th January 2017 are shown below:

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

9.24 Every country on this list is rated AAA by two or more of the three main rating agencies. This list will be added to, or deducted from should ratings change. The Council will only invest outside the UK with institutions of the highest credit rating AAA, who are therefore higher rated and less risky to utilise than the UK.

Money Market Funds

9.25 The removal of the implied levels of sovereign support that were built into ratings throughout the financial crisis has impact on bank and building society ratings across the world. Rating downgrades can limit the number of counterparties available to the Council. To provide flexibility for the investment of surplus funds the Council will use Money Market Funds when appropriate as an alternative specified investment.

9.26 Money Market funds are investment instruments that invest in a variety of institutions, therefore diversifying the investment risk. The funds are managed by a fund manager and they have objectives to preserve capital, provide daily liquidity and a competitive yield. The majority of money market funds invest both inside and outside the UK.

9.27 Money Market funds are rated through a separate process to bank deposits. This looks at the average maturity of the underlying investments in the fund as well as the credit quality of those investments. It is proposed that the Council will only use Money Market Funds where the institutions hold the highest AAA credit rating. Furthermore where the Money Market Funds invest outside the UK the countries concerned must be on the list of approved counterparties noted in paragraph 9.23 above.

Treasury Bills

9.28 Treasury Bills are marketable securities issued by the UK Government and as such counterparty and liquidity risk is relatively low, although there is potential risk to value arising from an adverse movement in interest rates unless they are held to maturity.

9.29 Weekly tenders are held for Treasury Bills so the Council could invest funds on a regular basis, based on projected cash flow information. This would provide a spread of maturity dates and reduce the volume of investments maturing at the same time.

9.30 There is a large secondary market for Treasury Bills so it is possible to trade them in earlier than the maturity date if required; and also purchase them in the secondary market. It is anticipated however that in the majority of cases the Council will hold to maturity to avoid any potential capital loss from selling before maturity. The Council will only sell the Treasury Bills early if it can demonstrate value for money in doing so.

Certificates of Deposit

9.31 Certificates of Deposit are short dated marketable securities issued by financial institutions, and as such counterparty risk is low. The instruments have flexible maturity dates, so it is possible to trade them in early if necessary, however there is a potential risk to capital if they are traded ahead of maturity and there is an adverse movement in interest rates. Certificates of Deposit are given the same priority as fixed deposits if a bank was to default. The Council would only deal with Certificates of Deposit that are issued by banks which meet the credit criteria.

Covered Bonds

9.32 Covered Bonds are debt instruments secured by assets such as mortgage loans. They are issued by banks and other non-financial institutions. The loans remain on the issuing institutions Balance Sheet and investors have a preferential claim in the event of the issuing institution defaulting. All issuing institutions are required to hold sufficient assets to cover the claims of all covered bondholders. The Council would only deal with bonds that are issued by banks which meet the credit criteria, or AAA rated institutions, (e.g. insurance companies).

Liquidity

9.33 Based on cash flow forecasts, the level of cash balances in 2017/18 is estimated to range between £0m and £230m. The higher level can arise where for instance large Government grants are received, or long term borrowing has recently been undertaken.

Investment Strategy to be followed in-house

9.34 Capita’s view of forecast Bank Rate is at Section 7. The current economic outlook viewed by Capita is that the structure of market interest rates and government debt yields have several key treasury management implications:

- The Bank of England interpreted confidence indicators following the referendum vote for Brexit as anticipating a sharp slowdown in the UK economy. In 2016 the Monetary Policy Committee attempted to counter this expectation with a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals;

- Capita’s view is that Bank Rate will remain unchanged at 0.25% until a first increase to 0.50% in quarter 2, 2019 with a rise to 0.75% by March 2020. Gilt yields, and consequently PWLB rates, have risen sharply since hitting a low point in August 2016, with huge volatility during 2016 as a whole. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling;

- Forecasting as far ahead as 2019 is difficult as there are many potential economic factors which could impact on the UK economy. There are also political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on forecasts;

- Investment returns are likely to remain relatively low during 2017/18 and beyond;

- In the Eurozone, the ECB commenced, in March 2015, its €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017;

- These measures have struggled to make a significant impact in boosting Eurozone economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Forward indications are that economic growth in the EU is likely to continue at moderate levels.
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

9.35 The Council will avoid locking into longer term deals while investment rates are at historically low levels, this is unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by the Council.

9.36 For 2017/18 it is suggested that the Council should budget for an investment return of 0.25% on investments placed during the financial year. For cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

End of year Investment Report

9.38 At the end of the financial year, the Council will receive a report on investment activity as part of the Annual Treasury Report.

Policy on the use of External Service Providers

9.39 The Council uses Capita Treasury Management Solutions as external treasury management advisors and has access to another provider who is an approved supplier should a second opinion or additional work be required. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon its external service providers.

9.40 The Council recognises there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. It will ensure the terms of the Advisor's appointment and the methods by which their value is assessed are properly agreed and documented, and subjected to regular review.

Scheme of delegation

9.41 Appendix D describes the responsibilities of Member groups and officers in relation to treasury management.

Role of the Section 151 Officer

9.42 Appendix E notes the definition of the role of the City Treasurer in relation to treasury management.