Notice of meeting and agenda

Midlothian Council

Venue: **Council Chambers, Midlothian House, Dalkeith, EH22 1DN**

Date: **Tuesday, 08 March 2016**

Time: **10:00**

John Blair
Director, Resources

Contact:
Clerk Name: Kyle Clark-Hay
Clerk Telephone: 0131 270 5796
Clerk Email: Kyle.Clark-Hay@midlothian.gov.uk

Further Information:

This is a meeting which is open to members of the public.

Audio Recording Notice: Please note that this meeting will be recorded. The recording will be publicly available following the meeting, including publication via the internet. The Council will comply with its statutory obligations under the Data Protection Act 1998 and the Freedom of Information (Scotland) Act 2002.

1 Welcome, Introductions and Apologies

Please note that this is a special meeting of Midlothian Council.

2 Order of Business

Including notice of new business submitted as urgent for consideration during the meeting.

3 Declaration of Interest

Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

4 Minutes of Previous Meeting

No previous minutes will be submitted to this Special Council meeting for approval or noting.

5 Public Reports

5.1	Financial Strategy 2016/17 to 2020/21 - Report by Head of Finance and Integrated Service Support	**3 - 54**
5.2	Midlothian Integration Joint Board Financial Assurance Update -Report by Head of Finance and Integrated Service Support	**55 - 62**
5.3	General Services Capital Plan 2015/16 to 2020/21 - Report by Head of Finance and Integrated Service Support	**63 - 72**
5.4	Treasury Management and Investment Strategy 2016/17 and Prudential Indicators - Report by Head of Finance and Integrated Service Support	**73 - 136**

6 Private Reports

No private reports are submitted for consideration.

Financial Strategy 2016/17 to 2020/21

Report by Gary Fairley, Head of Finance and Integrated Service Support

1 Purpose of Report

This report provides Council with a further update on the Financial Strategy 2016/17 to 2020/21 to allow Council to determine its 2016/17 budget.

2 Background

This update focuses specifically on the requirement for Council to determine its 2016/17 budget by 11 March 2016. The reduction in grant funding for 2016/17 reinforces the importance of the Financial Strategy and of its core objective of securing the Council's continued financial sustainability during what is and will continue to be an extended period of significant financial constraint coupled with increasing service demands and increasing customer expectations.

3 Scottish Government Grant Settlement

The position remains as reported on 9 February 2016.

The Midlothian Integrated Joint Board (IJB) Financial Assurance report also on today's agenda sets out the proposed allocation of resources to the IJB to deliver the services delegated by Midlothian Council and NHS Lothian. This includes the utilisation of the IJB's £3.6 million share of the £250 million provided Nationally from the Health budget for Social Care services. Accordingly it is proposed that Midlothian Council allocate £37.086 million to the IJB in respect of delegated services. It is anticipated that the IJB will subsequently issue directions to the Council with a total value of £40.686 million.

The expectation remains that the next Scottish Government will publish a three year budget in the autumn of 2016. Only at that point will there be clarity on the level of grant funding local government can expect for future years. Given the extent of the reduction in the 2016/17 grant, it is considered prudent to take a more pessimistic view on future year's settlements than incorporated in previous Financial Strategy reports. Given the timing and continued uncertainty on aspects of the 2016/17 settlement and the influence decisions on Income Tax and Local Taxation will have on the Scottish budget, further work is required to assess the implications for the 2017/18 to 2020/21 budget projections and as such these will be reported to Council later in the year.

4 Council Tax

The position remains as reported on 9 February 2016.

5 Cost of Services

The position remains as reported on 9 February 2016.

The budget shortfall for 2016/17 as set out in table 1 is based on the current cost of service provision for 2015/16 together with inflationary cost and other uplifts. It also provides for costs arising from the General Services Capital Plan, both by way of debt charges to finance borrowing costs and revenue implications of investment.

Table 2 provides an analysis of the material year on year budget changes which reflects the following key assumptions and cost drivers:

- In respect of pay, the budget provides for the second year of the national two year pay settlement. This includes a commitment for the minimum hourly rate from April 2016 to be the 2015 Living Wage of £8.25 plus 1%, which equates to £8.33 per hour. The budget also includes a provision to fund costs expected to arise from the Council's ongoing Review of Local Government Pay and Grading;
- The impact of Pension Reform and anticipated changes in the Council's contribution towards employee pensions;
- Incremental pay progression;
- Contractual inflation linked to existing contractual conditions, many of which mirror pay inflation assumptions;
- Actual and projected forward purchasing prices for energy costs;
- Anticipated impact of contracts due for renewal during the period;
- Impact of current demand for services;
- Demographic impact of future demand for services;
- Future interest rate forecasts provided by the Council's Treasury Advisers;
- An updated assessment of the resources required in respect of Free School Meals and The Children and Young People (Scotland) Act 2014 based on actual and planned expenditure;
- Any new government policy requiring budgetary growth will be fully funded through increased Scottish Government grant, including the any amendment to the Education Bill to legislate for 25 hours of primary teacher class contact time;
- Council Tax income continues to grow in line with previous trends and planned future housing growth.

The projected budget shortfall reflecting the assumptions set out in sections 3 to 5 is as follows:-

Table 1: Budget Shortfall 2016/17 – 8 March 2016

	2016/17 **£m**
Cost of Services	199.747
Less: Council Tax	(40.600)
Less: Scottish Government Grant	(151.516)
Budget Shortfall	**7.631**

As Council is aware, significant elements of the budget are either fixed or are challenging to change for a number of reasons including:-

- Historic decisions, for example, loan charges and unitary charge contractual payments;
- Specific conditions, for example the maintenance of teacher numbers and teacher pupil ratio; and
- Growing demand for services through demographic pressures.

In broad terms the budget shortfalls, set out in table 1 arise for the following reasons:

Table 2: Analysis of Shortfall – 8 March 2016

	2016/17
	£m
Opening Shortfall / (surplus)	(2.844)
Pay Inflation and Progression	2.882
Pensions Reform	2.041
Contractual Inflation	0.713
Demographics: Care	1.060
Demographics: School Rolls	1.937
Demand pressures: Children	0.500
School Estate Investment	0.520
Waste Disposal Costs	0.171
Borrowing Costs	(0.511)
Food Waste Collection	0.302
Scottish Government Grant	2.900
Council Tax Income	(0.600)
Financial Discipline	(0.416)
Decriminalised Parking and Traffic Wardens	0.112
Home to School Transport Service Demand	0.157
Re-profiling of Homeless service re-provision	0.108
Share of £250m for Social Care	(1.700)
Other Changes	0.299
Total	**7.631**

6 Financial Strategy

6.1 Delivering Excellence

The Delivering Excellence framework approved by Council on 23 June 2015 supports the repositioning of services to ensure they have a greater emphasis on and achieve better outcomes for those most disadvantaged and vulnerable in the community. The framework focuses on reshaping service delivery as the most sustainable way to address the financial and service challenges and maintain financial sustainability.

The framework sets out an approach that provides the means to:

- Realise savings of the scale and magnitude required and to continue to deliver high quality services by engaging staff, partners, stakeholders and citizens to determine the nature of service delivery, the level of service standards and the method of delivering these services;
- To perform successfully in this environment, the Council will require to forward plan for the period beyond known financial settlements, to prioritise the services to be delivered and to clearly identify those services which will no longer be funded or indeed provided or may be provided through alternative mechanisms or approaches; and
- To ensure that there is achievement of the outcomes and priorities of the Council and Community Planning Partners.

Actions which contribute to the Financial Strategy, particularly for later years will be developed through the framework.

6.2 Transformation Programme

The position remains as reported on 9 February 2016.

6.3 Asset Management

The position remains as reported on 9 February 2016.

6.4 Efficiency and Financial Discipline

As reported on 15 December 2015, the Chief Executive had asked each Director to bring forward savings options for consideration, with savings totalling £0.674 million in 2016/17 rising to £1.022 million in later years reflected in the budget position reported on 9 February 2016. Further operational savings of £0.264 million as summarised in appendix 1 have since been identified.

6.5 Budget Savings

Officers submitted draft savings proposals which would impact on 2016/17 through 2020/21 to a meeting of the Business Transformation Steering Group (BTSG) on 22 February 2016. These proposals were noted by BTSG and the final savings proposals are set out in appendix 2 for Council consideration. Fuller details on the proposals for increase in fees and charges are set out in appendix 3. In summary the savings proposals total £1.006 million in 2016/17 rising to £1.334 million in later years.

6.6 Summary of Financial Strategy

The final projections incorporating impact of the various strands of the Financial Strategy are as follows in table 3. It is proposed that the remaining budget gap of £2.603 million be addressed through the utilisation of reserves. A final service by service analysis of the 2016/17 draft budget is attached as appendix 4.

Table 3: Financial Strategy 2016/17 – 8 March 2016

	2016/17 £m
Budget Shortfall (Table 1)	7.631
Less Strands:	
Full Year impact of 2015/16 approved savings	(0.987)
Transformation Programme (6.2)	(1.962)
Asset Management (6.3)	(0.135)
Operational Efficiency and Financial Discipline (6.4)	(0.938)
Savings Proposals (6.5)	(1.006)
Remaining Budget Gap	**2.603**
Utilisation of Reserves *	**2.603**

*Note * - On 16 December 2014 Council approved that any remaining budget gap for 2016/17 be offset from the budgeted surplus which would be transferred to reserves. At that time the anticipated remaining budget gap for 2016/17 was £2.223 million.*

7 Governance and Timeline

Each element of the Financial Strategy continues to have clear governance in place to ensure the timely delivery of the work stream, with proposals being reported through Business Transformation Steering Group and then to Council as appropriate.

It is recommended that Council determines its 2016/17 budget today so ensuring members meet the statutory duty, as set out in Section 93 of the Local Government Finance Act 1992 (as amended), to set its Council Tax and a balanced budget for the following financial year commencing 1 April by 11 March.

8 Focussing Resources to Key Priorities

The Financial Strategy is designed to ensure that available resources are as far as possible targeted on delivery of improved outcomes, particularly against the Midlothian Community Planning Partnership key priorities. A new Single Midlothian Plan, setting out the Partnership's priorities themes for 2016/17, will be presented to Council on 22 March 2016, with the proposals set out in this report supporting the priority themes included in the new plan.

The Partnership continues to prioritise the available resources towards the delivery of its priority themes and the Financial Strategy sets out for partners the parameters the Council is working within and provides a means to better facilitate the sharing of budget and resource planning information. The Delivering Excellence framework and Transformation Programme have a key role in ensuring that resources are directed towards the priority themes as set out in the new Single Midlothian Plan.

