

AGENDA FOR

OVERVIEW AND SCRUTINY COMMITTEE

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To: All Members of Overview and Scrutiny Committee

Councillors : R Caserta (Chair), T Cummings,
E Fitzgerald, M Hankey, J Harris, M James, K Leach,
R Skillen, S Smith, J Walker and S Wright

Dear Member/Colleague

Overview and Scrutiny Committee

You are invited to attend a meeting of the Overview and Scrutiny Committee which will be held as follows:-

Date:	Tuesday, 9 January 2018
Place:	Committee Room A & B, Bury Town Hall
Time:	7.00 pm
Briefing Facilities:	If Opposition Members and Co-opted Members require briefing on any particular item on the Agenda, the appropriate Director/Senior Officer originating the related report should be contacted.
Notes:	

AGENDA

1 APOLOGIES

2 DECLARATIONS OF INTEREST

Members of the Overview and Scrutiny Committee are asked to consider whether they have an interest in any matters on the agenda and, if so, to formally declare that interest.

3 PUBLIC QUESTION TIME

A period of 30 minutes has been set aside for members of the public to ask questions on matters considered at the last meeting and set out in the minutes or on the agenda for tonight's meeting.

4 MINUTES OF PREVIOUS MEETING *(Pages 1 - 10)*

The Minutes of the last meeting held on 22 November are attached.

5 2017/18 MID YEAR REVIEW OF THE COUNCIL'S TREASURY MANAGEMENT STRATEGY *(Pages 11 - 20)*

A report from the Cabinet Member for Finance and Housing is attached.

6 PROGRESS MADE ON ACTIONS IDENTIFIED IN THE NEWSAM REPORT

An update will be given at the meeting.

7 MANAGING PARKS AND OPEN SPACES

The report will follow.

8 URGENT BUSINESS

Any other business which by reason of special circumstances the Chair agrees may be considered as a matter of urgency.

Minutes of: **OVERVIEW AND SCRUTINY COMMITTEE**

Date of Meeting: 22 November 2017

Present: Councillor R Caserta (in the Chair)
Councillors T Cummings, E Fitzgerald, M Hankey, J Harris,
M James, S Smith, J Walker and S Wright

Also in attendance: Councillor E O'Brien and Councillor A Quinn

Public Attendance: No members of the public were present at the meeting.

Apologies for Absence: Councillor K Leach and Councillor R Skillen

OSC.259 DECLARATIONS OF INTEREST

Councillor S Wright declared a personal interest in any items relating to schools as his wife is employed at a Bury School.

Councillor Cummings declared a personal interest two items; Highways Maintenance and Environmental Quality and Fly Tipping as he is Deputy Cabinet Member, Environment.

OSC.260 PUBLIC QUESTION TIME

There were no members of the public present to ask questions.

OSC.261 MINUTES OF PREVIOUS MEETING

It was agreed:

That the Minutes of the Meeting held on 7 September 2017 be approved as correct records and signed by the Chair.

OSC.262 CORPORATE FINANCIAL MONITORING REPORT , APRIL 2017 - SEPTEMBER 2017

Councillor O'Brien, Cabinet Member, Finance and Housing and Steve Kenyon, Interim Executive Director of Resources and Regulation presented a report informing Members of the Council's financial position for the period April 2017 to September 2017.

Members of the Committee were asked for comments and questions;

- Councillor Smith stated that the overspend hadn't reduced much from the last report received and asked how accurate the financial forecasts were.

Steve explained that the forecasts were made up of actual spend plus committed spend. At the start of the process activity and demand is considered and then new information is added as the year goes on. The forecast also needed to include changes in demand and unknown pressures that may arise.

- Councillor Harris referred to the Better Care Fund and other grants and asked whether the Council was doing as much as possible to utilise the funds available to it.

It was explained that there were two different types of grants. The Better Care Fund is one that is received automatically and then there are other ones such as 'I Will if You Will' that involve bidding for.

There isn't a dedicated officer to bid for the grants but every service is encouraged and do look for a bid for grants specific to their service.

- Councillor FitzGerald referred to the new national funding formula and the fact that schools were currently deciding which option to pick in relation to this. Councillor FitzGerald asked what would happen to the overspend in schools and the requirement that they pay it back. Councillor FitzGerald also referred to the 8 options for schools to choose from and whether schools were being advised on which option would be the most suitable for them.

