



# Clackmannanshire Council

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**Kilncraigs, Alloa, Scotland, FK10 1EB (Tel.01259-450000)**

## **Meeting of Clackmannanshire Council**

**Thursday 3 March 2016 at 10.00 am.**

**Venue: Council Chamber, Patons Building,  
Kilncraigs, Greenside Street, Alloa, FK10 1EB**

Date	Time
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# Clackmannanshire Council

There are 32 Unitary Councils in Scotland. Clackmannanshire Council is the smallest mainland Council. Eighteen Councillors are elected to represent the views of the residents and businesses in Clackmannanshire. The Council has approved Standing Orders that detail the way the Council operates. Decisions are approved at the 9 weekly meetings of the full Council and at Committee Meetings.

The Council is responsible for approving a staffing structure for the proper discharge of its functions, approving new policies or changes in policy, community planning and corporate governance including standards of conduct.

The Council has further responsibility for the approval of budgets for capital and revenue expenditure, it also has power to make, alter or cancel any scheme made under statute and to make, alter or cancel any orders, rules, regulations or bye-laws and to make compulsory purchase orders. The Council also determines the level of Council Tax and approves recommendations relating to strategic economic development.

Members of the public are welcome to attend our Council and Committee meetings to see how decisions are made.

Details of all of our Council and Committee dates and agenda items are published on our website at [www.clacksweb.org.uk](http://www.clacksweb.org.uk)

If you require further information about Council or Committee meetings, please contact Strategy and Customer Services by e-mail at [customerservice@clacks.gov.uk](mailto:customerservice@clacks.gov.uk) or by telephone on 01259 452106 or 452004.

**24 February 2016**

**A MEETING of the CLACKMANNANSHIRE COUNCIL will be held within the Council Chamber, Patons Building, Kilncraigs, Alloa, FK10 1EB, on THURSDAY 3 MARCH 2016 at 10.00 am.**

**NIKKI BRIDLE  
Depute Chief Executive**

**B U S I N E S S**

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1. Apologies	--
2. Declaration of Interests Elected Members are reminded of their obligation to declare any financial or non-financial interest which they may have in any item on this agenda in accordance with the Councillors' Code of Conduct. A Declaration of Interest form should be completed and passed to the Committee Officer.	--
3. Confirm Minutes of Meetings (Copies herewith)	
(i) Minutes of Meeting held on 17 December 2016	07
(ii) Minutes of Special Meeting held on 4 February 2016	15
4. Committee Meetings Convened Since the Previous Council Meeting on 17/12/15 ( <i>For information only</i> )	- -
(i) Enterprise and Environment Committee on 14/01/16	
(ii) Clackmannanshire Licensing Board on 19/01/16 and 01/03/16	
(iii) Regulatory Committee on 26/01/16	
(iv) Housing, Health and Care Committee on 28/01/16	
(v) Education, Sport and Leisure Committee on 04/02/16	
(vi) Resources and Audit Sub Committee on 17/02/16	
(vii) Resources and Audit Committee on 25/02/16	
(viii) Appointments Committee on 28/01/16, 12/02/16 and 02/03/16	
5. Leader's Briefing - report by the Leader of the Council (Copy herewith)	17
6. Committee Recommendations Referred to Council - report by the Chief Executive (Copy herewith)	19

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7. Resources and Audit Sub-Committee - report by the Head of Strategy and Customer Services (Copy herewith)	21
8. Treasury Management Strategy Statement 2016/17 - report by the Acting Chief Accountant (Copy herewith)	27
9. Treasury Management Update at 30th September 2015 - report by the Acting Chief Accountant (Copy herewith)	47

### **EXEMPT INFORMATION**

It is considered that the undernoted report be treated as exempt from the Council's general policy of disclosure of all papers by virtue of Schedule 7A, Part 1, Paragraph 9 of the Local Government (Scotland) Act 1973. It is anticipated (although this is not certain) that the Council will resolve to exclude the press and public during consideration of this item.

10. Primrose Place, Alloa - report by the Head of Housing and Community Safety (Copy herewith)	59
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## Clackmannanshire Council – Councillors and Wards

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### Councillors

### Wards

Provost	Tina Murphy	1	Clackmannanshire West	SNP
Councillor	George Matchett, QPM	1	Clackmannanshire West	LAB
Councillor	Les Sharp	1	Clackmannanshire West	SNP
Councillor	Jim Stalker	1	Clackmannanshire West	LAB
Councillor	Donald Balsillie	2	Clackmannanshire North	SNP
Councillor	Archie Drummond	2	Clackmannanshire North	INDP
Councillor	Walter McAdam, MBE	2	Clackmannanshire North	SNP
Councillor	Bobby McGill	2	Clackmannanshire North	LAB
Councillor	Derek Stewart	3	Clackmannanshire Central	LAB
Councillor	Graham Watt	3	Clackmannanshire Central	LAB
Councillor	Gary Womersley	3	Clackmannanshire Central	SNP
Councillor	Janet Cadenhead	4	Clackmannanshire South	LAB
Councillor	Kenneth Earle	4	Clackmannanshire South	LAB
Councillor	Ellen Forson	4	Clackmannanshire South	SNP
Councillor	Craig Holden	4	Clackmannanshire South	SNP
Councillor	Alastair Campbell	5	Clackmannanshire East	CONS
Councillor	Irene Hamilton	5	Clackmannanshire East	SNP
Councillor	Kathleen Martin	5	Clackmannanshire East	LAB





**Clackmannanshire  
Council**

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**THIS PAPER RELATES TO  
ITEM 03(i)  
ON THE AGENDA**

**MINUTES OF MEETING of the CLACKMANNANSHIRE COUNCIL held within the Council Chamber, Patons Building, Kilncraigs, ALLOA, FK10 1EB, on THURSDAY 17 DECEMBER 2015 at 10.00 am.**

**PRESENT**

Provost Tina Murphy (In the Chair)  
Councillor Donald Balsillie  
Councillor Janet Cadenhead  
Councillor Alastair Campbell  
Councillor Archie Drummond  
Councillor Kenneth Earle  
Councillor Ellen Forson  
Councillor Irene Hamilton  
Councillor Craig Holden  
Councillor Kathleen Martin  
Councillor George Matchett, QPM  
Councillor Walter McAdam, MBE  
Councillor Bobby McGill  
Councillor Les Sharp  
Councillor Jim Stalker  
Councillor Derek Stewart  
Councillor Graham Watt  
Councillor Gary Womersley

**IN ATTENDANCE**

Elaine McPherson, Chief Executive  
Nikki Bridle, Depute Chief Executive  
Garry Dallas, Executive Director  
Stephen Coulter, Head of Resources and Governance  
Stuart Crickmar, Head of Strategy and Customer Services  
Kevin Kelman, Assistant Head of Education  
Ahsan Khan, Head of Housing and Community Safety  
David Leng, Head of Education  
Gordon McNeil, Head of Development and Environment  
Alan Milliken, Assistant Head of Education  
Andrew Wyse, Team Leader, Legal Services (Clerk to the Council)  
Gillian White, Business Support to Clackmannanshire Council

**CC.363            APOLOGIES**

None.

**CC.364            DECLARATIONS OF INTERESTS**

None.

**CC.365            MINUTE OF MEETING HELD ON THURSDAY 22 OCTOBER 2015**

The minute of the Meeting of the Clackmannanshire Council held on Thursday 22 October 2015 were submitted for approval.

**Decision**

The minutes of the Meeting of the Clackmannanshire Council held on Thursday 22 October 2015 were agreed as a correct record of proceedings and signed by the Provost.

**CC.366            COMMITTEE MEETINGS CONVENED SINCE THE PREVIOUS COUNCIL MEETING ON 22 OCTOBER 2015**

The Council agreed to note the committee meetings that had taken place since the last ordinary Council meeting on 22 October 2015.

- (a) Enterprise and Environment Committee 29/10/15
- (b) Regulatory Committee 27/10/15
- (c) Licensing Board 03/11/15 & 08/12/15
- (d) Housing, Health and Care Committee 05/11/15
- (e) Education, Sport and Leisure Committee 12/11/15
- (f) Planning Committee 19/11/15 & 16/12/15
- (g) Local Review Body 19/11/15 & 01/12/15
- (h) Resources and Audit Committee 03/12/15
- (i) Social Services Complaints Review Committee 26/11/15
- (j) Resources and Audit Sub Committee 09/12/15

**CC.367            LEADERS BRIEFING**

A briefing report, covering the period October - December 2015, which informed elected members of a range of issues and activities which the Council Leader has been engaged with in the past quarter was submitted by the Leader of the Council. The intention of the report was to assist in raising awareness amongst elected members of a number of matters which affect the Council or the area and, as such, inform future workstreams.