9 Reserves

The position remains broadly as reported on 9 February 2016 with useable reserves as at 31 March 2016 projected as follows:-

Table 4: Useable Reserves – 31 March 2016

	Total	Uncommitted
	£m	£m
General Fund Reserve	18.117	12.754
HRA Balance	24.520	2.224
Capital Fund	19.170	19.170
Repairs and Renewal Reserve	3.000	0.000
Total Useable Reserves	**64.807**	**34.148**

The uncommitted reserves set out in table 4 reflect the proposed utilisation of reserves as set out in table 3.

It is necessary for the Council to retain reserves to meet unplanned or unforeseen costs. In terms of the General Fund, Council agreed on 4 February 2014 that a prudent level of general reserve be around £8.000 million or 4% of net expenditure. Whilst the General Reserve exceeds this level the financial pressures facing the Council will require utilisation of reserves to balance budgets in the short term and to allow investment in areas where longer-term savings can be achieved. There will also be substantial one-off costs associated with further staff release and the reserve may also be required as a buffer to offset the risks associated with slippage in savings plans.

10 Report Implications

10.1 Resources

Whilst this report deals with financial issues there are no financial implications arising directly from it.

10.2 Risk

Within any financial projections, there are a number of inherent assumptions in arriving at figures and budget provisions and therefore risks that may be faced if costs change or new pressures emerge. The following key risks and issues are highlighted in the context of this report and future years financial prospects;

- The delivery of the conditions attached to the 2016/17 grant settlement;
- The resource implications associated with charging thresholds for non residential Social Care services;
- Decision by Scottish Government on future years grant settlements and grant distribution;
- The next Scottish Governments response to the commission on Local Tax Reform;
- Non-delivery or late delivery of planned savings, including those arising from reductions in the staffing establishment;

- Future year pay award settlements and the implications of future years Living Wage increase;
- Impact of economic climate on range of factors including: inflation, interest rates, employment, tax and income levels, service demands;
- Cost pressures exceeding budget estimates;
- Impact of Welfare Reform and pension changes;
- The costs of implementation of national policies varying from the resources provided by government; and
- Capital investment requirements and associated cost.

The Financial Strategy aims to mitigate a number of these risks by setting out the key assumptions on which forward plans are based, and through the Delivering Excellence framework setting out the early identification of future saving proposals.

10.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

☐ Community safety
☐ Adult health, care and housing
☐ Getting it right for every Midlothian child
☐ Improving opportunities in Midlothian
☒ Sustainable growth
☒ Business transformation and Best Value
☐ None of the above

10.4 Impact on Performance and Outcomes

The Financial Strategy is central to the way Council allocates and uses its limited resources and as such has fundamental implications for service performance and outcomes. Earlier budget projections indicated that in 2020/21 the Council would have available in the region of £200 million for the provision of services and the pursuit of key outcomes as set out in the Single Midlothian Plan.

10.5 Adopting a Preventative Approach

Whilst the proposals in this report do not directly impact on the adoption of a preventative approach, an effective Financial Strategy in turn allows resources to be prioritised to support prevention.

10.6 Involving Communities and Other Stakeholders

The Delivering Excellence Community Engagement report approved by Council on 22 September 2015 set out proposals for engagement and consultation on the service and financial challenges Council faces and the options which will emerge to address these. This will be adapted to highlight the implications of the 2016/17 grant settlement on the Council budget and the measures taken to address this.

In addition, there continues to be engagement with the recognised Trade Unions on the Council's financial position and service challenges.

10.7 Ensuring Equalities

There are no equality implications arising directly from this report. As part of the development of budget proposals EQIA's have been prepared together with the overarching EQIA encompassing the revenue budget which is attached at Appendix 5.

10.8 Supporting Sustainable Development
There are no direct sustainability issues arising from this report.

10.9 IT Issues
There are no direct IT implications arising from this report.

11 Summary

The report provides:-
- An update on the resources to be provided to the Midlothian IJB in respect of delegated services;
- Savings proposals for consideration;
- A proposal to utilise £2.603 million of reserves to balance the 2016/17 budget.

12 Recommendations

Council is recommended to:-

a) Approve the allocation of £37.086 million to the Midlothian Integrated Joint Board for 2016/17 in respect of delegated services;

b) Note the additional operational savings summarised in appendix 1;

c) Consider and approve the savings proposals totalling £1.006 million in 2016/17 rising to £1.334 million in later years as set out in appendix 2 and 3;

d) Subject to recommendations a) and c), approve the utilisation of £2.603 million of reserves in 2016/17 to balance the budget; and

e) Approve the 2016/17 service budget analysis as set out in appendix 4.

Date: 01 March 2016

Report Contact:
Gary Fairley Tel No 0131 271 3110
gary.fairley@midlothian.gov.uk

2016/17 BUDGET OPERATIONAL SAVINGS

	INCREMENTAL				CUMULATIVE			
	2016/17	**2017/18**	**2018/19**	**TOTAL**	**2016/17**	**2017/18**	**2018/19**	**TOTAL**
HEALTH AND SOCIAL CARE	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Customer & Housing Services: Financial Discipline	0.114	0.000	0.000	0.114	0.114	0.114	0.114	0.114
RESOURCES								
Finance & ISS: Voluntary reduction in hours	0.150	0.000	0.000	0.150	0.150	0.150	0.150	0.150
TOTAL	**0.264**	**0.000**	**0.000**	**0.264**	**0.264**	**0.264**	**0.264**	**0.264**

Midlothian

Budget Overview and Savings Proposals

2016-2017

8th March 2016

C:\Program Files (x86)\neevia.com\docConverterPro\temp\NVDC\C372524D-7BD7-4D82-8B89-F83A327BA1ED\54e9fb16-2440-4ceb-826d-b5ddae90d94d.doc

Introduction

The public sector continues to face significant service delivery challenges.

Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the County's population, with greater numbers of young people, older people and those with physical or learning disabilities. These demands combined with continued funding constraints, inflationary cost pressures and additional legislative burdens requires services to investigate alternative ways of working and to ensure resources are used effectively. The Council must continue to prioritise expenditure on public services which prevent negative outcomes from arising and simultaneously secure maximum benefit from all available resources.

The Commission on the Future Delivery of Public Services (The Christie Commission) report highlighted that public service providers must work much more closely in partnership to integrate service provision and thus improve outcomes for residents. Midlothian Council through the Single Midlothian Plan is fully engaged in this process and on 1 April 2016 Health and Social Care services will be fully delegated to Midlothian Integrated Joint Board (MIJB), a partnership with Midlothian Council and NHS Lothian.

Midlothian Council requires making significant savings over the coming years. The projected budget shortfall for 2016/17 is £7.631 million. The Council has approved a Financial Strategy and this document supports that strategy, setting out details of the additional actions proposed to maintain the financial sustainability of the Council.

This document provides an overview of the proposed changes in services that require to be made to ensure that the Council can maintain financial sustainability and balance its budget for 2016/17. For each of the proposals an Equalities Impact Assessment has been prepared and is published online alongside these proposals.

The sections which follow set out:-

1) Background information and an overview of the budget position.
2) A summary of the proposals.
3) Detail for each of the savings proposals.

Background

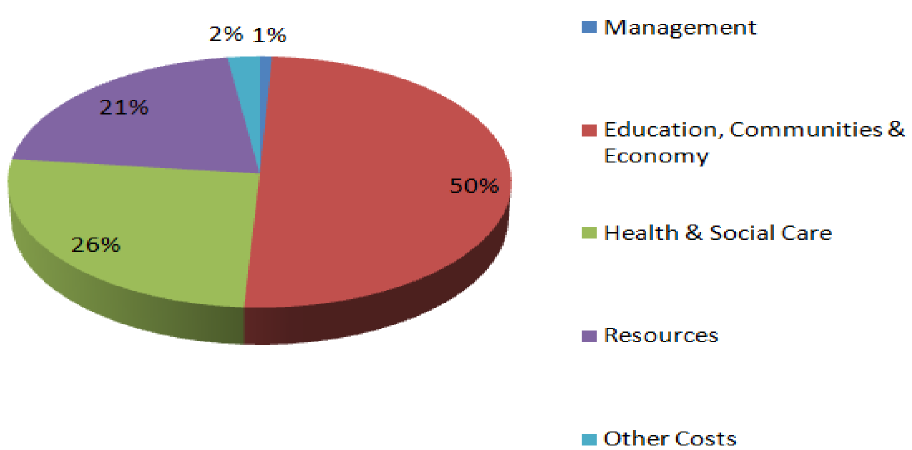
The provision of Council services in Midlothian is funded through a combination of government grant, non-domestic (business) rates, Council Tax and fees and charges for some services. Income from fees and charges is netted against expenditure.

To set the savings proposals in context table 1 below summarises the Council's budgeted net expenditure for 2015/16:

Table 1: Total Budget – Net Expenditure 2015/16

Service	**Budget**
	£m
Management	1.588
Education, Communities and Economy	
Children's Services	16.817
Communities and Economy	2.500
Education	76.258
Health and Social Care	
Adult Social Care	37.487
Customer and Housing Services	11.989
Resources	
Commercial Operations	15.270
Finance and Integrated Service Support	11.432
Properties and Facility Management	13.241
Other Costs	
Lothian Valuation Joint Board	0.556
Central Costs	2.292
Non Distributable Costs	1.338
NET EXPENDITURE	**190.768**

Net Expenditure % Split



Income and Expenditure

The Council's financial projections indicate that service expenditure will continue to rise with income falling over the period to March 2021.

For 2016/17, income from Scottish Government and Council Tax is projected to be as set out in table 2. These reflect the continuation of a Council Tax freeze with Band D Council Tax remaining at £1,210 and reflecting the additional income from an increase in the number of properties.

Table 2: Revenue Budget 2016/17 Income

	2016/17
	£m
Council Tax	40.600
Scottish Government Grant	151.516
Total Funding	**192.116**

The overall projection results in the following budget shortfall which the Council needs to address to maintain financial sustainability:

Table 3: Revenue Budget 2016/17 - Budget Shortfall

	2016/17
	£m
Planned Expenditure	199.747
Expected Income	192.116
Savings Requirement	**7.631**

How will this be achieved?

The Councils Financial Strategy incorporates a series of work strands which aim to transform service delivery and to secure financial sustainability, table 4 provides details of the financial impact of the Council's existing Transformation Programme and an overview of current work strands.

Table 4: Current Strands 2016/17

		2016/17
		£m
Transformation Programme:-		
• Integrated Service Support	0.840	
• Customer Service	0.175	
• Education	0.473	
• Services to Communities	0.250	
• Children's Services	0.224	
Totals		1.962
Impact of 2015/16 Savings		0.987
Asset Management		0.135
Operational Savings		0.938
TOTALS		**4.022**

Service savings proposals of £1.006 million in 2016/17 rising to £1.334 million are set out in the following pages and these will be progressed alongside the existing work strands already approved by the Council. These will further reduce the projected budget in 2016/17 and beyond. In order to achieve a balanced budget for 2016/17 it is proposed to utilise reserves of £2.603 million in the year.

The overall position incorporating the proposals on the following pages is as follows.