It was explained that this was something that the Council was aware of and work was being done to address the issue.

- Councillor Hankey stated that the deficit usually reduces as the year goes on but the decrease is less this year and asked whether the Council was confident that it will reduce more.

Steve explained that he was confident that work was being done across the Council to address budget issues but there were always the unknowns that you couldn't anticipate.

- Councillor Hankey referred to service redesigns that were being carried out and asked whether there was enough time for these to be completed.

It was explained that the service redesigns had been scheduled to take place over 3 years but will deliver at different times.

- Councillor Hankey asked whether the Council could afford to keep services such as the civic halls open until the reviews were completed. There had

been a number of civic hall reviews and nothing had changed. Should this be dealt with as a matter of urgency.

Councillor O'Brien explained that the Star Chambers looked at all different aspects of services including how to increase capacity.

- Councillor Wright referred to the delays in achieving savings that were set out in the report and stated that there seemed to be a lot of delays highlighted.

It was explained that the service redesigns needed to be right so could take longer than initially planned or be changed. There was more analysis of budgets than ever before.

- Councillor Smith referred to staff vacancies and the fact that less staff meant that less work could be done on achieving the aims set out in the action plans.
- Councillor Smith asked that the Treasury Management Team be thanked for their hard work and achievements over the past year.
- Councillor Smith referred to the 10 point saving strategy and stated that the savings would get to a point where they would reach the maximum they could. Councillor Smith asked how close the Council was to not being able to provide services.

Steve Kenyon explained that Bury Council was in no worse situation than any other council but the test was to look at where to prioritise the money.

Councillor O'Brien explained that it was also necessary to inform the public and partners where the priorities were and what they should expect.

- Councillor Hankey referred to the Council's portfolio of investments and the properties that had been invested in and the shortfall that was being recorded in relation to this. He asked what the reason behind this was.

Steve explained that the Council had 4 properties that were purely for investment and there was a good yield being received from these. The Council also had operational properties across the borough that weren't achieving their full potential.

- Councillor Hankey asked for further information in relation to the investment properties.

Steve stated that he would provide this information to Councillor Hankey.

- Councillor Caserta referred to the shortfall in relation to the adolescent support unit and asked how this issue was progressing.

Steve stated that he would request more information on this issue from Children's Services.

- Councillor Caserta stated that a company had met with parents of children requiring home to school transport and discussed the use of mobility budgets to fund this service. Councillor Caserta asked how this issue was progressing.

Councillor O'Brien explained that there had been a change in the way that the service was delivered but the issue wasn't about money, it was about the number requiring the service.

- Councillor Caserta referred to business rate retention and asked what measures were in place to attract new business to the borough.

It was explained that work was being done in relation to Treasury Management, investments including the Manchester Airport Group, Increasing the number of businesses, access to sites, skill improvement, regeneration of brownfield sites and regeneration of other town centres across the borough.

- Councillor Caserta reported that Rochdale Council had a link to a dedicated website offering businesses incentives, the website and asked what Bury Council were doing.

Councillor O'Brien explained that Bury offered the same business friendly policies and incentives as Rochdale and he would ask that the information available on the Council website was reviewed to ensure that it was as informative and attractive as possible.

- Councillor FitzGerald referred to the projected £3.5m overspend and stated that if this stayed the same it could add up to a £12m overspend once everything was added up. Councillor FitzGerald asked if it would be possible to see how this bridge was to be gapped in relation to transformation money, business rates etc.

Steve stated that he would provide this information to Councillor FitzGerald.

It was agreed:

That the contents of the report be noted.

OSC.263 LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN COMPLAINTS AND OMBUDSMAN'S ANNUAL REVIEW LETTER 2016/17

Jayne Hammond, Assistant Director - Legal and Democratic Services presented a report setting out the findings and recommendations of the Local Government and Social Care Ombudsman.

It was explained that the Council receives an Annual Report summarising all complaints dealt with by the Local Government and Social Care Ombudsman.