The Council agreed to note the information set out in the report

**CC.368            COMMITTEE RECOMMENDATIONS REFERRED TO COUNCIL**

A report which sought Council approval of recommendations which have been made by committees during the October - December 2015 cycle of meetings was submitted by the Chief Executive.

**Motion**

That Council agrees the recommendations set out in the report.

Moved by Councillor Les Sharp. Seconded by Councillor Donald Balsillie.

**Decision**

The Council agreed:

1. from the **Enterprise and Environment Committee** of **29 October, 2015** in relation to the report entitled "*Road Asset Management Plan*"
  - to approve the 2015-18 Roads Asset Management Plan.



2. from the **Education, Sport and Leisure Committee of 12 November, 2015** in relation to the report entitled "*Charging Policy for Additional Nursery Hours*"

- the proposed fee structure for additional hours in nursery beyond the statutory entitlement for early learning and childcare.

### **Action**

Chief Executive

## **CC.369 REPRESENTATION ON OUTSIDE BODIES**

A report which put forward proposals for future elected member representation on outside bodies was submitted by the Chief Executive.

### **Motion**

That Council agrees the recommendations set out in the report.

Moved by Councillor Les Sharp. Seconded by Councillor Donald Balsillie.

### **Voting**

For the motion	9 votes
Against the motion	8 votes
Abstain from voting	1 abstention

### **Decision**

On a division of 9 votes to 8 with 1 abstention, the Council agreed that the Council ceases to be formally represented on the undernoted outside bodies:

- Central Scotland Regional Equality Council Ltd
- Central Sporting Partnership
- Clackmannanshire Access Forum
- Clackmannanshire Bowls Group
- Clackmannanshire Football Partnership
- Clackmannanshire Rugby Partnership
- Clackmannanshire Sports Council
- Clackmannanshire Swim Group
- Ochil Landscape Partnership Scheme (OLP)
- Paragon Housing Association Ltd
- Scottish Councils Committee on Radioactive Substances
- Scottish Enterprise - East Regional Advisory Board

### **Action**

Chief Executive

## **CC.370 BUDGET STRATEGY UPDATE**

A report which maintained Council's regular update on the medium term financial outlook was submitted by the Depute Chief Executive. The report also provided an update on progress with the Making Clackmannanshire Better programme, Budget preparation and the recent Comprehensive Spending Review.

The Depute Chief Executive provided a verbal update to Council on the Scottish Government's Budget Statement and circulated a table showing the indicative funding gap for 2016/17.

### **Motion**

That Council agrees the recommendations set out in the report.

Moved by Councillor Les Sharp. Seconded by Councillor Donald Balsillie.

### **Decision**

The Council agreed to note:

1. a. the key announcements from the Comprehensive Spending Review (CSR) on 25th November 2015 (paragraphs 3.2, 3.3 and 3.6 of the report)
- b. the impact of the UK CSR on Scottish funding (paragraph 3.4 and Table 1 of the report)
- c. the planned announcement of the Scottish Budget and individual council settlement figures on the 16th December (Paragraph 3.5 of the report)
- d. the modelling of the impact of variation in the assumed level of funding reduction applied to the Council's grant income (Table 2) and on the previously anticipated indicative funding gap (paragraph 4.3 of the report)
- e. the provision of a verbal update to Council following the announcement of the Scottish Budget on the 16th December (paragraph 4.6 of the report)
- f. the classification of Tranche 1 and Tranche 2 Business cases set out at Appendix A and paragraph 4.10 of the report
- g. the 'live' consultation activities underway in respect of the 2016/17 Budget (paragraphs 4.11 to 4.15 of the report).

The Council further agreed:

2. a. from the Resources and Audit Committee of 3 December 2015, in relation to the report entitled "Strategy and Customer Services Performance Report, 2<sup>nd</sup> Quarter 2015/16"
  - to vire £203k within the Strategy and Customer Services Budget to cover the reported overspend of £203k within Leisure Services (paragraph 4.16)

### **Action**

Depute Chief Executive

**CC.371 EDUCATION AND SOCIAL SERVICES - FUTURE MANAGEMENT ARRANGEMENTS**

A report which updated members on developments in shared services since the last meeting of Council in October 2015 was submitted by the Chief Executive.

**Motion**

That the Council agrees the recommendations set out in the report.

Moved by Councillor Les Sharp. Seconded by Councillor Ellen Forson.

*Councillor Drummond withdrew from the meeting during the debate on this item (1200 hrs). Seventeen (17) members remained present.*

**Voting**

For the motion	9 votes
Against the motion	0 votes
Abstain from voting	8 abstentions

**Decision**

On a division of 9 votes to 0 with 8 abstentions, the Council agreed:

- a. to note the work which has been undertaken since 22 October, 2015, in response to Stirling Council's decision to move away from shared services;
- b. to note the externally commissioned paper (Appendix 1 to this report) on strategic options for the future management of school education in Clackmannanshire;
- c. that the Council should pursue the cluster-based management approach going forward;
- d. to establish the post of Chief Education Officer and to recruit to that post in the new year as set out in paragraphs 4.7 & 4.8 of this report;
- e. to nominate six members to sit on the Appointments Committee for the chief officer post as set out at paragraph 4.9 of this report;
- f. to vire £150,000 from the education service's projected underspend in 2015-16 to fund the recruitment process for the chief education officer, to resource any future externally commissioned work which may be required between now and the chief officer taking up post and any other activities related to arrangements for withdrawing from shared services (the unspent allocation of this overall resource at the end of March 2016 to be carried forward into 2016-17 and ear-marked for those same purposes);
- g. to establish an Attainment & Improvement Sub-Committee of the Education, Sport & Leisure Committee as set out at paragraphs 4.14-4.17 of this report
- h. that subject to agreeing the above recommendation and noting that the Sub-Committee will be chaired by the Convenor of the Education, Sport & Leisure Committee, nominate three other members to sit on the Sub-Committee as set out at paragraph 4.15 of this report;
- i. to note that proposals for new management arrangements for social services will come forward to Council at a future meeting.

The Council further agreed to accept the undernoted nominations to the Appointments Committee and to the Attainment and Improvement Sub Committee of the Education, Sport and Leisure Committee:

#### **Appointments Committee**

Councillor Les Sharp	(Moved by Councillor Sharp. Seconded by Councillor Forson)
Councillor Ellen Forson	(Moved by Councillor Sharp. Seconded by Councillor Forson)
Councillor Irene Hamilton	(Moved by Councillor Sharp. Seconded by Councillor Forson)
Councillor Bobby McGill	(Moved by Councillor McGill. Seconded by Councillor Matchett)
Councillor Jim Stalker	(Moved by Councillor McGill. Seconded by Councillor Matchett)
Councillor Archie Drummond	(Moved by Councillor Campbell. Seconded by Councillor Sharp)

#### **Attainment and Improvement Sub Committee of the Education, Sport and Leisure Committee**

As previously agreed, the Sub-Committee will be chaired by the Convenor of the Education, Sport & Leisure Committee, currently Councillor Ellen Forson.

Councillor Les Sharp	(Moved by Councillor Sharp. Seconded by Councillor Forson)
Councillor Jim Stalker	(Moved by Councillor McGill. Seconded by Councillor Watt)
Councillor George Matchett	(Moved by Councillor McGill. Seconded by Councillor Watt)

#### **Action**

Chief Executive.

The Provost adjourned the meeting at this point in the proceedings (1240 hrs). Councillor McAdam withdrew from the meeting during the adjournment. When the meeting resumed at 1310 hrs, sixteen (16) members remained present.

#### **CC.372 USE OF OVERT SURVEILLANCE SYSTEMS POLICY**

The purpose of the report, submitted by the Head of Resources and Governance, was for the Council to consider and agree a policy for the use of overt surveillance systems.

#### **Motion**

That Council agrees the recommendations set out in the report.

Moved by Councillor Les Sharp. Seconded by Councillor Donald Balsillie.

#### **Decision**

The Council agreed to the adoption of the Overt Surveillance Equipment Policy (as set out in Appendix A).

#### **Action**

Head of Resources and Governance

**CC.373 NOTICE OF MOTION IN TERMS OF STANDING ORDER 16.0 - ILLEGAL PARKING AT SCHOOLS - NOTICE OF MOTION SUBMITTED BY COUNCILLOR CRAIG HOLDEN**

A notice of motion in terms of Standing Order 16.0 was submitted by Councillor Craig Holden.