Table 5: Revenue Budget 2016/17 - Overview

	2016/17
	£m
Planned Expenditure	199.747
Expected Income	192.116
Savings Requirement	**7.631**
Current Savings Plans (table 4)	(4.022)
Proposals on following pages	(1.006)
Remaining Gap	**(2.603)**
Transfer to/from earmarked reserves	(2.603)
	0.000

REVENUE BUDGET 2016-17
BUDGET SAVING PROPOSALS – SUMMARY

Education, Communities and Economy		
Communities and Economy		**£m**
1	Out of Hours Noise Service	0.028
	Total Communities and Economy	**0.028**
Education		
2	0.5% One Off Budget reduction to DSM	0.000
3	Change DSM scheme to reduce cost of teacher absence	0.100
	Total Education	**0.100**
	Total Education, Communities and Economy	**0.128**

Health and Social Care		
Customer and Housing Services		**£m**
4	Midlothian Community Policing Team	0.250
	Total Customer and Housing Services	**0.250**
	Total Adult and Social Care	**0.250**

Resources		
Commercial Operations		**£m**
5	Bulky uplift charges	0.062
6	Efficiency savings in winter maintenance	0.050
7	Members Environmental Improvements	0.054
8	Increase burial charges	0.141
	Totals Commercial Operations	**0.307**
Finance and Integrated Service Support		
9	Introduce some projected slippage into the General Services Capital Plan which will impact on in-year debt costs	0.400
	Totals for Finance and Integrated Service Support	**0.400**
Property & Facilities Management		**£m**
10	Sport & Leisure - Increase ToneZone monthly charges	0.060
11	Sport & Leisure - Increase Golden Years monthly charges	0.025
12	Sport & Leisure-Casual income price increases	0.009
13	Increase cost of school meals in Primary & Secondary schools by £0.15	0.095
	Totals Property & Facilities Management	**0.189**
	Totals Resources	**0.896**

Council Wide		**£m**
14	Fees and Charges	0.060
	Council Wide Fees and Charges	**0.060**
	Overall Total	**1.334**

Budget Savings Proposals	**2016-17**	**2017-18**	**2018-19**	**Total**
	£m	**£m**	**£m**	**£m**
Cumulative savings				
Communities and Economy	0.028	0.028	0.028	0.028
Education	0.219	0.194	0.100	0.100
Children's Services	0.000	0.000	0.000	0.000
Adult and Social Care	0.000	0.000	0.000	0.000
Customer and Housing Services	0.000	0.250	0.250	0.250
Commercial Operations	0.221	0.261	0.307	0.307
Finance and Integrated Service Support	0.400	0.400	0.400	0.400
Property & Facilities Management	0.078	0.157	0.189	0.189
Council Wide: Fees and Charges	0.060	0.060	0.060	0.060
TOTALS	**1.006**	**1.350**	**1.334**	**1.334**

1: Communities & Economy – Out of Hours Noise Service	
Directorate	Education, Communities and Economy
Service Area	Communities and Economy
Operational Proposal	Stopping of Out of Hours Noise Service

Forecast Savings	**2016-17**	**2017-18**	**2018/19**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	£0.028	£0.000	£0.000	£0.028
Cumulative savings	£0.028	£0.028	£0.028	£0.028

Description of Savings Proposals

For a number of years, the Environmental Health Service has operated a service on a Friday and Saturday evening under which residents who are bothered by a noise nuisance (usually loud partying neighbours) can call our Out of Hours Noise team who can then visit the relevant premises. This is something the Police will not normally do.

It is not a statutory service; the statutory duty is to investigate complaints of noise nuisance.

The Out of Hours noise team nominally consists of four part time posts. Only one post is currently filled, and that is by a part time officer who acts on a range of Environmental Health Public Health duties. In practice, because two officers are needed, there are some weeks when the service does not operate. The other three vacant posts could be deleted, giving a saving of c. £28K.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

The negative impact would be upon residents who are the victims of noise nuisance and who cannot be assisted at the time when the noise nuisance is being perpetrated. However, where there is persistent noise nuisance, Environmental Health will investigate and advise during normal office hours.

The Anti Social Behaviour Team can also become involved in investigations where noise nuisance is persistent. However, they are concerned that the lack of evidence from 2 officers investigating may impact on the time taken to serve notice.

This may impact on one member of staff. However, the staff member is a full time permanent employee within Environmental Health Team.

2: Education – Reduction to DSM	
Directorate	Education, Communities and Economy
Service Area	Education
Operational Proposal	0.5% One Off Efficiency Saving to DSM

Forecast Savings	**2016-17**	**2017-18**	**2018/19**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	£0.156	£(0.062)	£(0.094)	£0.000
Cumulative savings	£0.156	£0.094	£0.000	£0.000

Description of Savings Proposals
0.5% efficiency saving to DSM for the academic year 2016/17 (one off saving only – note this is not a recurring saving)

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
This is a one-off efficiency saving for 2016/17 only and applies to the DSM budget. This saving is only achievable for 2016/17 because of the current shortage of supply teachers. We are working to create a permanent pool of peripatetic supply which will require the full utilisation of this budget in later years. The mitigating actions applied have been a budget discussion with the Secondary and Primary Head Teacher Executive to ensure that this one-off saving can be delivered.

3: Education - Reduce Budget for Teacher Absence	
Directorate	Education, Communities and Economy
Service Area	Education
Operational Proposal	Change DSM Scheme to more efficiently manage the cost of staff absence

Forecast Savings	**2016-17**	**2017-18**	**2018/19**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	£0.063	£0.037	£0.000	£0.100
Cumulative savings	£0.063	£0.100	£0.100	£0.100

Description of Savings Proposals
To save £100,000 by changing the mechanism within DSM by which we reimburse schools for staff absence. This saving will be in line with current requirement/projections based on the robust application of the maximising attendance procedures and the effective management of the permanent pool of supply staff.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
The potential impact on service outcomes is estimated to be with little or minimal impact as we move forward with our mitigating actions to recruit a permanent pool of peripatetic supply staff which will be allocated to each associated schools group.

4: Customer & Housing Services - Midlothian Community Policing Teams	
Directorate	Health & Social Care
Service Area	Customer & Housing Services
Operational Proposal	Midlothian Community Policing Team

Forecast Savings	**2016-17**	**2017-18**	**2018/19**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	£0.000	£0.250	£0.000	£0.250
Cumulative savings	£0.000	£0.250	£0.250	£0.250

Description of Savings Proposals

Midlothian Community Policing Teams
At present the Council funds 2 x Community Policing Teams operation in Midlothian at a cost of £500,000.

With a background of restricted resources and prospects which will remain challenging for an extended period of financial constraint, funding provided for the Midlothian Community Policing Teams is reduced by £125,000 for 2016/17 and a further £125,000 in 2017/18. This saving equates to half of one of the Community Policing Teams following the reduction in funding arrangements approved in the Council's Financial Strategy from 2016/17.

Proposal is for withdrawal of the remaining funding of £250,000.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

Tactical Police response to crime and ASB in Midlothian - Non statutory.

Concentrating the efforts of all services on delivering integrated services to deliver results.

5: Commercial Operations – Waste Services – Financial Discipline	
Directorate	Resources
Service Area	Commercial Operations Waste Service
Operational Proposal	Charge for all bulky uplifts

Forecast Savings	**2016-17**	**2017-18**	**2018/19**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	£0.062	£0.000	£0.000	£0.062
Cumulative savings	£0.062	£0.062	£0.062	£0.062

Description of Savings Proposals

Currently the Council offers the first bulky uplift each year free of charge. The intention is to have all bulkies charged for at a minimum of £20.

The number of chargeable/non chargeable bulkies for the preceding years was as follows;

Bulky Uplift performance information	**2013/14**	**2014/15**	**Average**
Chargeable	650	569	610
Non chargeable	5094	5445	5270
Total	5744	6014	588

The proposal assumes a reduction in uplifts of 30% resulting in increased income of £62,000 per annum.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

There is a concern that this proposal may lead to increased fly tipping which would require resources to remove.

6: Commercial Operations – Winter Maintenance	
Directorate	Resources
Service Area	Commercial Operations Roads Service
Operational Proposal	Efficiency savings in winter maintenance

Forecast Savings	**2016-17**	**2017-18**	**2018/19**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	£0.050	£0.000	£0.000	£0.050
Cumulative savings	£0.050	£0.050	£0.050	£0.050

Description of Savings Proposals

A number of service enhancements have been made in relation to Midlothian's winter service provision over recent years whilst a number of other local authorities have reduced their service levels. Furthermore some authorities do not provide the level of service currently available in Midlothian.

Rather than reduce the service it is proposed that when appropriate, gritting which would normally take place after a normal days work, will be undertaken in the later part of the normal working day. This will reduce overtime cost for the service whilst having a minimal impact on other works.

It is also proposed that staff on standby will be allocated this role from within Midlothian boundaries thereby reducing mileage incurred from travelling from outwith the Council area.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

The communities have become used to the current service levels and it is anticipated that there would be considerable adverse reaction if Council were to reduce service levels. These proposals should have no impact on service outcomes.

7: Commercial Operations – Members Environmental Improvements	
Directorate	Resources
Service Area	Members Environmental Improvements
Operational Proposal	Remove the allocation currently allocated to each member

Forecast Savings	**2016-17**	**2017-18**	**2018/19**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	£0.054	£0.000	£0.000	£0.054
Cumulative savings	£0.054	£0.054	£0.054	£0.054

Description of Savings Proposals

Currently each member of the Council is allocated £10,000 capital and £3,000 of revenue each year for local projects etc. This represents a total allocation of £180,000 capital and £54,000 revenue spend each year. In addition there are currently significant sums carried over from previous years of which approximately £200,000 of capital is uncommitted and £50,000 of revenue remains uncommitted.

If these resources were no longer allocated there would be an annual revenue saving to the Council each year of £54,000.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

Over the years these budgets have been used to support a number of initiatives ranging from supporting local groups to the provision of environmental and other ward improvements.

Removing these budgets would have the effect that in future members could no longer support these initiatives.

8: Commercial Operations – Burial Charges	
Directorate	Resources
Service Area	Commercial Operations Land and Countryside
Operational Proposal	Increase burial charges

Forecast Savings	**2016-17**	**2017-18**	**2018/19**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	£0.055	£0.040	£0.046	£0.141
Cumulative savings	£0.055	£0.095	£0.141	£0.141

Description of Savings Proposals
The proposal is to increase the various burial charges phased over three years to the point where they are set at the average of the charges across Scottish Local Authorities for Burial Services.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Potentially there may be a drop in income should customers decide not to use this service. Whilst increasing charges could impact on those with low income this has been considered as part of the EQiA process and no appropriate mitigation is considered necessary.

9: Finance & ISS – Finance – Budget for Project Slippage	
Directorate	Resources
Service Area	Finance and ISS – Financial Services
Operational Proposal	Introduce some projected slippage into the General Services Capital Plan which will impact on in-year debt costs.