The number of complaints received for the last two years was reported as:
2015/2016 – 53, 2016/2017 – 57

These were broken down into services:

	2015/2016	2016/2017
Adult Care Services	12	13
Corporate & Other Services	1	1
Education & Children's	9	11
Environmental	11	13
Highways & Transport	9	5
Planning & Development	5	3
Housing	2	2
Benefits & Tax	8	5
Other	0	0

These were then broken down into decisions:

	2015/2016	2016/2017
Investigated – Upheld	6	5
Investigated – Not Upheld	8	10
Advice given	1	1
Closed after initial enquiries	15	12
Incomplete/invalid	1	1
Referred back for local resolution	29	25

Appended to the report were the Ombudsman's Annual Review letter 2017 and details of the upheld decisions and the actions required to remedy these.

Members were given the opportunity to ask questions and make comments and the following points were raised:

- Councillor Smith asked whether any complainants who are advised by the Ombudsman to complain to the Council don't.

It was stated that this was a possibility but the figures would be unknown.

- It was asked whether Councillors received information regarding ombudsman cases relating to their wards.

It was explained that the Standards Committee had recommended that councillors be advised of any issues relating to their wards that have been referred back by the ombudsman.

It was agreed:

That contents of the report be noted.

OSC.264 HIGHWAY MAINTENANCE

Councillor Quinn, Cabinet Member for Environment attended the meeting along with Neil Long, Assistant Director (Operations) and Peter Stokes, Group Engineer – Highways Maintenance.

It was explained that Highways Operations is the in-house team responsible for reactive highway maintenance, highway weed control, road markings, highway drainage, highway safety inspections, highway related customer enquiries, street works inspections and highway enforcement.

The key highway assets maintained by the team were set out:

Roads – 660km
Footways – 1200km
Road Gullies – 42,000 no.
Road Signs – 15,000 no.
Guardrail – 15km

The key statistics relating to highways operations were also set out:

Completed over 13,00m² of carriageway and footway repairs in 2016/2017.
Completed 5,516km of walked Highway Safety Inspection per annum.
Resolved 7,235 customer enquiries in 2016/2017.

It was reported that all road markings, highway drainage repairs and highway weed control works are carried out by external contractors, this equates to approximately 40% of the highway maintenance revenue budget for works.

It was explained that the Highway Operations revenue budgets for carriageway and footway maintenance have reduced by approximately 66% since 2009.

The total carriageway and footway revenue budget for 2017/2018 was reported as being £493,000 (based on a network length of 660km. The 2016/2017 greater Manchester average carriageway and footway revenue budget was approximately £726,000 for a 660km network length.

It was explained that Highways Operations employ a number of innovative systems and techniques including:

Handheld GPS technology to record inspections, instruct works and record defects/completed works;
CAT planing machines which reduce exposure to hand arm vibration;

Spray injection patching machines, and;
Highway inspection repairs.

It was reported that there remains a disparity between capacity and demand and it was projected that approximately 1500 highway safety repair jobs will not be completed in 2017/2018.

Those present were given the opportunity to ask questions and make comments and the following points were raised;

- Councillor Steve Wright referred to the £10m investment that had recently been announced and the fact that only £1.5m had been allocated for work in the November action plan. Councillor Wright asked why more actions hadn't been included with regard to the investment money.

Neil explained that that the remaining £8.5m would be invested long term.

The £1.5 would be drawn down in three tranches of £500k for carriageway patch and footway lengths resurfacing and would focus on meeting reactive targets.

Neil reported that where planned utility work was due to be carried out maintenance would not take place. When companies such as Virgin Media indicate that they are carrying out a schedule of work Highways Operations will wait until that work has been carried out and then inspect.

It was also explained that there was a formula that was used to work out which roads were in most need of repair and this included the state and usage of the road insurance claims and public complaints.

- Councillor J Walker explained that work was currently being undertaken by a private company on some of the footpaths within his ward. Some of the reinstatement after completion looked quite messy and Councillor Walker asked what could be done to rectify this.

It was explained that the New Roads and Street Works Act included the standards and specification required for the reinstatement of openings in highways and footpaths. This allowed the Council to inspect works carried out to ensure that they have been completed to a satisfactory standard.

- Councillor Harris referred to weed spraying across the borough and the fact that there had only been 1 spray carried out.

Neil explained that there had been issues with the contract in relation to weed spraying and problems with the timing of when the spraying had been done. The concerns had been evaluated and the spraying would revert back to twice a year from now on.