**Motion**

"Council notes with concern the problem of illegal parking at Schools and the danger this poses to school children, parents and the wider community. Council supports the efforts of pupils, parents, Council Officer and the Police to raise awareness of the issue and is fully supportive of enforcement action where necessary."

Moved by Councillor Craig Holden. Seconded by Councillor Ellen Forson.

As provided by Standing Order 13.22, Councillor Holden with the agreement of his seconder immediately withdrew his motion. Under Standing Order 10.6 the Provost then decided that the meeting move to next business.

*Councillor Matchett withdrew from the meeting prior to the next item of business (1310 hrs). Fifteen (15) members remained present.*

**EXEMPT INFORMATION**

The Council resolved in terms of Section 50(A) of the Local Government (Scotland) Act, 1973, that the press and public be excluded from the meeting during consideration of the following items of business on the grounds that it involved the likely disclosure of exempt information as detailed in Schedule 7A, Part 1, Paragraphs 8 and 9.

**CC.374 CLOSURE OF LONGANNET POWER STATION**

The report, submitted by the Head of Development and Environment, informed members of the impacts the closure of Longannet Power Station could have on Clackmannanshire residents and businesses, the establishment of the Longannet Task Force as a response to the closure and the actions that are being considered.

**Motion**

That Council agrees the recommendations set out in the report.

Moved by Councillor Donald Balsillie. Seconded by Councillor Irene Hamilton.

**Decision**

The Council agreed the recommendations set out in the report.

**Action**

Head of Development and Environment

**CC.375            CAPITAL INVESTMENT FUND - ACQUISITION OF PROPERTY AT NORTH STREET AND MAIN STREET, CLACKMANNAN**

A report was submitted by the Head of Development and Environment which sought approval for acquisition of properties on North Street and Main Street, Clackmannan

**Motion**

That Council agrees the recommendations set out in the report.

Moved by Councillor Les Sharp. Seconded by Councillor Irene Hamilton.

**Decision**

The Council agreed the recommendations as set out in the report.

**Action**

Head of Development and Environment

Ends 1345 hrs



**MINUTES OF SPECIAL MEETING of the CLACKMANNANSHIRE COUNCIL held within  
the Council Chamber, Patons Building, Kilncraigs, ALLOA, FK10 1EB, on THURSDAY 4  
FEBRUARY 2016 at 10.00 am.**

**PRESENT**

Provost Tina Murphy (In the Chair)  
Councillor Donald Balsillie  
Councillor Archie Drummond  
Councillor Kenneth Earle  
Councillor Ellen Forson  
Councillor Irene Hamilton  
Councillor Craig Holden  
Councillor Kathleen Martin  
Councillor George Matchett, QPM  
Councillor Walter McAdam, MBE  
Councillor Bobby McGill  
Councillor Les Sharp  
Councillor Jim Stalker  
Councillor Derek Stewart  
Councillor Graham Watt  
Councillor Gary Womersley  
Rev. Sang Y Cha, Appointed Member (Church of Scotland)  
Pastor David Fraser, Appointed Member (Baptist Church)

**IN ATTENDANCE**

Elaine McPherson, Chief Executive  
Garry Dallas, Executive Director  
Stuart Crickmar, Head of Strategy and Customer Services  
Kevin Kelman, Assistant Head of Education  
David Leng, Head of Education  
Alan Milliken, Assistant Head of Education  
Eileen Turnbull, Asset Manager  
Andrew Wyse, Acting Legal Services Manager (Clerk to the Council)  
Gillian White, Business Support to Clackmannanshire Council

**CC.376            APOLOGIES**

Apologies were received from Councillor Janet Cadenhead and Councillor Alastair Campbell.

**CC.377            DECLARATIONS OF INTERESTS**

None.

**CC.378            PROPOSED TULLIBODY SOUTH CAMPUS DEVELOPMENT**

A report which sought approval to carry out a formal consultation under the Schools Consultation Act 2010 on the proposed development of a new Tullibody South Campus, consisting of Abercromby Primary School, St. Bernadette's RC Primary School, a Nursery and a Locality Hub was submitted by the Head of Education.

In response to questions from members, the Clerk confirmed that should a third option emerge from the consultation process, this will require to be reported to Council and if Council were minded to pursue that option there may be a need for further consultation.

**Motion**

That Council and Appointed Members agree the recommendations set out in the report.

Moved by Councillor Les Sharp. Seconded by Councillor Ellen Forson.

**Decision**

The Council and Appointed Members agreed to approve formal consultation on the following two options:

Option A - the relocation of St Bernadette's RC Primary School to a new Tullibody South Campus located within the grounds of the present Abercromby Primary School.

Option B - the relocation of Abercromby Primary School and St Bernadette's RC Primary School to a new Tullibody South Campus located within the grounds of the present Tullibody Civic Centre.

**Action**

David Leng, Head of Education

Ends 1100 hrs



## **CLACKMANNANSHIRE COUNCIL**

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**Date of Meeting: 3 March, 2016**

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**Subject: Leader's Briefing**

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### **1.0 Purpose**

- 1.1 The purpose of this briefing is to inform all elected members of a range of issues and activities which I have been engaged with in the past quarter. It is also intended to assist in raising awareness amongst members of a number of matters which affect the Council or the area and, as such, inform future workstreams.
- 1.2 Should any member of the Council wish to discuss any of the issues in this report in more detail, I will be happy to meet with them.
- 1.3 The report covers the period December, 2015 - February, 2016.

### **2.0 National Issues Affecting Clackmannanshire**

#### CoSLA

- 2.1 I attended the following CoSLA Meeting:

#### **CoSLA Leaders' on 29 January. Items discussed:**

- Leaders Workplan Refresh
- Local Government Settlement
- National Improvement Framework and Education Bill
- Social Care:
  - a) Social Care Charging
  - b) NCHC Negotiations
  - c) Reform of Social Care and the NCHC
- Public Health Review
- Transatlantic Trade and Investment Partnership
- Community Justice
- Local Government Boundary Commission for Scotland

- 2.2 Associated papers for this meeting have been placed on the members' portal for members to access.

### **3.0 Partnership Working**

- 3.1 I attended the following **NHS FV meetings/events**:

- 26 January - Board Meeting
- 26 January - Seminar - Financial Plan
- 26 January - Clackmannanshire and Stirling Integration Joint Board
- 4 February - Clackmannanshire and Stirling Joint Board - Finance and Resource Meeting
- 16 February - Board Seminar
- 16 February - Clackmannanshire and Stirling Integration Joint Board Pre-agenda Meeting

3.2 Associated papers for these meetings have been placed on the members' portal for members to access.

#### **4.0 Staff and Other Visits**

4.1 I attended the following meetings/events:

- 25 January - Ministerial Visit - Keith Brown MSP, Cabinet Secretary for Infrastructure, Investment and Cities to Abercromby Primary School
- 27 January - Holocaust Memorial Day Civic Event
- 28 January - Appointments Committee - Chief Education Officer - Long-leeting
- 9 February - Scottish Health and Social Care Integration Forum
- 12 February - Appointments Committee - Chief Education Officer - Short-leeting

4.2 I would be happy to provide additional information on any of the above events.

Signed: Councillor L Sharp

**Councillor Les Sharp  
Leader of the Council  
February, 2016**

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**Report to: Clackmannanshire Council**

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**Date: 3 March, 2016**

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**Subject: Committee Recommendations Referred to Council**

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**Report by: Chief Executive**

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## **1.0 Purpose**

- 1.1 The purpose of this report is to seek Council approval of recommendations which have been made by committees during the December, 2015 - February, 2016 cycle of meetings.
- 1.2 Under the Council's decision-making framework, Council has delegated certain matters to committees and has reserved certain powers. Included in the latter are the approval of main policies and strategies (Scheme of Delegation 3.2), the approval of budgets (Scheme of Delegation 3.19) and the spending of money not budgeted for (Scheme of Delegation 3.20).
- 1.3 Standing Order 8.4 requires that where a committee passes a report to Council, the full committee report shall not be included again on the council agenda and that officers should prepare a brief report that refers to the relevant committee report and recommendation(s).