Forecast Savings	**2016-17**	**2017-18**	**2018/19**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	£0.400	£0.000	£0.000	£0.400
Cumulative savings	£0.400	£0.400	£0.400	£0.400

Description of Savings Proposals

Recognising that there is regularly slippage in Council Capital Projects against the budgeted spend profile allows the deferral of planned external borrowing which in turn reduces the in-year cost of borrowing. Recent financial years Capital Plans have shown significant slippage which has contributed to underspends in loan charges. In 2014/15 the budget was set with anticipated external borrowing requirement of £9.179m to fund the General Services Capital Plan. The final position was external borrowing of £1.413m.

Whilst it is difficult to forecast with any degree of certainty where slippage will occur in future years however based on recent experience of in-year movement and spend profile across the General Services Capital Plan a reduction of £0.400m in loan charges is anticipated.

A budget reduction as a consequence of modelled slippage will only occur once and in the year that assumption is introduced.

There is no reduction in the level of capital spend or any reduction in the projects contained within the programme.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

There is no impact on service delivery or existing policies and as such no mitigation or equality impact is considered necessary.

10: Property & Facilities Management – Sport & Leisure – Tonezone Charges	
Directorate	Resources
Service Area	Property and Facilities Management
Operational Proposal	Increase Tonezone monthly charges

Forecast Savings	**2016-17**	**2017-18**	**2018/19**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	£0.000	£0.030	£0.030	£0.060
Cumulative savings	£0.000	£0.030	£0.060	£0.060

Description of Savings Proposals

Increase Tonezone monthly charges up to 3% per annum based on benchmarked comparisons. This allows inflationary increases to apply however requires to be monitored against the competition providing similar services. At present the membership is priced to be competitive and to ensure a high level of uptake and retention of membership.

It is noted that the projected savings in 2016/17 will not cover the 2014/15 under recover of income compared to the existing budgetary provision.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

This proposal is an inflationary adjustment to the price, however still considered good value compared to other service providers.

All groups in low economic situations will be affected but this increase has been benchmarked against other service providers. The resultant charge ensures value for money is maintained.

11: Property & Facilities Management – Sport & Leisure – Golden Years Charges	
Directorate	Resources
Service Area	Property and Facilities Management
Operational Proposal	Increase Golden Years charges

Forecast Savings	**2016-17**	**2017-18**	**2018/19**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	£0.013	£0.010	£0.002	£0.025
Cumulative savings	£0.013	£0.023	£0.025	£0.025

Description of Savings Proposals

Increase Golden Years monthly charges by 30% in year 2016/17 thereafter 2% per annum. Costs have been kept low with some users suggesting an increase in price would not be detrimental.

Individual session rates will be increased from £1.00 to £2.00.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

This increase offers value for money and represents a considerable concession to Golden Years users.

Only those 60+ will be affected by the increased charges. The increase however has been benchmarked against other service providers to ensure value for money is maintained.

12: Property & Facilities Management – Sport & Leisure – Casual Charges	
Directorate	Resources
Service Area	Property and Facilities Management
Operational Proposal	Increase Sport and Leisure Casual Charges

Forecast Savings	**2016-17**	**2017-18**	**2018/19**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	£0.000	£0.009	£0.000	£0.009
Cumulative savings	£0.000	£0.009	£0.009	£0.009

Description of Savings Proposals

Casual income price increases are proposed following a benchmarking exercise and still provides value for money.

The areas affected will be those which are currently understated against the neighbouring authorities' benchmarks. The revised charges will remain pitched at competitive levels.

It is noted that there is no impact on budget in 2016/17 as the increases proposed do not cover the 2014/15 under recovery of income.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

Still remains competitively priced and attractive to Service users.

The EQiA has shown that all groups will be affected by increased charges. The increase however has been benchmarked against other service providers to ensure value for money is maintained.

13: Property & Facilities Management – Primary & Secondary School Meal Charges	
Directorate	Resources
Service Area	Property and Facilities Management
Operational Proposal	Increase cost of Primary and Secondary school meals by £0.15 per day

Forecast Savings	**2016-17**	**2017-18**	**2018/19**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	£0.065	£0.030	£0.000	£0.095
Cumulative savings	£0.065	£0.095	£0.095	£0.095

Description of Savings Proposals

Proposal is to Increase the cost of school meals in Primary and Secondary schools by £0.15 per day. School meals in Midlothian have not increased in price for three years and this approach can only be sustained so long. The proposal means school meals will increase by less than £1 per week and still provide healthy sustenance during the school day.

Current Prices are £1.80 per day [£9.00 per week] primary and £2.00 per day [£10.00 per week] secondary.

The current Midlothian price for school meals is extremely competitive when compared to other Scottish Councils.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

Primary 1 to 3 meals are unaffected and remain free. School aged children from Primary 4 and above will be affected by increased charges but this will be mitigated by free school meals to those households in receipt of benefits.

The proposed increase is 75p per week on the basis of a meal being taken every day.

14: Council Wide – Fees and Charges	
Directorate	All Directorates
Service Area	See below
Operational Proposal	Review of Fees and Charges

Forecast Savings	**2016-17**	**2017-18**	**2018/19**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	£0.060	£0.000	£0.000	£0.060
Cumulative savings	£0.060	£0.060	£0.060	£0.060

Description of Savings Proposals

The Council previously reviewed fees and charges at its meeting on 24 June 2014. The proposals set out in the Appendix to this paper detail revisions to charges as proposed by individual Services.

In preparing this paper a general uplift rate of 5% has been applied to recognise the time elapsed since the last revision to fees and charges, however variations are detailed in the Appendix.

For the avoidance of doubt the amounts shown in the above table do not include (as these are outlined in earlier pages):-

- Commercial Operations 8 – Burial charges
- Property and Facilities Management 1 – Sport and Leisure Tone Zone charges
- Property and Facilities Management 2 – Sport and Leisure Golden Years charges
- Property and Facilities Management 3 - Sport and Leisure Casual charges
- Property and Facilities Management 5 – Primary and Secondary School Meal charges

The Service financial implications of these proposals are as outlined in the following table:

Moving forward it is planned that price reviews will be presented to Council as part of the annual Revenue Budgeting cycle.

Forecast Savings	**2016-17**
	£m
Health and Social Care	
Customer and Housing Services	£0.009
Adult and Social Care	£0.020
	£0.029
Education Communities and Economy	
Education	£0.013
Communities and Economy	£0.004
	£0.017
Resources	
Property and Facilities Management	£0.000
Commercial	£0.014
Finance and Integrated Service Support	£0.000
	£0.014

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

In general the proposals outlined are the first increases to be introduced by the Council since the previous report in June 2014. Furthermore the opportunity has been taken to introduce new charges where services consider that this is appropriate.

Those in receipt of benefits may find the increased difficult but in most situations concessionary rates are in place.

MIDLOTHIAN COUNCIL Appendix 4

REVENUE BUDGET 2016/17 SUMMARY

Service Function	**Budget 2016/17 £**
Management and Members	1,640,852
Education Communities and Economy	
Childrens Services	15,526,823
Communties and Economy	4,313,771
Education	81,941,322
Health and Social Care	
Adult Social Care	36,593,860
Customer and Housing Services	11,938,366
Resources	
Commercial Services	15,942,812
Finance and Integrated Service Support	12,932,455
Properties and Facilities Management	13,313,382
Lothian Valuation Joint Board	555,551
Centrally Held Budget Provisions	620,895
Non Distributable Costs	1,338,436
GENERAL FUND SERVICES NET EXPENDITURE	196,658,525
Loan Charges	7,143,639
Investment Income	(300,000)
Council Transformation Programme savings targets	(1,962,000)
Operational Savings and Financial Discipline	(938,000)
Budget Savings Proposals	(1,006,000)
Allocations to HRA, Capital Account etc.	(4,877,164)
NET EXPENDITURE	**194,719,000**
Utilisation of Reserves	2,603,000
Scottish Government Grant	151,516,000
Council Tax	40,600,000
TOTAL FUNDING	**194,719,000**

APPENDIX 5

Overview Equality Impact Assessment (EqIA)
on
Midlothian Council
Budget
2016 – 2017

08 March 2016

Midlothian Council
Equality Impact Assessment (EqIA) on Midlothian Council Budget
2016/2017

Budget Saving Element:	1. Stopping Out of Hours Noise Service 2. 0.5% one off efficiency saving to DSM 3. Change DSM Scheme to more efficiently manage the cost of staff absence 4. Midlothian Community Policing Team 5. Charge for all bulky uplifts 6. Efficiency savings in winter maintenance 7. Members Environmental Improvements - Remove the allocation currently allocated to each Member 8. Increase burial charges 9. Introduce some projected slippage into the General Services Capital Plan which will impact on in-year debt costs 10. Increase Tonezone monthly charges by 2% per annum 11. Increase Golden Years charges 12. Increase Sport & Leisure Casual Charges 13. Increase cost of Primary & Secondary school meals by £0.15 per day 14. Increase in Council-wide fees & charges
Service area	1. Education, Communities & Economy – Communities & Economy 2. Education, Communities & Economy – Education 3. Education, Communities & Economy – Education 4. Health & Social Care – Customer & Housing Services 5. Resources – Commercial Operations Waste Service 6. Resources – Commercial Operations Roads Service 7. Resources – Members Environmental Improvements 8. Resources – Commercial Operations Land & Countryside 9. Resources – Finance & Integrated Service Support (FISS) 10. Resources – Property & Facilities Management 11. Resources – Property & Facilities Management 12. Resources – Property & Facilities Management 13. Resources – Property & Facilities Management 14. Education, Communities & Economy, Health & Social Care & Resources – All services except Children's Services
Overview of Budget Investment through the Financial Strategy	The Delivering Excellence framework approved by Council on 23 June 2015 supports the repositioning of services to ensure they have a greater emphasis on and achieve better outcomes for those most disadvantaged and vulnerable in the community. The framework focuses on reshaping service delivery as the most sustainable way to address the financial and service challenges and maintain financial sustainability. The framework sets out an approach that provides the means to:

	• Realise savings of the scale and magnitude required and to continue to deliver high quality services by engaging staff, partners, stakeholders and citizens to determine the nature of service delivery, the level of service standards and the method of delivering these services; • To perform successfully in this environment, the Council will require to forward plan for the period beyond known financial settlements, to prioritise the services to be delivered and to clearly identify those services which will no longer be funded or indeed provided or may be provided through alternative mechanisms or approaches; and • To ensure that there is achievement of the outcomes and priorities of the Council and Community Planning Partners. Actions which contribute to the Financial Strategy, particularly for later years will be developed through the framework. In monetary terms this means that £192 million will be focused on preventative measures enabling positive outcomes for all those within Midlothian's communities. In negative terms £ 1million worth of budget savings have to be made. This represents 0.5% of the total budget, and as will be seen from the individual equality impact assessments, further mitigating actions such as concessionary rates which already exist, are in place to mitigate the effects on those in most need.
Completion Date	Monday 29 February 2016
Lead officer	Gary Fairley

Aims and Objectives

The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources. Accordingly, it is prudent that significant savings are made over the coming years and projected budget shortfalls stemmed. This will allow the Council to maintain its financial sustainability and also to ensure that all within its communities, irrespective of protected characteristics, (age, disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation plus in Midlothian poor socio-economic circumstances), are not unlawfully discriminated against, and that equality of opportunity and advancement of good relations in upheld between those who have a protected characteristic and those who do not.