- Councillor Wright asked whether the £10m in the budget would be financed long term by a decline in insurance claims.

Neil explained that there wouldn't be such a reduction in claims that this would be possible. £8.5m will be used on early intervention work and resurfacing which would reduce claims.

Councillor Quinn explained that the Confirm System allows for residents to go online and report issues such as potholes. As soon as the system receives the information it is automatically entered onto the system. It was anticipated that system would be updated to include a maps function which will help with tracking individual cases.

Neil explained that the aim was to have all issues reported online which will allow for easier tracking. It will also mean that residents can see if an issue has already been reported.

- Councillor Caserta asked whether there were any opportunities for the Highway Operations to generate income.

Peter explained that there were already a couple of services that the Council charged for carrying out such as dropped curbs. The Council would continue to look for income generating opportunities.

It was agreed:

1. That the contents of the report be noted
2. That Councillor Quinn, Neil Long and Peter Stokes be thanked for their report.

OSC.265 ENVIRONMENTAL QUALITY AND FLY TIPPING

Councillor Quinn, Cabinet Member for Environment attended the meeting along with Neil Long, Assistant Director (Operations) and Lorraine Chamberlin Head of Health and Environmental Protection.

It was explained that there was a small cross departmental group of Council Officers called the Environmental Quality and Fly Tipping Task Group who were working to improve the Council's response to increasing levels of fly tipping in the borough.

The group have identified hotspots which are targeted by fly-tippers on a sporadic basis. From this work they have been able to identify sites that are targeted more regularly and where a range of interventions such as signage, enforcement, targeted community action and deployment of CCTV may assist with catching offenders and act as a deterrent.

The group had been allocated a one off budget of £100k to tackle problems in the following ways:

Common Management Information System - £5,000
Targeted Neighbourhood Action - £30,000
CCTV Surveillance - £15,000

Replace Damaged and Missing Bins - £35,000

Replace Fly Tipping and Dog Fouling Signage - £5,000

Fly Tipping Clearance in Back Streets and Private Land Hot Spots - £10,000

It was reported that during 2017 there had been 4 prosecutions and 2 simple cautions for fly tipping and duty of care offences and these had been publicised through social media and the press.

It was also reported that the Council had been working with residents and local businesses to encourage the upkeep of unadopted back streets.

Work was ongoing in relation to public rights of way and sometimes attract fly tippers due to their ease of access and not being in view of the public. Barriers had been erected at some sites to prevent vehicular access and the areas which were considered hotspots were being evaluated for signage and CCTV coverage.

It was explained that there had been a recent community tidy up which had been carried out in one area of the borough. It had involved neighbourhood working with the community and had been a successful exercise. The area was being monitored following the tidy up and was staying relatively clear.

Those present were given the opportunity to ask questions and make comments and the following points were raised:

- Councillor Walker asked if Councillors could be given information which would enable them to help with future tidy up schemes and arrange their own.

It was explained that the pilot that had been carried out would be assessed and it was planned to produce a toolkit which could then be rolled out to all neighbourhoods.

- Councillor Smith referred to the use of CCTV and asked what legal restrictions there were relating to this.

Neil explained that the use of CCTV would be used as a deterrent so would be signed in the areas in which it was installed, mainly small patches of land that were frequently being used for dumping.

It was agreed:

1. That the contents of the report be noted.
2. That Councillor Quinn, Neil Long and Lorraine Chamberlin be thanked for their report.

OSC.266 CHILDREN'S SOCIAL CARE SERVICES ANNUAL COMPLAINTS REPORT - APRIL 2016 - MARCH 2017

The Annual Complaints Report was submitted for information.

COUNCILLOR R CASERTA
Chair

(Note: The meeting started at 7.00 pm and ended at 9.00 pm)