## **2.0 Recommendations**

2.1 It is recommended that Council:

1. from the **Enterprise and Environment Committee of 14 January, 2016** in relation to the report entitled "*Local Flood Risk Management Planning Report (2016-2021)*"
  - Agrees that any additional funding allocated to local authorities by the Scottish Government for flood mitigation management, is spent entirely on the specific purposes of flood management for which it is used.
2. from the **Resources and Audit Sub-Committee of 17 February, 2016**, in relation to the report entitled "*Resources and Audit Sub-Committee Forward Plan*"
  - Agrees the Forward Plan for 2016/17 as set out in the appendix to the report.

3. from the **Resources & Audit Committee of 25 February, 2016**, in relation to the report entitled "*Council Financial Performance 2015-16*"

- Gives authority for the Social Work overspend in 2015/16 in line with Financial Regulation 4.4
- In respect of the utilisation of the full amount of Tranche 2 DWP DHP funding, authorises expenditure of up to £156k for the mitigation of welfare reform in line with Financial Regulations and the Council's current DHP policy.

2.2 The minutes (not R&A committee) and reports relating to these items are available on the Members' Portal.

### **3.0 Sustainability Implications**

NA

### **4.0 Resource Implications**

4.1. *Financial Detail*

4.2. *Staffing Implications*

There is no impact on the Council's establishment

### **5.0 Declarations**

5.1 The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

#### **(1) Our Priorities**

Our communities are more cohesive and inclusive  
Vulnerable people and families are supported  
The Council is effective, efficient and recognised for excellence

(2) **Council Policies** (Please detail) N/A

### **6.0 Equalities Impact**

6.1 N/A

### **7.0 Legality**

7.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes


### **8.0 Appendices**

8.1 None

## 9.0 Background Papers

- a) Agenda, together with Minute of the Enterprise and Environment Committee of 14 January, 2016
- b) Agenda, together with Minute of the Resources and Audit Sub-Committee of 17 February, 2016

### Author(s)

NAME	DESIGNATION	SIGNATURE
Elaine McPherson	Chief Executive	



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**Report to Clackmannanshire Council**

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**Date of Meeting: 3 March 2016**

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**Subject: Resources & Audit Sub-committee**

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**Report by: Head of Strategy & Customer Services**

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**1.0 Purpose**

- 1.1. The purpose of this report is to seek Council approval for Resources & Audit Sub-committee business to be considered by the full Resources & Audit Committee in future. If approved, this would remove the need for the Sub-committee as it currently exists.

**2.0 Recommendations**

- 2.1 It is recommended that Council agrees that Resources and Audit Committee will resume the functions delegated to the Resources & Audit Sub-committee, which will then cease to exist.

**3.0 Considerations**

Background

- 3.1. On 1 June 2012, Council approved the current decision-making framework. Scrutiny of community planning and its effectiveness was remitted to the Resources & Audit Committee. On 11 October 2012, Council determined that the Resources & Audit Committee would also be responsible for the scrutiny of Police and Fire Services within the context of single national services.
- 3.2. The Resources & Audit Committee subsequently (28 February 2013) considered a paper on the Scrutiny of Police, Fire & Rescue Services and other Key External Partners, on the basis that the Scheme of Delegation allows standing committees to establish sub-committees subject to Council approval. The Sub-committee's remit as proposed, and subsequently agreed by Council on 14 March 2013, is as follows:
- scrutiny of community planning and its effectiveness;
  - monitor the performance of Scottish Police Force and Scottish Fire Service against agreed outcomes, standards and targets as they relate to Clackmannanshire;

- scrutiny of public sector reform.
- 3.3. Council also agreed on 14 March 2013 that the Sub-committee be comprised of:
- the Convenor of Resources and Audit Committee, who will chair the meetings;
  - four members of the Resources and Audit Committee (two from the opposition parties and two from the Administration); and,
  - in consideration of committee responsibility for the issue of community safety, that the Convenor of Housing, Health and Care Committee is also an ex-officio non-voting member of the sub-committee.

#### Developments

- 3.4. The scope and quality of reporting has developed markedly since 2013. Sub-committee developments have reflected developments in Public Sector Reform. From mainly Police and Fire & Rescue Service reports in the initial phases, the Sub-committee now receives regular reports across a range of community planning business, as well as reporting from NHS Forth Valley and Clackmannanshire Third Sector Interface on their contributions to Clackmannanshire's Single Outcome Agreement. Further developments are in the pipeline, e.g. Community Justice.
- 3.5. The more established reports, e.g. those from Police & Fire, use the Covalent format. These particularly provide the Sub-committee with good quality performance information that has increasingly enabled effective scrutiny and greater understanding of the work and contribution of partners towards improving outcomes in Clackmannanshire.
- 3.6. Whilst there remains room for development within the role of the Sub-committee, there is also a developing sense that the scope and maturity of the business would benefit from consideration by the full Resources & Audit Committee. There are several aspects to this:
- the Sub-committee is dealing with core issues that are priorities for the Council and communities;
  - community planning is central to public sector reform, and for that matter, Council transformation, which is increasingly interdependent on joint resourcing with partners; and,
  - the pool of members is small - this had led to occasions when the Sub-committee, though quorate, has had as few as three elected members (including the Chair) in the Chamber for the purpose of scrutiny.

#### Proposal

- 3.7. Given the above, it is proposed that the Sub-committee is discontinued, with the role of scrutiny of the effectiveness of community planning and that of Police and Fire & Rescue Services reverting back to the full Resources & Audit Committee.



- 3.8. In order to make the business manageable, it is proposed that the existing schedules for R&A Committee and the Sub-committee are retained, with the Sub-committee dates being renamed and used to deal with full committee business. This would result in an additional four R&A Committees, with a total of 9 in an annual cycle. In practice it is anticipated that the current delineation of business will remain, with four Committees dedicated to community planning business, though it does provide the opportunity for flexibility should a future need arise.

#### 4.0 Sustainability Implications

- 4.1. There are no direct sustainability implications arising from this report.

#### 5.0 Resource Implications

##### 5.1. *Financial Details*

- 5.2. There are no direct financial implications arising from this report.

- 5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

##### 5.4. *Staffing*

#### 6.0 Exempt Reports

- 6.1. Is this report exempt? Yes  (please detail the reasons for exemption below) No

#### 7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities** (Please double click on the check box )

- |  |                                     |
|--|-------------------------------------|
| The area has a positive image and attracts people and businesses         | <input type="checkbox"/>            |
| Our communities are more cohesive and inclusive                          | <input type="checkbox"/>            |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/>            |
| Our communities are safer  | <input type="checkbox"/>            |
| Vulnerable people and families are supported                             | <input type="checkbox"/>            |
| Substance misuse and its effects are reduced                             | <input type="checkbox"/>            |
| Health is improving and health inequalities are reducing                 | <input type="checkbox"/>            |
| The environment is protected and enhanced for all                        | <input type="checkbox"/>            |
| The Council is effective, efficient and recognised for excellence        | <input checked="" type="checkbox"/> |

- (2) **Council Policies** (Please detail)

## 8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes  No

## 9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

9.2 Given there are only 18 Members of the Council, it is acknowledged that there is potential for conflict of interest from time to time where a Member of the resources & Audit Committee also has a policy leadership role in the context of other duties, e.g. as a member of the Community Planning Partnership. Where there is a potential conflict of interest, it should be raised as a declaration of Interest.

## 10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

None

## 11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  (please list the documents below) No

Report to Council: Council Decision Making Framework - 1 June 2012

Report to Council: Scrutiny of Police & Fire Services - 11 October 2012

Report to Resources & Audit Committee: Scrutiny of Police, Fire & Rescue Services and other Key External Partners - 28 February 2013

### Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Stuart Crickmar	Head of Strategy & Customer Services	2127

**Approved by**

<b>NAME</b>	<b>DESIGNATION</b>	<b>SIGNATURE</b>
Stuart Crickmar	Head of Strategy & Customer Services	Signed: S Crickmar
Garry Dallas	Executive Director	Signed: G Dallas



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**Report to Council**

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**Date of Meeting: 3<sup>rd</sup> March 2016**

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**Subject: Treasury Management Strategy Statement 2016/17**

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**Report by: Acting Chief Accountant**

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**1.0 Purpose**

- 1.1. The purpose of this report is to present the Council's Treasury Management Strategy Statement for 2016/17.
- 1.2. CIPFA defines treasury management as:

*“The management of the local authority’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.”*

**2.0 Recommendations**

- 2.1. It is recommended that Council:
- 2.1.1. Approve the Treasury Management Strategy Statement for 2016/17 attached as Appendix A.