1. Does the proposed budget affect people? **Yes** ☒ **No** ☐

2. What is/are the reason(s) for your proposed budget saving?
The budget savings are put forward to meet the Council's overall budget shortfall. Each saving has been individually equality impact assessed and these discrete assessments are publically available on the Council's website from 01 March 2016.

3. Impact
Which of the protected characteristics* will the proposed budget savings have an impact upon?

Equality Target Group*	Positive Impact	Negative Impact	Relevant evidence/ information
Age	Concessionary charging is available in a number of circumstances.	Young and elderly people in poor economic circumstances maybe adversely affected.	**See individual equality impact assessments per budget saving proposal**
Disability	Concessionary charging is available in a number of circumstances.	Disabled people in receipt of benefits may be adversely affected.	
Gender Reassignment	No impact	No impact	
Marriage & Civil Partnership	No impact	No impact	
Pregnancy and maternity	No impact	Single parents in low income households maybe adversely affected	
Race	No impact	No impact	
Religion or Belief	No impact	No impact	
Sex	Concessionary rates apply in many circumstances.	Men and women along with disabled men and women in low income households maybe affected.	

Sexual Orientation	No impact	No impact	

4. Overall Impact of Budget
In terms of preventative spend (£192,000,000) all protected characteristic groups will benefit positively through focus of Council service expenditure on vulnerable groups for example, Early Years and Health and Social Care spend.

The Delivering Excellence framework approved by the Council on 23 June 2015 continues to help focus available resource on Council priorities. In addition, this framework supports the repositioning of services to ensure they have a greater emphasis on, and achieve better outcomes for, those most disadvantaged and vulnerable in our communities.

5. How will the implementation of proposed budget savings be communicated to those affected by any changes?

Information will be available on the Council's web site and communicated to affected businesses by letter, email, etc. In addition, information documents, as required, can be made available in different formats and languages. If an individual or group require this information in another language or format, then they should email equalities@midlothian.gov.uk or telephone the Equality, Diversity & Human Rights Officer on 0131 271 3658.

6. How will you monitor the impact of the changes proposed? When is the budget due to be reviewed?

Changes will be monitored through Covalent, the council's performance management system, discussion groups and forums, fees and charges income, and various other methods detailed in the individual equality impact assessments.
The overall budget is reviewed on an annual basis.

7. Please use the space below to detail any other matters arising from the Equality Impact Assessment (EqIA) process.

As available, mitigating actions for each of the proposals have been outlined in the individual equality impact assessments.

Where no mitigating actions are possible it is considered that any negative effects are not unlawful and are justifiable on a benchmarking/inflationary basis.

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes

UPDATED MONDAY 29 FEBRUARY 2016

Note: Actual % increases will vary due to roundings.

Customer and Housing Services

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
Library Service and Misc							
Overdue fines	May-07	£0.05	5.00%	£0.05	Apr-16		
Requests	Apr-09	£0.50	5.00%	£0.55	Apr-16		
Inter Library Loans	Apr-10	£2.00	5.00%	£2.10	Apr-16		
CD Hire	Apr-10	£0.25	5.00%	£0.25	Apr-16		
DVD (fiction)/per day	May-07	£1.00	5.00%	£1.05	Apr-16		
Printing (black and white)	Apr-10	£0.05	5.00%	£0.05	Apr-16		Harmonised charge across all Council services/outlets
Printing (colour)	Aug-14	£0.50	5.00%	£0.55	Apr-16		
Photocopies (A4 black and white)/per sheet	Aug-14	£0.10	5.00%	£0.10	Apr-16		
Photocopies (A3 black and white)/per sheet	Aug-14	£0.20	5.00%	£0.20	Apr-16		
Photocopies (A4 black and white)/10 or more sheets per sheet	Aug-14	£0.08	5.00%	£0.10	Apr-16		
Photocopies (A3 black and white)/10 or more sheets per sheet	Aug-14	£0.16	5.00%	£0.20	Apr-16		
Photocopies (A4 colour)/per sheet	May-07	£0.50	5.00%	£0.55	Apr-16		
Photocopies (A3 colour)/per sheet	May-07	£1.00	5.00%	£1.05	Apr-16		
Photocopies (A4 colour)/10 or more sheets	Aug-14	£0.40	5.00%	£0.40	Apr-16		
Photocopies (A3 colour)/10 or more sheets	Aug-14	£0.80	5.00%	£0.85	Apr-16		
Laminating (A4 per sheet)	May-07	£0.20	5.00%	£0.20	Apr-16		
Laminating (A3 per sheet)	May-07	£0.50	5.00%	£0.55	Apr-16		
Lost Membership card	Apr-10	£1.00	5.00%	£1.05	Apr-16		
Fax Sending (UK per sheet)	May-07	£1.00	5.00%	£1.05	Apr-16		Maximum £3.00
Fax Sending(Europe per sheet)	May-07	£1.50	5.00%	£1.60	Apr-16		Maximum £3.00
Fax Sending(International per sheet)	May-07	£2.00	5.00%	£2.10	Apr-16		Maximum £4.00
Fax Receiving - all	May-07	£1.00	5.00%	£1.05	Apr-16		
Scanning	Aug-14	£1.00	5.00%	£1.05	Apr-16		
Production of pre-scanned image	Aug-14	£0.50	5.00%	£0.55	Apr-16		
Scan to CD	Aug-14	£2.00	5.00%	£2.10	Apr-16		CD provided by Council
Pre scanned image on CD	Aug-14	£1.50	5.00%	£1.60	Apr-16		CD provided by Council
Use of image for publication per image (Commercial)	Aug-14	£25.00	5.00%	£26.50	Apr-16		
Use of image for publication per image (Academic)	Aug-14	£15.00	5.00%	£16.00	Apr-16		
Use of image for publication per image (Local History Societies)	Aug-14	n/a	n/a	£0.00	Apr-16		Work in Partnership
USB Flash drives - Determined by cost	Aug-14	£5.00	5.00%	£5.25	Apr-16		Determined by cost of purchase
Scotland People Vouchers	n/a	£5.80	0.00%	£5.80	Apr-16	Statutory charge	
Scotland people Vouchers	n/a	£7.00	0.00%	£7.00	Apr-16	Statutory charge	

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
Registrars							
Marriage Notice Forms	Apr-14	£30.00	0.00%	£30.00	Apr-16	Statutory charge	
Civil Partnership Registration Notice Forms	Apr-14	£30.00	0.00%	£30.00	Apr-16	Statutory charge	
Marriage/Civil Partnership Certificate	Apr-14	£10.00	0.00%	£10.00	Apr-16	Statutory charge	
Civil Marriage Fee - in office	Apr-14	£55.00	0.00%	£55.00	Apr-16	Statutory charge	
Civil Partnership Ceremony Fee - in office	Apr-14	£55.00	0.00%	£55.00	Apr-16	Statutory charge	
Religious Marriage	Apr-14	£70.00	0.00%	£70.00	Apr-16	Statutory charge	
Civil Partnership Registration (no ceremony) - in office	Apr-14	£125.00	0.00%	£125.00	Apr-16	Statutory charge	
Civil Marriage Registration - (ceremony) - in office - no guests	Apr-14	£125.00	0.00%	£125.00	Apr-16	Statutory charge	
Civil Ceremony (Saturday) - in office	Apr-14	£255.15	5.00%	£268.00	Apr-16	Includes statutory charges of £125	
Civil Marriage - in office	Apr-14	£215.50	5.00%	£226.50	Apr-16	Includes statutory charges of £125	
Civil Partnership Ceremony - in office	Apr-14	£215.50	5.00%	£226.50	Apr-16	Includes statutory charges of £125	
Civil Marriage - at venue	Apr-14	£320.35	5.00%	£336.50	Apr-16		
Civil Partnership - at venue	Apr-14	£320.35	5.00%	£336.50	Apr-16		
Non Refundable Booking Fee	Apr-14	£40.00	5.00%	£42.00	Apr-16	In addition to stated fee	
Marriage/Civil Partnership Rehearsal - in office	Apr-14	£48.00	5.00%	£50.50	Apr-16	Increase to cover staff and travelling costs	

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes

UPDATED MONDAY 29 FEBRUARY 2016

Note: Actual % increases will vary due to roundings.

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
Marriage/Civil Partnership Rehearsal - at venue	Jan-11	£100.00	5.00%	£105.00	Apr-16		
Birth, Death, Marriage, Civil Partnership Extracts at time of registration	Jan-11	£10.00	0.00%	£10.00	Apr-16	Statutory charge	
Birth, Death, Marriage, Civil Partnership Extracts after one month of registration	Jan-11	£15.00	0.00%	£15.00	Apr-16	Includes Statutory charge £10.00	
Postage charge for Birth, Death, Marriage, Civil Partnership Extracts after one month of registration	New charge	£0.00	0.00%	£1.00	Apr-16	Costs in line with other local authorities	
Birth, Death, Marriage, Civil Partnership Extracts after one month of registration - Priority Service	Jan-11	£20.00	0.00%	£20.00	Apr-16	Includes Statutory charge£10.00	
Public Holiday and Sunday Charge at Venue	Apr-14	£50.00	0.00%	£50.00	Apr-16		
Citizenship Ceremony (if individual ceremony requested)	Jan-11	£55.00	9.00%	£60.00	Apr-16		
Civil Partnership to a Same Sex Marriage Conversion	Jan-11	£30.00	0.00%	£30.00	Apr-16	Statutory charge from Dec 2015	
Risk Assessment undertaken by Registrar	New charge	£0.00	0.00%	£50.00	Apr-16	Previously not charged for - To ensure costs of service are met	
Baby naming ceremony	New charge	£0.00	0.00%	£250.00	Apr-16	Based on existing ceremony fees minus statutory fees due no legal requirements for this ceremony	
Renewal of vows	New charge	£0.00	0.00%	£250.00	Apr-16	Based on existing ceremony fees minus statutory fees due no legal requirements for this ceremony	