REPORT FOR DECISION

Agenda Item	
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DECISION OF:	CABINET OVERVIEW & SCRUTINY COMMITTEE COUNCIL
DATE:	13 DECEMBER 2017 9 JANUARY 2018 17 JANUARY 2018
SUBJECT:	TREASURY MANAGEMENT STRATEGY – MID YEAR REVIEW 2017/18
REPORT FROM:	CABINET MEMBER FOR FINANCE & HOUSING
CONTACT OFFICER:	STEPHEN KENYON, INTERIM EXECUTIVE DIRECTOR OF RESOURCES AND REGULATION
TYPE OF DECISION:	COUNCIL
FREEDOM OF INFORMATION/STATUS:	The report is within the public domain
SUMMARY:	<p>This mid year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:</p> <ul style="list-style-type: none"> • An economic update for the 2017/18 financial year to 30 September 2017 • A review of the Treasury Management Strategy Statement and Annual Investment Strategy • The Council's capital expenditure (prudential indicators) • A review of the Council's investment portfolio for 2017/18 • A review of the Council's borrowing strategy for 2017/18 • A review of any debt rescheduling undertaken during 2017/18 • A review of compliance with Treasury and Prudential Limits for 2017/18
OPTIONS & RECOMMENDED OPTION	It is recommended that, in accordance with CIPFA's Code of Practice on Treasury Management, the report be noted.

IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes
Statement by the S151 Officer: Financial Implications and Risk Considerations:	Treasury Management is an integral part of the Council's financial framework and it is essential that the correct strategy is adopted in order to ensure that best value is obtained from the Council's resources and that assets are safeguarded.
Statement by Interim Executive Director of Resources and Regulation:	There are no wider resource implications
Equality/Diversity implications:	No
Considered by Monitoring Officer:	Yes
Wards Affected:	All
Scrutiny Interest:	Overview & Scrutiny Committee

TRACKING/PROCESS

DIRECTOR: STEVE KENYON

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
29 November	13 December	N/a	N/a
Scrutiny		Committee	Council
9 January			17 January

- 1.1 The Council operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

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, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined 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".

- 1.2 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) was adopted by this Council on 24 February 2010.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is: Overview & Scrutiny Committee.

- 1.3 This report fulfils the requirement to produce a mid-year review.

2.1 Economic Performance to date

2.1.1 UK GDP growth rates in 2017 have weakened since 2016, +0.3% (+1.7% y/y) in quarter 1 and +0.3% (1.5% y/y) in quarter 2, giving the slowest growth in the first half of the year since 2012. The main reason for this has been the sharp increase in inflation, leading to a reduction in consumer disposable income and weak growth in the services sector which accounts for 75% of GDP.

2.1.2 The Bank of England meeting on November 2nd announced an increase in Bank Rate from 0.25% to 0.50%.

2.1.3 The Bank of England Inflation Reports during 2017 have predicted a peak in inflation of just over 3% in 2017, before falling back to near 2% within 2 years.

2.2 Interest rate Forecasts and Outlook

2.2.1 The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.50%	1.60%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%
50yr PWLB rate	2.70%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%

Capita Asset Services undertook its last review of interest rate forecasts on 9th August after the quarterly Bank of England inflation Report. The MPC meeting on 2nd November raised the interest rate to 0.50%. It is uncertain whether the MPC will stop at just withdrawing the emergency bank rate cut of 0.25% in August 2016, after the result of the EU referendum, or whether they will embark on a series of further increases during 2018.

2.2.2 The overall balance of risks to economic recovery in the UK is currently on the downside but there are large variables over the final form of Brexit and when this will happen.

3.0 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UP-DATE

3.1 The Treasury Management Strategy Statement (TMSS) for 2017/18 was approved by the Council on 22 February 2017.

3.2 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

4.0 THE COUNCIL'S CAPITAL POSITION (PRUDENTIAL INDICATORS)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

4.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget

Capital Expenditure	2017/18 Original Estimate £m	2017/18 Revised Estimate £m
Non-HRA	6.691	28.716
HRA	9.991	7.839
Total	16.682	36.556

The increase of the revised estimate over the original estimate is due to slippage from 2016/17 of £28.253m offset by estimated project reprofiling to 2018/19 of £15.730m