**3.0 Considerations**

**Background**

- 3.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties commensurate with the Council’s low risk appetite, providing adequate liquidity initially before considering investment return.
- 3.2 The second main function of the treasury management service is the funding of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term

loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

### **Reporting Requirements**

- 3.3 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

**Prudential and treasury indicators and treasury strategy** - The first, and most important report covers:

- the capital plans (including prudential indicators);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

The first element on Prudential Indicators was presented and approved at the Special Council meeting on 23<sup>rd</sup> February 2016. This report takes forward the Treasury Management Strategy and Investment Strategy.

**A mid year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the performance of the treasury function is in line with the strategy or whether any policies require revision.

**An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

### **Treasury Management Strategy for 2016/17**

- 3.4 The strategy for 2016/17 covers the following areas:

- the current treasury position;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment policy;
- creditworthiness policy;
- country limits; and
- the investment strategy.

These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and Scottish Government Investment Regulations.

## **Training**

- 3.5 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. The last refresher was held on 22nd April 2014 and training for members is available on request. It is anticipated that a training session will be arranged for members during 2016/17.

The training needs of treasury management officers are periodically reviewed.

## **Treasury Management Consultants**

- 3.6 The Council uses Capita Asset Services as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. The current contract is in place until July 2018.

## **4.0 Conclusion**

- 4.1 The Treasury Management Strategy for 2016/17 builds on and consolidates the Council's existing Investment Strategy and Prudential Borrowing framework.

- 4.2 The strategy supports the delivery of the Council's capital investment plans but also remains intent on reducing the Council's overall relative level of external debt compared to Scottish Local Authority averages.

## **5.0 Sustainability Implications**

- 5.1 There are no sustainability implications.

## **6.0 Resource Implications**

### *6.1 Financial Details*

- 6.2 There are no direct financial implications arising from the recommendations in this report. Yes

- 6.3 Finance has been consulted and has agreed the financial implications as set out in the report. Yes

### *6.4 Staffing*

6.5 None

## 7.0 Exempt Reports

Is this report exempt? Yes  (please detail the reasons for exemption below) No

## 8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box )

- |  |                                     |
|--|-------------------------------------|
| The area has a positive image and attracts people and businesses         | <input type="checkbox"/>            |
| Our communities are more cohesive and inclusive                          | <input type="checkbox"/>            |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/>            |
| Our communities are safer  | <input type="checkbox"/>            |
| Vulnerable people and families are supported                             | <input type="checkbox"/>            |
| Substance misuse and its effects are reduced                             | <input type="checkbox"/>            |
| Health is improving and health inequalities are reducing                 | <input type="checkbox"/>            |
| The environment is protected and enhanced for all                        | <input type="checkbox"/>            |
| The Council is effective, efficient and recognised for excellence        | <input checked="" type="checkbox"/> |

(2) **Council Policies** (Please detail)

## 9.0 Equalities Impact

9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes  No

## 10.0 Legality

10.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

## 11.0 Appendices

11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A – 2016/17 Treasury Management Strategy Statement & Annual Investment Strategy

Appendix B - Investment Portfolio as at 31st January 2016



## 12.0 Background Papers

12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  (please list the documents below) No

Treasury Management in Public Service; Code of Practice and Cross Sectoral Guidance Notes 2011

The Prudential Code for Capital Finance in Local Authorities 2011

Interest rate forecasts

Economic background

Treasury management practice 1 - credit and counterparty risk management

Treasury management scheme of delegation

The treasury management role of the section 95 officer

### Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
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Lindsay Sim	Acting Chief Accountant	2078

### Approved by

NAME	DESIGNATION	SIGNATURE
Stephen Coulter	Head of Resources & Governance	Signed: S Coulter
Nikki Bridle	Depute Chief Executive	Signed: N Bridle



## 2016/17 TREASURY MANAGEMENT STRATEGY STATEMENT & ANNUAL INVESTMENT STRATEGY

The suggested strategy for 2016/17 in respect of the following aspects of the treasury management function is based upon the Council's views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Capita Asset Services.

The strategy for 2016/17 covers the following areas:

- the current portfolio position;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment policy;
- creditworthiness policy;
- country limits; and
- the investment strategy.

### **Borrowing**

The capital expenditure plans approved at the Special Council meeting on 23<sup>rd</sup> February provided details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury indicators, the current and projected debt positions and the annual investment strategy.

#### **1 Current Portfolio Position**

Within the Prudential Indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional CFR for 2016/17 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Council's treasury portfolio position at 31 March 2015 with forward projection are summarised in the table below. The table shows;

- the cumulative level of external debt held by the Council which represents the total amount of borrowing that has been undertaken to fund the capital programme;

- the expected change in debt which is any repayments of maturing debt less new debt undertaken in the year to fund the in-year capital programme;
- Other Long Term Liabilities which is the total of any Finance Lease or PFI arrangements;
- the expected change in Other Long Term Liabilities which refers to the repayments in the year made against this debt;
- the Capital Financing Requirement which is the cumulative amount of borrowing that the Council required to borrow to fund capital expenditure; and
- the under or over borrowing position which is the difference between the required need to borrow and the actual borrowing undertaken.

The code requires local authorities to maintain an under-borrowed position in the long term, this means that the total amount borrowed does not exceed the need to borrow. An under-borrowed position can occur where cash balances have been used to fund capital expenditure whereas, an over-borrowed position can occur where borrowing has been taken in advance of need. This is permissible in the short term to take account of timing of cash flows but the Council must return to an under-borrowed position in future years.

£000	2014/15 Actual	2015/16 Projection	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
<b>External Debt</b>					
Cumulative Debt at 1 April	115,721	118,658	102,653	104,465	113,016
Expected change in Debt	2,937	(16,005)	1,812	8,551	(699)
Other long-term liabilities (OLTL) at 1 April	46,248	45,005	43,715	42,404	41,342
Expected change in OLTL	(1,243)	(1,290)	(1,311)	(1,062)	(968)
<b>Actual gross debt at 31 March</b>	<b>163,663</b>	<b>146,368</b>	<b>146,869</b>	<b>154,358</b>	<b>152,691</b>
<b>The Capital Financing Requirement</b>	<b>161,238</b>	<b>156,741</b>	<b>155,850</b>	<b>155,747</b>	<b>153,488</b>
<b>Under / (over) borrowing</b>	<b>(2,425)</b>	<b>10,373</b>	<b>8,981</b>	<b>1,389</b>	<b>797</b>

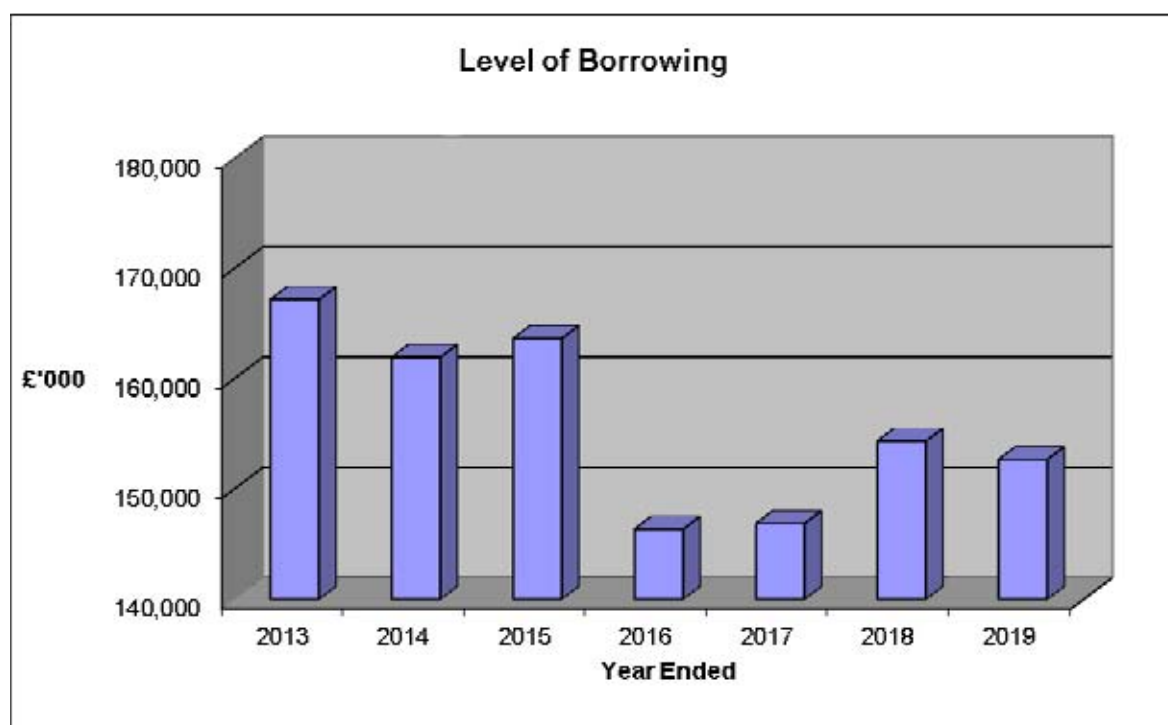
At the end of 2014/15 the Council's Gross Debt was more than the Capital Financing Requirement resulting in an over-borrowed position of £2.425m. This was as a result of additional grant income being awarded for the Redwell school project after its completion. As this funding had not been agreed in advance of incurring the capital expenditure, the project borrowing had already been undertaken. By the end of 2015/16 and in future years the Council's Capital Financing Requirement is forecast below Gross Debt maintaining a consistent under-borrowed position going forward,

therefore meeting the requirement of the indicator to be in an under borrowed position over the medium term.