Adult and Social Care

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
Resources and Adult Care							
Homecare Charges per hour	Apr-14	£9.80	4.90%	£10.28	Jul-16	Financial assessment determines cost with a maximum charge. (4.9% increase as price needs to be divisible by 4 to allow charging for 15 minute slots).	
Housing Support per hour	Apr-14	£9.80	4.90%	£10.28	Jul-16	Financial assessment determines cost with a maximum charge	
Telecare and Community Alarms (per week)	Apr-14	£2.05	46.00%	£3.00	Jul-16	Approved by Council 16 December 2014	
Day Centre Meals	Apr-14	£2.05	5.00%	£2.15	Jul-16	Financial assessment determines cost with a maximum charge	
Care Home Charges	n/a	£0.00	0.00%	£0.00	Jul-16	Financial assessment required, set in accordance with Scottish Government Guidance Annually in March	
Day Centre Charges (Highbank - meals, per day)	Apr-14	£4.15	5.00%	£4.35	Jul-16	St David's, Broomhill Woodburn and Alzheimer's removed as income goes to 3rd party	

Education

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
Lasswade High School (Evening classes)							
Day Classes	Apr-11	£0.00	n/a	£0.00	n/a		
Highers 3 terms							
Adult Evening Classes	Aug-14	£197.40	1.00%	£199.50	Aug-16	1% increase only to ensure no loss of business.	
Under 18 Evening Classes	Aug-14	£99.00	5.00%	£104.00	Aug-16		
Retired Evening Classes	Aug-14	£87.00	5.00%	£91.50	Aug-16		
Concessions Evening Classes	Aug-14	£35.00	5.00%	£37.00	Aug-16		
Non Certificated 10 weeks							
Adult Evening Classes	Aug-14	£61.00	5.00%	£64.50	Aug-16		
Under 18 Evening Classes	Aug-14	£31.00	5.00%	£33.00	Aug-16		
Retired Evening Classes	Aug-14	£27.00	5.00%	£28.50	Aug-16		
Concessions Evening Classes	Aug-14	£11.00	5.00%	£12.00	Aug-16		
Non Certificated 20 weeks							
Adult Evening Classes	Aug-14	£72.00	5.00%	£76.00	Aug-16		
Under 18 Evening Classes	Aug-14	£36.00	5.00%	£38.00	Aug-16		

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
UPDATED MONDAY 29 FEBRUARY 2016							Note: Actual % increases will vary due to roundings.
Retired Evening Classes	Aug-14	£32.00	5.00%	£34.00	Aug-16		
Concessions Evening Classes	Aug-14	£13.00	5.00%	£14.00	Aug-16		
SQA Units 30 weeks							
Adult Evening Classes	Aug-14	£126.00	5.00%	£132.50	Aug-16		
Under 18 Evening Classes	Aug-14	£63.00	5.00%	£66.50	Aug-16		
Retired Evening Classes	Aug-14	£56.00	5.00%	£59.00	Aug-16		
Concessions Evening Classes	Aug-14	£32.00	5.00%	£34.00	Aug-16		
Non Certificated 25 weeks							
Adult Evening Classes	Aug-14	£78.00	5.00%	£82.00	Aug-16		
Under 18 Evening Classes	Aug-14	£39.00	5.00%	£41.00	Aug-16		
Retired Evening Classes	Aug-14	£34.00	5.00%	£36.00	Aug-16		
Concessions Evening Classes	Aug-14	£14.00	5.00%	£15.00	Aug-16		

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
Beeslack High School - Classes							
Computing/per class	Aug-15	£6.15	5.00%	£6.50	Aug-16		
Stained Glass/per class	Aug-15	£6.15	5.00%	£6.50	Aug-16		
Dressmaking/per class	Aug-15	£6.15	5.00%	£6.50	Aug-16		
Language Classes/per class	Aug-15	£6.15	5.00%	£6.50	Aug-16		
Jewellery Making/per class	Aug-15	£6.15	5.00%	£6.50	Aug-16		
Upholstery/per class	Aug-15	£6.15	5.00%	£6.50	Aug-16		
Highers 3 terms							
Adult Evening Classes	Aug-14	£197.40	1.00%	£199.50	Aug-16	1% increase only to ensure no loss of business.	
Beeslack Pupil/Students current fees	Aug-14	£84.00	5.00%	£88.50	Aug-16		
SQA Module	Aug-14	£80.00	0.00%	£80.00	Aug-16	Statutory charge - set by SQA	
Retired Evening Classes	Aug-14	£59.00	5.00%	£62.00	Aug-16		
Concessions Evening Classes	Aug-14	£29.00	5.00%	£30.50	Aug-16		
Exam Fee	Aug-14	£37.50	0.00%	£37.50	Aug-16	Statutory charge - set by SQA	

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
Other Locations (Other evening classes)							
Code A	Aug-14	£61.00	5.00%	£64.50	Aug-16		
Code A (Under 18/DLA)	Aug-14	£31.00	5.00%	£33.00	Aug-16		
Code A (Retired)	Aug-14	£27.00	5.00%	£28.50	Aug-16		
Code A (Concession)	Aug-14	£11.00	5.00%	£12.00	Aug-16		
Code B	Aug-14	£46.00	5.00%	£48.50	Aug-16		
Code B (Under 18/DLA)	Aug-14	£23.00	5.00%	£24.50	Aug-16		
Code B (Retired)	Aug-14	£20.00	5.00%	£21.00	Aug-16		
Code B (Concession)	Aug-14	£11.00	5.00%	£12.00	Aug-16		
Code C	Aug-14	£123.00	5.00%	£129.50	Aug-16		
Code C (Under 18/DLA)	Aug-14	£61.00	5.00%	£64.50	Aug-16		
Code C (Retired)	Aug-14	£54.00	5.00%	£57.00	Aug-16		
Code C (Concession)	Aug-14	£16.00	5.00%	£17.00	Aug-16		
Code D	Aug-14	£37.00	5.00%	£39.00	Aug-16		
Code D (Under 18/DLA)	Aug-14	£18.00	5.00%	£19.00	Aug-16		
Code D (Retired)	Aug-14	£16.00	5.00%	£17.00	Aug-16		
Code D (Concession)	Aug-14	£11.00	5.00%	£12.00	Aug-16		
Code E	Aug-14	£52.00	5.00%	£55.00	Aug-16		
Code E (Under 18/DLA)	Aug-14	£26.00	5.00%	£27.50	Aug-16		
Code E (Retired)	Aug-14	£23.00	5.00%	£24.50	Aug-16		
Code E (Concession)	Aug-14	£12.00	5.00%	£13.00	Aug-16		

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
Lifelong Learning & Employability classes							
Code A	Aug-15	£197.40	1.00%	£199.50	Aug-16	1% increase only to ensure no loss of business.	
Code A (Under 18/DLA)	Aug-15	£98.70	1.00%	£100.00	Aug-16	1% increase only to ensure no loss of business.	
Code A (Retired)	Aug-15	£86.90	1.00%	£88.00	Aug-16	1% increase only to ensure no loss of business.	
Code A (Concession)	Aug-15	£34.65	1.00%	£35.00	Aug-16	1% increase only to ensure no loss of business.	

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes

UPDATED MONDAY 29 FEBRUARY 2016

Note: Actual % increases will vary due to roundings.

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
Code B	Aug-15	£122.85	5.00%	£129.00	Aug-16		
Code B (Under 18/DLA)	Aug-15	£61.45	5.00%	£65.00	Aug-16		
Code B (Retired)	Aug-15	£54.10	5.00%	£57.00	Aug-16		
Code B (Concession)	Aug-15	£15.75	5.00%	£17.00	Aug-16		
Code C	Aug-15	£61.45	5.00%	£65.00	Aug-16		
Code C (Under 18/DLA)	Aug-15	£30.70	5.00%	£32.50	Aug-16		
Code C (Retired)	Aug-15	£27.00	5.00%	£28.50	Aug-16		
Code C (Concession)	Aug-15	£10.80	5.00%	£11.50	Aug-16		
Code D	Aug-15	£77.70	5.00%	£82.00	Aug-16		
Code D (Under 18/DLA)	Aug-15	£38.85	5.00%	£41.00	Aug-16		
Code D (Retired)	Aug-15	£34.15	5.00%	£36.00	Aug-16		
Code D (Concession)	Aug-15	£13.65	5.00%	£14.50	Aug-16		
Code E	Aug-15	£55.30	5.00%	£58.50	Aug-16		
Code E (Under 18/DLA)	Aug-15	£27.00	5.00%	£28.50	Aug-16		
Code E (Retired)	Aug-15	£23.10	5.00%	£24.50	Aug-16		
Code E (Concession)	Aug-15	£10.80	5.00%	£11.50	Aug-16		
Code F	Aug-15	£61.45	5.00%	£65.00	Aug-16		
Code F (under 18/DLA)	Aug-15	£30.70	5.00%	£32.50	Aug-16		
Code F(Retired)	Aug-15	£27.00	5.00%	£28.50	Aug-16		
Code F (Concession)	Aug-15	£10.80	5.00%	£11.50	Aug-16		
Code G	Aug-15	£15.00	5.00%	£16.00	Aug-16		
Code G (Under 18/DLA)	Aug-15	£15.00	5.00%	£16.00	Aug-16		
Code G (Retired)	Aug-15	£15.00	5.00%	£16.00	Aug-16		
Code G (Concession)	Aug-15	£15.00	5.00%	£16.00	Aug-16		
Code H	Aug-15	£20.00	5.00%	£21.00	Aug-16		
Code H (Under 18/DLA)	Aug-15	£20.00	5.00%	£21.00	Aug-16		
Code H (Retired)	Aug-15	£20.00	5.00%	£21.00	Aug-16		
Code H (Concession)	Aug-15	£20.00	5.00%	£21.00	Aug-16		
Code I	Aug-15	£49.50	5.00%	£52.00	Aug-16		
Code I (Under 18/DLA)	Aug-15	£24.75	5.00%	£26.00	Aug-16		
Code I (Retired)	Aug-15	£21.80	5.00%	£23.00	Aug-16		
Code I (Concession)	Aug-15	£11.50	5.00%	£12.50	Aug-16		
Code J	Aug-15	£46.20	5.00%	£49.00	Aug-16		
Code J (Under 18/DLA)	Aug-15	£23.10	5.00%	£24.50	Aug-16		
Code J (Retired)	Aug-15	£20.20	5.00%	£21.50	Aug-16		
Code J (Concession)	Aug-15	£10.80	5.00%	£11.50	Aug-16		
Code K	Aug-15	£60.00	5.00%	£63.00	Aug-16		
Code K (Under 18/DLA)	Aug-15	£60.00	5.00%	£63.00	Aug-16		
Code K (Retired)	Aug-15	£60.00	5.00%	£63.00	Aug-16		
Code K (Concession)	Aug-15	£60.00	5.00%	£63.00	Aug-16		
Code L	Aug-15	£37.00	5.00%	£39.00	Aug-16		
Code L (Under 18/DLA)	Aug-15	£18.50	5.00%	£19.50	Aug-16		
Code L (Retired)	Aug-15	£16.30	5.00%	£17.50	Aug-16		
Code L (Concession)	Aug-15	£10.80	5.00%	£11.50	Aug-16		

Beeslack High School - Leisure							
Fitness Suite/per hour	Aug-14	£2.00	0.00%	£2.00	Aug-16	No increase due to current standard.	
Fitness Suite/per month	Aug-14	£12.00	0.00%	£12.00	Aug-16		
Fitness Suite/per year	Aug-14	£59.00	0.00%	£59.00	Aug-16		
Fitness Suite/per hour - concession	Aug-14	£1.00	0.00%	£1.00	Aug-16		
Fitness Suite/per hour - adult group hire	Aug-14	£16.00	0.00%	£16.00	Aug-16		
Fitness Suite/per hour - junior group hire	Aug-14	£13.00	0.00%	£13.00	Aug-16		
Tennis Courts/per hour	Aug-14	£13.50	0.00%	£13.50	Aug-16	No increase due to current standard of Tennis court.	