4.2 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

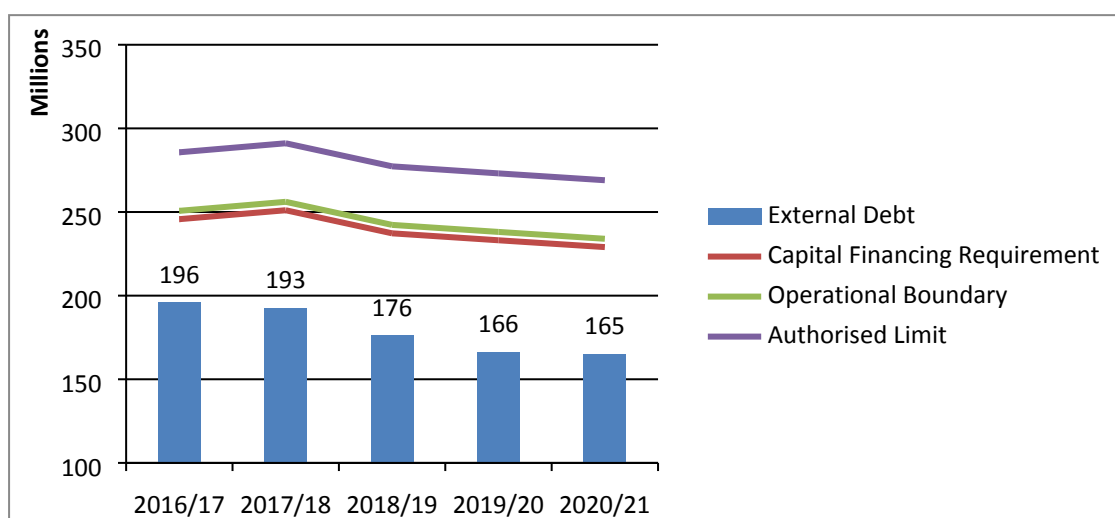
The table shows the Capital Financing Requirement, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

	2017/18 Original Estimate £m	2017/18 Revised Estimate £m
Prudential Indicator - Capital Financing Requirement		
CFR – non HRA	116.218	118.471
CFR – HRA existing	40.530	40.531
Housing Reform Settlement	78.253	78.253
Total CFR	235.001	237.255
Prudential Indicator - External Debt / the Operational Boundary		
Borrowing	235.000	237.300
Other long term liabilities	5.000	5.000
Total	240.000	242.300

- 4.3.1 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.
- 4.3.2 The Interim Executive Director of Resources reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.
- 4.3.3 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised Limit for External Debt	2017/18 Original Indicator £m	2017/18 Revised Indicator £m
Borrowing	235.000	237.300
Other long term liabilities	5.000	5.000
Total	240.000	242.300

- 4.3.4 The chart below shows the projected trend of the Council's Prudential Indicators.



5.0 INVESTMENT PORTFOLIO 2017/18

- 5.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.25% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, together with other risks which could impact on the creditworthiness of banks, prompts a low risk strategy. Given this risk environment, investment returns are likely to remain low.
- 5.2 The Council held £30.5m of investments as at 30 September 2017 (£22.6m at 31 March 2017) and the investment portfolio yield for the first six months of the year is 0.18% against Capita's suggested investment earnings rate for returns on investments placed, for periods up to three months in 2017/18, of 0.18%.
- 5.3 The investments held as at 30 September were:-

Type of Investment	£ Million
Call Investments (Cash equivalents)	29.5
Fixed Investments (Short term investments)	1.0
Total	30.5

- 5.4 The Interim Executive Director of Resources & Regulation confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2017/18.
- 5.5 The Council's budgeted investment return for 2017/18 is £0.5m, and performance for the year to date is in line with the budget.
- 5.6 The Cabinet have approved a "Property Investment Strategy" which aims to increase investment income by investing in property rather than investing with financial institutions where returns are low at present. Additional borrowing may need to be undertaken to finance property acquisitions; each investment will be subject to a robust business case and also non-financial factors (e.g. ethical stance) will be considered.