The Capital Programme has been set in line with the Council's strategy to reduce long term debt. Repayment profiles of debt maturity mean there are variations in annual change in debt year on year. The table shows a reduction in cumulative external debt in 2015/16 with increases in the next two financial years and reducing at the end of 2018/19. This is due to there being no debt due to be repaid in the year that would offset the level of capital expenditure required per the capital programme. Despite these fluctuations, overall the table shows a potential reduction in loan debt of £11m over the years 2015/16 to 2018/19. The difference between the level of borrowing and the CFR shows the amount of internal borrowing/utilisation of cash balances to fund Capital expenditure.

The steady reduction in other long term liabilities reflects the annual repayments of the PFI debt and street lighting finance lease.

The continuing trend in reducing the Council's level of borrowing is consistent with the Treasury Strategy. This is illustrated in the following chart, demonstrating actual and forecast level of debt up to 2018/19.



## **2 Prospects for Interest Rates**

The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Capita central view.

Annual Average %	Bank Rate %	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
March 2016	0.50	1.70	3.20	3.00
June 2016	0.50	1.90	3.20	3.00
Sept 2016	0.50	2.00	3.30	3.10
Dec 2016	0.50	2.10	3.30	3.10
March 2017	0.75	2.20	3.50	3.30
June 2017	0.75	2.30	3.50	3.30
Sept 2017	1.00	2.40	3.60	3.40
Dec 2017	1.00	2.60	3.60	3.40
March 2018	1.25	2.70	3.70	3.50
June 2018	1.25	2.80	3.70	3.60
Sept 2018	1.50	2.90	3.70	3.60
Dec 2018	1.50	3.00	3.80	3.70
March 2019	1.75	3.10	3.80	3.70

UK economic growth rate has been the strongest of any G7 country for the previous two years and is likely to be again in 2015/16 although it is likely to disappoint previous forecasts and come in at a weakened lower rate. The overall strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.1%. The Bank of England's November Inflation Report included a forecast for growth to gain stronger momentum over the next three years, driven mainly by strong consumer demand and recovery of wage inflation. Investment expenditure is also expected to support growth. The weakening of the UK economic growth rate during 2015 and the deterioration of prospects in the international scene, have consequently led to forecasts for when the first increase in Bank Rate would occur, being pushed back to quarter 1 of 2017. The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20 and this timetable was maintained in the November Budget.

The United States of America (US), the largest world economy, made a strong comeback after a weak first quarter's growth at +0.6%(annualised) in 2015/16. The run of strong monthly increases in non-farm payroll figures for employment prepared the way for a long awaited first increase in rates of 0.25% in December 2015. However, the accompanying message with this is that further increases will be at a much slower rate.

The current economic outlook and structure of market interest rates and government debt yields have key treasury management implications:

- The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate
- Investment returns are likely to remain relatively low during 2016/17 and beyond;
- Borrowing interest rates have been highly volatile during 2015 as alternating good and bad news have promoted optimism, and then pessimism, in financial markets. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt.
- There remains a cost of carrying any new borrowing which causes an increase in investments as this will continue to incur a revenue loss between borrowing costs and investment returns.

### **3 Borrowing Strategy**

Over the medium term the Council is forecasted to maintain an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2016/17 treasury operations. The Depute Chief Executive will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was 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, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.*

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

## Borrowing Requirement

The Council's borrowing requirement shown in the table below is based on the in year borrowing estimated to be needed to fund the net expenditure in the Financial Plans / Capital Budgets for both Housing and General Fund Services which were approved at the Special Council meeting in February 2016.

The actual timing of any borrowing will be influenced by prevailing interest rates and expectations for future movement on rates. It may, for instance, be beneficial to delay borrowing until later than expected if interest rates remain low. Similarly, any slippage in the delivery of the capital programme or conversely new initiatives requiring funding will influence the timing of borrowing.

Over the longer term, repayments towards maturing debt should be higher than any new borrowing being undertaken to fund the Capital programme. The table below shows a reduction in external borrowing over the three years to 2018/19. This is consistent with the Council's existing strategy to reduce overall level of external debt compared to Scottish averages.

	<b>2016/17 Estimate £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>
Net New External Borrowing Requirement	1,817	8,556	(694)
Repayment of Maturing Debt	6,200	0	7,000
<b>Total Borrowing Requirement</b>	<b>8,017</b>	<b>8,556</b>	<b>6,306</b>

It should be noted that if replacement borrowing takes place it does not increase the level of the Council's total debt because by its nature this borrowing is replacing debt which already exists. The impact on the Council's external debt position would therefore only be the net new borrowing requirement shown.

## Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.



The Council is asked to approve the following treasury indicators and limits:

£m	2016/17	2017/18	2018/19
<b>Interest rate exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on</b>			
• Debt	90%	90%	90%
• Investments	60%	60%	60%
<b>Limits on variable interest rates based on</b>			
• Debt	25%	25%	25%
• Investments	75%	75%	75%
<b>Maturity structure of fixed interest rate borrowing 2015/16</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months	0%	25%	
12 months to 2 years	0%	25%	
2 years to 5 years	0%	50%	
5 years to 10 years	0%	75%	
10 years and above	0%	100%	
<b>Maturity structure of variable interest rate borrowing 2015/16</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months	0%	25%	
12 months to 2 years	0%	25%	
2 years to 5 years	0%	50%	
5 years to 10 years	0%	75%	
10 years and above	0%	100%	

#### **4 Policy on borrowing in advance of need**

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sum borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

#### **5 Debt Rescheduling**

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential 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 current treasury position and the size of the cost of debt repayment (premiums incurred).

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 treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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

All rescheduling will be reported to Council at the earliest meeting following its action.

## **Annual Investment Strategy**

### **1 *Investment Policy***

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk. Investment instruments identified for use in the financial year and Counterparty limits will be as set through the Council's treasury management practices – schedules.

Opportunities for investment arise naturally through Treasury Management activity and in particular the management of cash flows which can result in peaks and troughs in the amount of cash required during the year. The Council can also choose to have its various funds and reserves backed by cash held. Accordingly at any given point in time the Council is likely to have sizeable sums of cash available and in a best value context it is incumbent upon the Council to generate a return on such surplus cash by investing it wisely. It should be noted that these cash balances currently amount to over £9.4m as at 31<sup>st</sup> January 2016. Income generated on the use of surplus cash contributes to keeping the net expenditure of the Council lower than it otherwise would be.

The Council's investment policy has regard to the Scottish Government's Investment (Scotland) Regulations (and accompanying Finance Circular) 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 will be security first, liquidity second and then return.

In accordance with guidance from the Scottish Government and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

The Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that 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" and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Capita Asset

Services in producing its colour codings which show the varying degrees of suggested creditworthiness.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

## **2. Creditworthiness Policy**

This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated weighted modelling approach utilising a wide array of information sources including credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The use of a weighted approach reflects the average view across agencies.

This approach produces a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings of counterparties currently used will be monitored monthly. The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset 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 movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

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 sovereign support for banks and the credit ratings of that supporting government.

In the case where an investment is outwith the scope of the ratings agencies the Council will analyse the financial information available for that organisation such as annual accounts to assess the financial viability of the investment. Joint Venture arrangements, contractual agreements and financial guarantees from the Scottish Government are some of the elements that are used for the Council's current investments to ensure a minimal level of financial risk. For the investments listed in Appendix B, these all fall outwith the scope of the ratings agencies.

### **3. Country limits**

The Council has determined that it will only use approved counterparties registered to take deposits in the United Kingdom or approved counterparties registered in other countries who have an equal or better sovereign credit rating.