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
UPDATED MONDAY 29 FEBRUARY 2016							Note: Actual % increases will vary due to roundings.
Swimming pool/per hour (weekdays)	Aug-14	£33.00	0.00%	£33.00	Aug-16	Beeslack HS prices are higher than Leisure prices for hiring of the pool and have been trying to come more in line. This facility does not have the option to let out lanes and open to the public at the same time. This facility does not offer concessions to the public	
Swimming pool/per hour - concession (weekdays)	Aug-14	£20.00	0.00%	£20.00	Aug-16		
Swimming pool/per hour (weekends)	Aug-14	£64.00	0.00%	£64.00	Aug-16		
Swimming pool/per hour - concession (weekends)	Aug-14	£38.00	0.00%	£38.00	Aug-16		
Leisure Swim/per hour	Aug-14	£3.45	0.00%	£3.45	Aug-16	Class is made up of over 60's, no concessions as general price higher than Penicuik or Loanhead centres.	
Swimming instruction/per hour - adults	Aug-14	£4.70	5.00%	£5.00	Aug-16		
Swimming instruction/per hour - children	Aug-14	£4.70	5.00%	£5.00	Aug-16		
NPLQ/per course	Aug-14	£200.00	7.00%	£214.10	Aug-16	Increased to bring cost in line with Healthy living services.	
Summer Activities per session	Aug-14	£4.50	5.00%	£5.00	Aug-16		
Fun Athletics/per hour	Aug-14	£4.70	5.00%	£5.00	Aug-16		
Yoga/per 2 hours	Aug-14	£6.15	5.00%	£6.50	Aug-16		
Newbattle Community High School - Leisure							
Swimming pool/per hour	Aug-14	£29.00	0.00%	£29.00	Aug-16	No increase due to current standard	
Swimming pool/per hour - concession	Aug-14	£17.00	0.00%	£17.00	Aug-16	No increase due to current standard	
O Zone/per hour	Aug-14	£11.00	0.00%	£11.00	Aug-16	No increase due to current standard	
O Zone/per hour - concession	Aug-14	£7.00	0.00%	£7.00	Aug-16	No increase due to current standard	

Communities & Economy

Planning and Building Control							
Planning Application Fees (variable according to development size)	Nov-14	n/a	0.00%	n/a	n/a	Minimum charge £202.00 - Maximum charge £20,055. Set by Scottish Government	
Permission to Display an Advertisement	Nov-14	£202.00	0.00%	£202.00	Nov-14	Set by Scottish Government	
Property Enquiry	Apr-11	£60.00	50.00%	£90.00	Apr-16	To ensure the costs of the service are met	
Letter of Comfort (building warrant obtained, completion certificate not obtained)	Apr-10	£130.00	30.00%	£170.00	Apr-16	In line with a benchmarking exercise undertaken with all 32 local authorities, and moved to a fee seen as in the mid range.	New charges - Existing letter of comfort charge £130.00 regardless of building warrant
Letter of Comfort (no building warrant obtained)	Apr-10	£130.00	130.00%	£300.00	Apr-16	In line with a benchmarking exercise undertaken with all 32 local authorities, and moved to a fee seen as in the mid range.	
Search building standards electronic and paper records for single entry relating specifically to the work detailed on application form (Standard)	Apr-14	£30.00	0.00%	£30.00	Apr-16	In line with a benchmarking exercise undertaken with all 32 local authorities, in April moved to a fee seen as in the mid range.	
Search building standards electronic and paper records for single entry relating specifically to the work detailed on application form (Express)	Apr-14	£90.00	0.00%	£90.00	Apr-16	In line with a benchmarking exercise undertaken with all 32 local authorities, In April 14 moved to a fee in the mid range, with the added percentage increase to cover a priority/express service	
Copy of document, plan, etc from Part 2 of the Building Standards Register held electronically or within a file (No drawings provided) - (Standard)	Apr-14	£30.00	0.00%	£30.00	Apr-16	In line with a benchmarking exercise undertaken with all 32 local authorities, In April 14 moved to a fee in the mid range	
Copy of document, plan, etc from Part 2 of the Building Standards Register held electronically or within a file (No drawings provided) - (Express)	Apr-14	£90.00	0.00%	£90.00	Apr-16	In line with a benchmarking exercise undertaken with all 32 local authorities, In April 14 moved to a fee in the mid range, with the added percentage increase to cover a priority/express service	

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
UPDATED MONDAY 29 FEBRUARY 2016							Note: Actual % increases will vary due to roundings.
Copy of document, plan, etc from Part 2 of the Building Standards Register held electronically or within a file (drawings provided) - (Standard)	Apr-14	£70.00	0.00%	£70.00	Apr-16	In line with a benchmarking exercise undertaken with all 32 local authorities, In April moved to a fee in the mid range	
Copy of document, plan, etc from Part 2 of the Building Standards Register held electronically or within a file (drawings provided) - (Express)	Apr-14	£210.00	0.00%	£210.00	Apr-16	In line with a benchmarking exercise undertaken with all 32 local authorities, In April 14 moved to a fee in the mid range, with the added percentage increase to cover a priority/express service	
Request for written confirmation from Building Standards that a proposal is exempt from the Standards or exempt from requiring Building Warrant	New charge	£0.00	0.00%	£50.00	Apr-16	In line with a benchmarking exercise undertaken with all 32 local authorities, fee in the mid range	
Costs involved in administrating on site works following issue of a dangerous or defective building notice.(surveyor/administrative charge)	New charge	£0.00	0.00%	£60.00	Apr-16	In line with a benchmarking exercise undertaken with all 32 local authorities and Section 1, Buildings (Recovery of Expenses) (Scotland) Act 2014 allowing an authority to charge expenses incurred in progressing works or notice.	
Admin Fee (missive)	Nov-14	£175.00	50.00%	£263.00	Apr-16	To ensure the costs of the service are met	
Admin Fee (renewal)	Nov-14	£125.00	50.00%	£188.00	Apr-16	To ensure the costs of the service are met	
Survey Fee	Nov-14	£150.00	50.00%	£225.00	Apr-16	To ensure the costs of the service are met	
Management Fee	Nov-14	£250.00	50.00%	£375.00	Apr-16	To ensure the costs of the service are met	
Management Fee	Nov-14	£350.00	50.00%	£525.00	Apr-16	To ensure the costs of the service are met	
Midlothian Local Plan (adopted December 2008)	Nov-14	£15.50	50.00%	£24.00	Apr-16	To ensure the costs of the service are met	
Midlothian Local Plan (adopted December 2008)	Nov-14	£19.50	20.00%	£24.00	Apr-16	To ensure the costs of the service are met	
Report of Local Plan Inquiry into Objections to the Finalised Midlothian Local Plan (CD)	Nov-14	£1.00	50.00%	£1.50	Apr-16	To ensure the costs of the service are met	
Report of Local Plan Inquiry into Objections to the Finalised Midlothian Local Plan (CD)	Nov-14	£1.50	50.00%	£2.30	Apr-16	To ensure the costs of the service are met	
Landscape Capacity Study for Wind Turbine Development in Midlothian (CD)	Nov-14	£1.00	50.00%	£1.50	Apr-16	To ensure the costs of the service are met	
Landscape Capacity Study for Wind Turbine Development in Midlothian (CD)	Nov-14	£1.50	50.00%	£2.30	Apr-16	To ensure the costs of the service are met	
Edinburgh & the Lothian's Structure Plan 2015: Approved Written Statement	Nov-14	£5.00	50.00%	£7.50	Apr-16	To ensure the costs of the service are met	
Edinburgh & the Lothian's Structure Plan 2015: Approved Written Statement	Nov-14	£6.00	50.00%	£9.00	Apr-16	To ensure the costs of the service are met	
ELSP 2015: Supporting Statement	Nov-14	£5.00	50.00%	£7.50	Apr-16	To ensure the costs of the service are met	
ELSP 2015: Supporting Statement	Nov-14	£6.00	50.00%	£9.00	Apr-16	To ensure the costs of the service are met	
ELSP 2015: Action Plan Update	Nov-14	£5.00	50.00%	£7.50	Apr-16	To ensure the costs of the service are met	
ELSP 2015: Action Plan Update	Nov-14	£6.00	50.00%	£9.00	Apr-16	To ensure the costs of the service are met	
ELSP 2015: Action Plan	Nov-14	£5.00	50.00%	£7.50	Apr-16	To ensure the costs of the service are met	
ELSP 2015: Action Plan	Nov-14	£6.00	50.00%	£9.00	Apr-16	To ensure the costs of the service are met	
ELSP 2015: Baseline Monitoring Report	Nov-14	£5.00	50.00%	£7.50	Apr-16	To ensure the costs of the service are met	
ELSP 2015: Baseline Monitoring Report	Nov-14	£6.00	50.00%	£9.00	Apr-16	To ensure the costs of the service are met	
Midlothian Local Plan (MLP) superseded	Nov-14	£17.00	50.00%	£26.00	Apr-16	To ensure the costs of the service are met	
Midlothian Local Plan (MLP) superseded	Nov-14	£20.00	50.00%	£30.00	Apr-16	To ensure the costs of the service are met	
Shawfair Local Plan (SLP) superseded	Nov-14	£10.00	50.00%	£15.00	Apr-16	To ensure the costs of the service are met	
Shawfair Local Plan (SLP) superseded	Nov-14	£12.00	50.00%	£18.00	Apr-16	To ensure the costs of the service are met	
Standards for Development Roads (CD)	Nov-14	£1.00	50.00%	£1.50	Apr-16	To ensure the costs of the service are met	
Midlothian Local Biodiversity Action Plan	Nov-14	£19.50	50.00%	£29.50	Apr-16	To ensure the costs of the service are met	
Midlothian Local Biodiversity Action Plan	Nov-14	£23.50	50.00%	£35.50	Apr-16	To ensure the costs of the service are met	
Midlothian Local Biodiversity Action Plan CD Rom version	Nov-14	£1.00	50.00%	£1.50	Apr-16	To ensure the costs of the service are met	
Midlothian Local Biodiversity Action Plan CD Rom version	Nov-14	£1.50	50.00%	£2.30	Apr-16	To ensure the costs of the service are met	
Landlord fees							
Landlord Registration Fee - Principal (3 years)	Apr-10	£55.00	0.00%	£55.00	n/a	Statutory charge	
Landlord Registration Fee - Property (3 year per property)	Apr-10	£11.00	0.00%	£11.00	n/a	Statutory charge	
Landlord Registration Fee - Agent (3 years)	Apr-10	£55.00	0.00%	£55.00	n/a	Statutory charge	