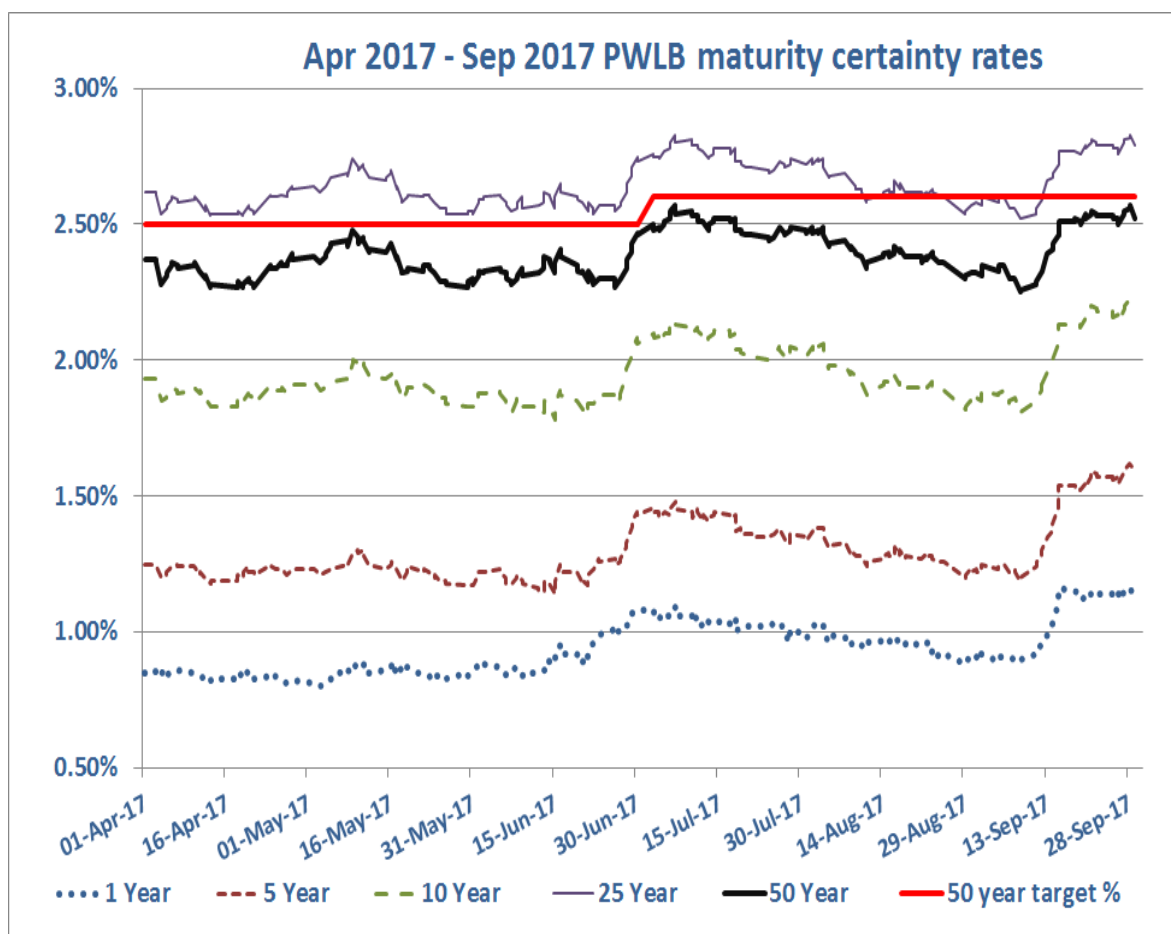
6.0 BORROWING

- 6.1 The Council's capital financing requirement (CFR) for 2017/18 is £237.3m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The table below shows the Council has borrowings of £195.5m and has utilised £41.8m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevail.

	30 September 2017	
	Principal	Avg.

		£000	£000	Rate
Fixed rate funding				
	PWLB Bury	131,453		
	PWLB Airport	1,587		
	Market Bury	60,500	193,540	
Variable rate funding				
	PWLB Bury	0		
	Market Bury	0	0	
Temporary Loans / Bonds		2,003	2,003	
Total Debt			195,543	3.96%
Total Investments			30,500	0.18%

- 6.2 External borrowing of £2million has been undertaken from the market during the first 6 months of 2017/18. The loan was required to partly replace 3 loans, which matured during the period. A short term temporary loan was taken over 364 days to take advantage of low interest rates. It is anticipated that additional external borrowing may be required during the remainder of this financial year, dependent upon cash flow.
- 6.3 The graph below shows the movement in PWLB maturity certainty rates for the first six months of the year to 30.09.17:



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.8	1.14	1.78	2.52	2.25
Date	03/05/2017	15/06/2017	15/06/2017	08/09/2017	08/09/2017

7.0 DEBT RESCHEDULING

- 7.1 Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates. No debt rescheduling was undertaken during the first six months of 2017/18.

Councillor Eamonn O'Brien
Cabinet Member for Finance and Housing

List of Background Papers:-

None

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