### **4. Investment Strategy**

**In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

**Investment returns expectations.** Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 1 of 2017. Bank Rate forecasts for financial year ends (March) are:

- 2016/17 0.75%
- 2017/18 1.25%
- 2018/19 1.75%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

Taking account of the current investment returns the suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next five years are as follows:

- 2016/17 0.60%
- 2017/18 1.25%
- 2018/19 1.75%
- 2019/20 2.00%
- 2020/21 2.25%

**Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

<b>Maximum principal sums invested &gt; 364 days</b>			
<b>£m</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Principal sums invested > 364 days	£12m	£12m	£12m

For its cash flow generated balances, the Council will seek to utilise its bank instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

#### **Onlending to Registered Social Landlords (RSL's)**

The Scottish Government has recently granted powers to enable Scottish Local Authorities to on lend to Registered Social Landlords in order to assist in the development of affordable housing. Any plans to utilise these powers will be reported for appropriate Council approval.

#### **5. *End of year investment report***

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



## APPENDIX B: Investment Portfolio as at 31<sup>st</sup> January 2016

<b>Cash and Cash Equivalents</b>	<b>Principal (£000)</b>	<b>Interest Rate</b>	<b>Account Type</b>
Bank of Scotland Plc	9,088	0.40%	Instant Access
Other Accounts	334	-	
<b>Total Cash and Cash Equivalents</b>	<b>9,422</b>	<b>0.40%</b>	

<b>Short Term Investments</b>	<b>Principal (£000)</b>
CSBP Developments	848
<b>Total Short Term Investments</b>	<b>848</b>

<b>Long Term Investments</b>	<b>Principal (£000)</b>
CSPB Investments	1
Clackmannanshire Regeneration	4,906
Coalsnaughton NHT Project	2,976
<b>Total Long Term Investments</b>	<b>7,883</b>

<b>TOTAL INVESTMENTS</b>	<b>18,153</b>
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**Report to:** Council

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**Date:** 3 March 2016

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**Subject:** Treasury Management Update at 30th September 2015

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**Report by:** Chief Accountant

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### **1.0 Purpose**

- 1.1. The purpose of this report is to present an update of Treasury Management activity for the period to 30th September 2015.

### **2.0 Recommendations**

- 2.1. It is recommended that the Council note and consider this mid year review of the Council's Treasury Management activities.

### **3.0 Considerations**

- 3.1. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that Council be updated on treasury management activities regularly (Treasury Management Strategy Statement, annual and midyear reports). This midyear report therefore ensures the Council is implementing best practice in accordance with the Code.

- 3.2 The report covers the following:

- The Economy and Interest Rates
- Interest Rate Forecast
- Investment Outturn for 2015/16
- Borrowing Requirement and Debt
- Borrowing Outturn for 2015/16
- Compliance with Treasury and Prudential Limits

#### **The Economy and Interest Rates**

- 3.3 The growth rate of the previous two years is expected to continue through 2015. The strong growth rate has resulted in employment falling quickly over the last three years, however this is increasing again due to the significant

increases in the minimum and living wage that were announced in July by the Chancellor.

- 3.4 There are considerable risks around whether inflation will rise in the near future as strongly and quickly as previously expected. This will make it more difficult for the central banks of both the US and the UK to raise rates as soon as had previously been expected, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from fallen oil and commodity prices, and the volatility in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.
- 3.5 There are potential risks around the UK EU membership which could impact on investor sentiment towards the UK and towards gilts as an investment and this would impact on PWLB rates. Interest rate forecasts therefore need to be considered with caution as high volatility around PWLB rates is expected to continue.
- 3.6 New borrowing has therefore been avoided in 2015/16 by running down surplus cash balances as per the Councils Treasury strategy to reduce long term debt. This will need to be carefully reviewed to avoid incurring higher borrowing costs in future years, when the council may not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt.

### Interest Rate Forecast

- 3.7 The Council's treasury advisors - Capita Asset Services, have provided the following interest rate forecast which shows an expected increase in Bank rate in the second quarter of 2016.

**Table1: Investment Forecast provided by Capita Asset Management**

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

### Investment Outturn for 2015/16

- 3.8 The Treasury Management Strategy Statement (TMSS) for 2015/16, which includes the Annual Investment Strategy, was approved by the Council on 5th March 2015. It can be confirmed that the approved limits within the Annual Investment Strategy were not breached during the period ended 30th September 2015.

- 3.9 The Bank Rate has remained at its historic low of 0.5% throughout the first six months of the year; it has now remained unchanged for over six years. Market expectations as to the timing of the start of an increase to this rate have been pushed back to the second quarter of 2016.
- 3.10 As at 30th September 2015 the Council held £13m of cash and cash equivalents (£21m at 31st March 2015). These have reduced in the first six months of the year due to the repayment of two £5m short term loans and a £6m PWLB loan being repaid from cash balances instead of undertaking new borrowing.
- 3.11 The average level of funds available for investment during the period to 30th September 2015 was £17m. These funds were available on a temporary basis and therefore to ensure the best interest rate was achieved a total of £9m was invested in short term deposits. The level of funds available was mainly dependent on the timing of payments, receipt of grants and progress on the Capital Programme.
- 3.12 The benchmark investment returns over the 6 months ended 30th September 2015 are illustrated in the undernoted table:

**Table 2: Benchmark Investment Returns 2015/16**

Benchmark	Benchmark Return
7 day	0.36%
1 month	0.38%
3 month	0.45%
6 month	0.60%
12 month	0.90%

- 3.13 The Council's budgeted cash investment return for 2015/16 was 0.60%. The Council achieved an actual investment return of 0.52% (£49K) for the period ended 30th September 2015. This comprised of 0.57% return on two 3 month deposits of £5m and £4m outperforming the benchmark by 0.12% and 0.4% on everyday cash balances which also outperformed the benchmark return for both 7 day and 1 month investments. The actual investment return is lower than the budgeted return of 0.60% which was originally based on an expected interest rate rise during 2015/16. To date interest rates have remained at 0.5% and are expected to do so until the next financial year.

### **Borrowing Requirement and Debt**

- 3.14 The Council's underlying need to borrow to finance capital expenditure, termed the Capital Financing Requirement (CFR) is shown below. This shows a reduction in actual CFR from Budget mainly due to slippage in Capital programme.

**Table 3: Borrowing Requirement (CFR) 2015/16**

	<b>31 March 2015 Actual £000</b>	<b>31 March 2016 Budget £000</b>	<b>31 March 2016 Projected as at 30th September 2015 £000</b>
CFR General Fund	130,536	127,683	124,689
CFR HRA	30,702	34,576	34,549
<b>Total CFR</b>	<b>161,238</b>	<b>162,259</b>	<b>159,238</b>

**Borrowing Outturn for 2015/16****New Borrowing**

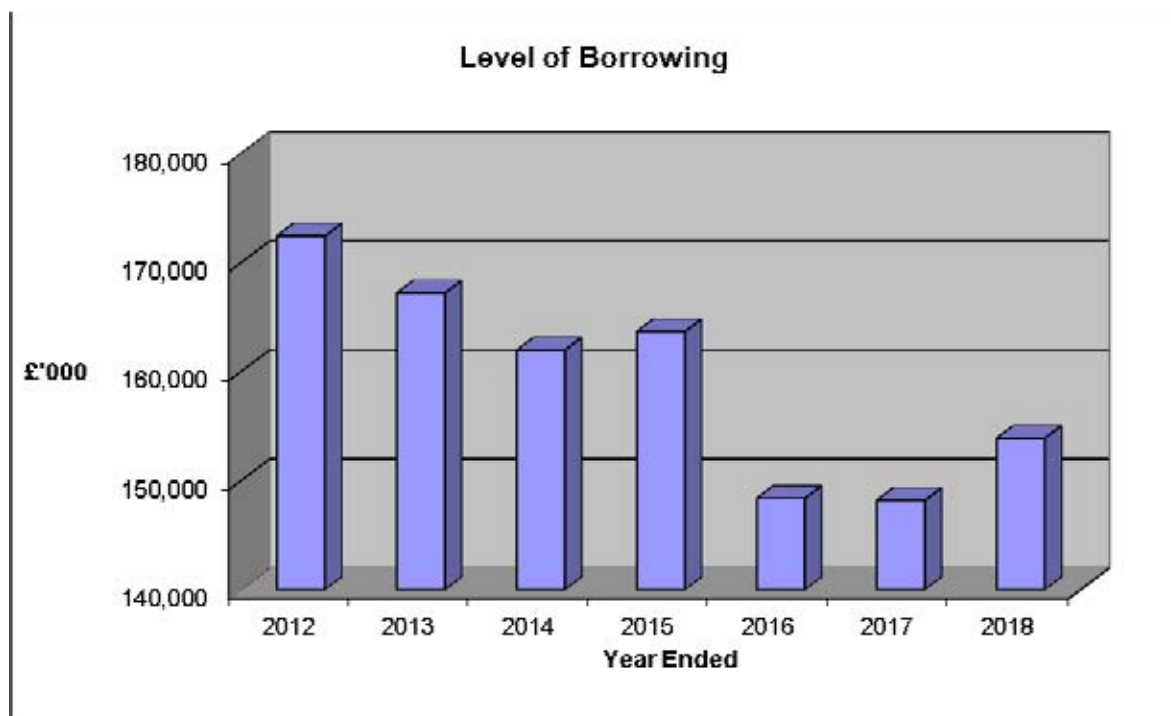
- 3.15 During the period to 30th September 2015, the Council repaid £16m of maturing debt consisting of £10m short term borrowing undertaken in 14/15 and a £6m PWLB loan. Existing temporary available cash funding has been used to repay the maturing debt. It is anticipated that only £2m new borrowing will be required by the year end due to the current slippage in the capital programme.
- 3.16 The £2m new borrowing will be funded by internal cash balances or through external debt.
- 3.17 Repayments of £0.645m were also made in the first 6 months of the year toward the Council's PFI and finance lease.
- 3.18 The Council's external borrowing position as at 30th September 2015 and expected year end position is illustrated in the undernoted table:

**Table 4: External borrowing at 2015/16**

	<b>Actual March 2015 £000</b>	<b>Actual September 2015 £000</b>	<b>Projected March 2016 £000</b>
Public Works Loan Board	84,646	78,646	78,646
Market Loans	24,012	24,007	24,007
Other long term liabilities	45,005	44,360	43,715
Temporary Loans (<1 year)	10,000	0	2,000
<b>Total</b>	<b>163,663</b>	<b>147,013</b>	<b>148,368</b>

- 3.19 The Capital Programme has been set in line with the Council's strategy to reduce long term debt and budgeted levels remain fairly consistent over the next few years. This is illustrated in the following chart, demonstrating actual and forecast level of debt up to the end of 2017/18.

**Table 5: External debt (actual and forecast)**



3.20 Repayment profiles of debt maturity mean there are variations in annual change in debt year on year. The table shows a reduction in cumulative external debt over the next two financial years, rising slightly at the end of 2017/18. This is due to there being no debt due to be repaid in the year that would offset the level of capital expenditure required per the capital programme. Despite these fluctuations, overall the table shows a continuing trend of reducing debt with a reduction of £19m in loan debt over the years 2011/12 to 2017/18. This reduction is also as a result of maturing debt not being replaced due to the running down of internal cash balances. As at 30th September 2015 cash balances remain strong and further utilisation of these balances will be assessed against the cost of external borrowing to fund any future financing requirement.

#### **Borrowing in advance of need**

3.21 The Council has not borrowed in advance of need in the six months ended 30th September and has no intention to borrow in advance in 2015/16.

#### **Debt Rescheduling**

3.22 Debt rescheduling opportunities have been limited in the current economic climate as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable. Consequently no debt rescheduling has been undertaken.

#### **Compliance with Treasury and Prudential Limits**

3.23 It is a statutory duty for the Council to determine and keep under review the affordable capital expenditure limits. The Council's Treasury and Prudential

Indicators (affordability limits) are included in the approved Treasury Management Strategy Statement.

- 3.24 During the financial year to 30 September 2015 the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in appendix 2.

#### **4.0 Conclusions**

- 4.1 Cash and cash equivalents have reduced in the first six months of the year due to the repayment of two £5m short term loans and a £6m PWLB loan being repaid from cash balances instead of undertaking new borrowing.

- 4.2 The council has repaid £0.645m towards PFI and Finance leases

- 4.3 The Council continues to outperform the benchmark return in interest on investments and cash balances are at a level of c£13m which contributes to supporting the Council's capital financing requirement internally.

#### **5.0 Sustainability Implications**

- 5.1 None

#### **6.0 Resource Implications**

##### *6.1 Financial Details*

- 6.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

Yes

- 6.3 Finance have been consulted and have agreed the financial implications as set out in the report.

Yes

##### *6.4 Staffing*

- 6.5 None

#### **7.0 Exempt Reports**

- 7.1 Is this report exempt? Yes  (please detail the reasons for exemption below)  
No

## 8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

### (1) Our Priorities (Please tick )

- The area has a positive image and attracts people and businesses
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment
- Our communities are safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

### (2) Council Policies (Please detail)

Treasury Management Policy Statement and Practices

## 9.0 Equalities Impact

9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

N/A Yes  No

## 10.0 Legality

10.1 In adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

## 11.0 Appendices

11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 – Investment Portfolio as at 30th September 2015

Appendix 2 - Prudential and Treasury Indicators as at 30th September 2015

## 12.0 Background Papers

12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  (please list the documents below) No

Treasury Management Strategy 2015/16 - report to Council March 2015

**Author**

<b>NAME</b>	<b>DESIGNATION</b>	<b>TEL NO / EXTENSION</b>
Anne Wallace	Accountant	2256
Lindsay Sim	Chief Accountant	2078

**Approved by**

<b>NAME</b>	<b>DESIGNATION</b>	<b>SIGNATURE</b>
Stephen Coulter	Head of Resources & Governance	Signed: S Coulter
Nikki Bridle	Depute Chief Executive	Signed: N Bridle



## APPENDIX 1: Investment Portfolio as at 30th September 2015

<b>Borrower</b>	<b>Principal (£000)</b>	<b>Interest Rate</b>	<b>Start Date</b>	<b>Maturity Date</b>
Bank of Scotland Plc	5,000	0.57%	03/07/15	05/10/15
Bank of Scotland Plc	4,000	0.57%	05/08/15	05/11/15
Bank of Scotland Plc	3,859	0.40%	Instant Access	
Other Accounts	24	-		
<b>Total Cash and Cash Equivalents</b>	<b>12,883</b>	<b>0.52%</b>		

<b>Short Term Investments</b>	<b>Principal (£000)</b>
CSBP Developments	848
<b>Total Short Term Investments</b>	<b>848</b>

<b>Long Term Investments</b>	<b>Principal (£000)</b>
CSPB Investments	1
Clackmannanshire Regeneration	4,906
Coalsnaughton NHT Project	2,976
<b>Total Long Term investments</b>	<b>7,883</b>

<b>TOTAL INVESTMENTS</b>	<b>21,614</b>
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## APPENDIX 2: Prudential and Treasury Indicators as at 30th September 2015

Treasury Indicators	2015/16 Budget £'000	2015/16 Outturn as at 30 <sup>th</sup> September 15 £'000
Authorised limit for external debt	175,000	175,000
Operational boundary for external debt	165,000	165,000
Gross external debt	154,246	148,368
Investments	21,447	21,614
Net borrowing	132,799	126,754

Maturity structure of fixed rate borrowing - upper and lower limits (excluding PFI and Finance Leases)	Upper and Lower Limits	Fixed Rate Borrowing as at 31st March 2016 £'000	% of Total Fixed Rate Borrowing
Under 12 months	25% - 0%	8,200	9.3%
12 months to 2 years	25% - 0%	-	0.0%
2 years to 5 years	50% - 0%	5,412	6.2%
5 years to 10 years	75% - 0%	5,006	7.6%
10 years and above	100% - 0%	67,534	76.9%

<b>Prudential Indicators</b>	<b>2015/16 Budget £'000</b>	<b>2015/16 Outturn as at 30<sup>th</sup> September 15 £'000</b>
<b>Capital expenditure - General Fund Services</b>	9,895	7,751
<b>Capital expenditure - Housing Revenue Account</b>	14,743	14,012
<b>Capital Financing Requirement (CFR) - General Fund</b>	127,683	126,399
<b>Capital Financing Requirement (CFR) - HRA</b>	34,576	32,839
<b>Annual change in CFR - General Fund</b>	(2,853)	(4,137)
<b>Annual change in CFR - HRA</b>	3,874	2,137
<b>In year borrowing requirement</b>	7,871	2,000
<b>Ratio of financing costs to net revenue stream - General Fund</b>	8.16%	8.11%
<b>Ratio of financing costs to net revenue stream - HRA</b>	18.31%	16.92%