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
UPDATED MONDAY 29 FEBRUARY 2016							Note: Actual % increases will vary due to roundings.
Landlord Registration Fee - Charity (3 years)	Apr-10	£0.00	0.00%	£0.00	n/a	Statutory charge	
Landlord Registration Fee - HMO (3 years)	Apr-10	£0.00	0.00%	£0.00	n/a	Statutory charge	
Landlord Registration Fee - Multiple LA (3 years)	Apr-10	£27.50	0.00%	£27.50	n/a	Statutory charge	
Landlord Registration Fee - Multiple LA (3 years per property	Apr-10	£11.00	0.00%	£11.00	n/a	Statutory charge	
Late Registration Fee (3 years)	Apr-10	£110.00	0.00%	£110.00	n/a	Statutory charge	
Late Registration Fee - Charity (3 years)	Apr-10	£55.00	0.00%	£55.00	n/a	Statutory charge	
Environmental Health							
Rats/Mice initial visit	Jun-14	£60.00	5.00%	£63.00	Apr-16		Upfront charges in place since June 2014
Wasps/Bees - per visit	Jun-14	£37.20	5.00%	£39.20	Apr-16		
Fleas - per visit	Jun-14	£37.20	5.00%	£39.20	Apr-16		
Insects - per visit (other than bedbugs)	Jun-14	£37.20	5.00%	£39.20	Apr-16		
Bedbugs	Jun-14	£60.00	5.00%	£63.00	Apr-16		
Licence fees for animal boarding, dog breeding, dangerous wild animals and pet shops	Apr-14	£100.08	5.00%	£106.00	Apr-16		
Riding establishments	Apr-14	£84.00	5.00%	£88.50	Apr-16	For riding establishments - the fee due is our fee PLUS veterinary inspectors fee which is variable dependent on the number of horses	
Immigration certificates	Apr-14	£63.00	5.00%	£66.50	Apr-16		
Trading Standards							
Petroleum Licence (up to 2,500 litres)	Apr-10	£42.00	0.00%	£42.00	Apr-16	Statutory charge not envisaged these will increase	
Petroleum Licence (2,500-50,00 litres)	Apr-10	£58.00	0.00%	£58.00	Apr-16		
Petroleum Licence (over 50,000 litres)	Apr-10	£120.00	0.00%	£120.00	Apr-16		
Petroleum Licence (Transfer of licence)	Apr-10	£8.00	0.00%	£8.00	Apr-16		
Explosives Store Licence (Initial application)	Apr-10	£178.00	0.00%	£178.00	Apr-16		
Explosives Store Licence (Renewal)	Apr-10	£83.00	0.00%	£83.00	Apr-16		
Explosives Store Registration (Initial Registration)	Apr-10	£105.00	0.00%	£105.00	Apr-16		
Explosives Store Registration (Renewal)	Apr-10	£52.00	0.00%	£52.00	Apr-16		
Explosives Store Registration (Variation)	Apr-11	£35.00	0.00%	£35.00	Apr-16		
Poisons Registration (Initial Registration)	Apr-11	£32.67	0.00%	£32.70	Apr-16		
Poisons Registration (Re-registration)	Apr-11	£17.22	0.00%	£17.20	Apr-16		
Weights and Measures Equipment Test Fees (weights fee)	Apr-10	£6.00	5.00%	£6.30	Apr-16		For other weights
Weights and Measures Equipment Test Fees (weights fee)	Apr-10	£8.00	5.00%	£8.40	Apr-16		For weights exceeding 5kg or not exceeding 500mg
Weights and Measures Equipment Test Fees (length fee)	Apr-10	£8.40	5.00%	£8.80	Apr-16		
Weights and Measures Equipment Test Fees (liquid capacity measure fee)	Apr-10	£23.50	5.00%	£24.70	Apr-16		
Weights and Measures Equipment Test Fees (certificate)	Apr-10	£34.00	5.00%	£35.70	Apr-16		
Weights and Measures Equipment Testing (hourly rate)	Apr-10	£65.57	5.00%	£69.00	Apr-16		

Property & Facilities Management

Healthy Living Services							
Harmonised pitches Charges - ALL Midlothian Facilities per							
11 a-side-pitch grass pitch	Aug-14	£13.20	2.00%	£13.50	Aug-16		
7-a-side grass pitch	Aug-14	£7.30	2.00%	£7.50	Aug-16		
Off pitch training area - grass	Aug-14	£10.60	2.00%	£11.00	Aug-16		
11-a-side 3G pitch	Aug-14	£27.00	2.00%	£28.00	Aug-16		
7-a-side 3G pitch	Aug-14	£23.50	2.00%	£24.00	Aug-16		
5-a-side 3G pitch	Aug-14	£17.70	2.00%	£18.50	Aug-16		
11-a-side astro turf pitch	Aug-14	£11.35	2.00%	£11.60	Aug-16		
7-a-side astro turf pitch	Aug-14	£9.50	2.00%	£9.70	Aug-16		

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
UPDATED MONDAY 29 FEBRUARY 2016							Note: Actual % increases will vary due to roundings.
5-a-side astro turf pitch	Aug-14	£25.00	2.00%	£25.50	Aug-16		
Changing Rooms for matches only	Aug-14	£4.20	2.00%	£4.30	Aug-16		
Cricket Pitch	Aug-14	£53.05	2.00%	£54.50	Aug-16		
Running Track	Aug-14	£15.00	2.00%	£15.50	Aug-16		
Harmonised Hall Charges - ALL Midlothian Facilities per hour -							
Class rooms/meeting rooms (0 - 60 sqm)	Aug-14	£9.50	2.00%	£9.70	Aug-16		Concessions will be applied in accordance with the Concessions Policy
Small Hall (61 - 300 sqm)	Aug-14	£20.50	2.00%	£21.00	Aug-16		
Medium Hall (301 - 600sqm)	Aug-14	£35.00	2.00%	£36.00	Aug-16		
Large Hall (601 + sqm)	Aug-14	£70.00	2.00%	£72.00	Aug-16		

Tonezone Membership							
Platinum:							
Individual	Apr-13	£43.90	0.00%	£43.90	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Joint	Apr-13	£77.65	0.00%	£77.65	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Corporate	Apr-13	£35.45	0.00%	£35.45	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Student	n/a	£26.00	0.00%	£26.00	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Junior	n/a	£22.00	0.00%	£22.00	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Gold:							
Individual	Apr-13	£37.70	2.00%	£38.50	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Joint	Apr-13	£67.00	2.00%	£68.50	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Corporate	Apr-13	£29.30	2.00%	£30.00	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Student	n/a	£22.00	2.00%	£22.50	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Junior	n/a	£19.00	2.00%	£19.40	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Silver:							
Individual	Apr-13	£29.30	2.00%	£30.00	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Joint	Apr-13	£52.30	2.00%	£53.50	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Corporate	Apr-13	£23.60	2.00%	£24.10	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Student	n/a	£20.00	2.00%	£20.40	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Junior	n/a	£18.00	2.00%	£18.40	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Bronze:							
Individual	Apr-13	£26.40	2.00%	£27.00	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Joint	Apr-13	£46.75	2.00%	£48.00	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Corporate	Apr-13	£21.40	2.00%	£22.00	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Student	n/a	£16.00	2.00%	£16.50	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Junior	n/a	£15.00	2.00%	£15.50	Apr-16	Bench marked with local authorities	See PFM 1 - Tonezone charges
Active Golden Years:							
Individual	Apr-13	£11.20	30.00%	£14.60	Apr-16	Cost in line with benchmarking exercise undertaken with other local authorities	See PFM 2 - Golden year charges
Joint	Apr-13	£18.00	30.00%	£23.40	Apr-16	Cost in line with benchmarking exercise undertaken with other local authorities	See PFM 2 - Golden year charges
Teenzone:							
Individual	n/a	£14.00	2.00%	£14.50	Apr-16	Bench marked with local authorities	
Joining fee:							
Individual	Apr-13	£28.15	2.00%	£29.00	Apr-16	Bench marked with local authorities	
Joint	Apr-13	£39.35	2.00%	£40.60	Apr-16	Bench marked with local authorities	
Student/Junior/Teenzone	n/a	£10.00	2.00%	£10.30	Apr-16	Bench marked with local authorities	

Leisure Centre facilities							
Tonezone access	Apr-14	£5.35	12.00%	£6.00	Apr-16	Cost in line with benchmarking exercise undertaken with other local authorities	See PFM 3 - Casual charges
Tonezone access (concession)	Apr-14	£3.65	0.00%	£3.65	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Swim	Apr-14	£3.90	2.00%	£4.00	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Swim (concession)	Apr-14	£2.10	0.00%	£2.10	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Family Swim	Apr-14	£10.90	0.00%	£10.90	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Health Suite	Apr-14	£6.25	0.00%	£6.25	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges

UPDATED MONDAY 29 FEBRUARY 2016

Note: Actual % increases will vary due to roundings.

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
Health Suite (concession)	Apr-14	£3.65	0.00%	£3.65	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Sauna	Apr-14	£4.65	0.00%	£4.65	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Sauna (concession)	Apr-14	£2.95	0.00%	£2.95	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Swim + Health suite or sauna	Apr-14	£7.25	0.00%	£7.25	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Swim + Health suite or sauna (concession)	Apr-14	£4.40	0.00%	£4.40	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Badminton (per court)	Apr-14	£9.45	0.00%	£9.45	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Badminton (per court) (concession)	Apr-14	£5.35	0.00%	£5.35	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Squash Court	Apr-14	£8.65	0.00%	£8.65	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Squash Court (concession)	Apr-14	£4.60	0.00%	£4.60	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Table Tennis (per table)	Apr-14	£4.30	0.00%	£4.30	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Table Tennis (per table) (concession)	Apr-14	£2.95	0.00%	£2.95	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
BTS class	Apr-14	£5.55	0.00%	£5.55	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
BTS class (concession)	Apr-14	£4.20	0.00%	£4.20	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Fitness Class/Activity class	Apr-14	£4.60	10.00%	£5.10	Apr-16	Cost in line with benchmarking exercise undertaken with other local authorities	See PFM 3 - Casual charges
Fitness Class/Activity class (concession)	Apr-14	£3.30	0.00%	£3.30	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Aquafit Class	Apr-14	£4.65	5.00%	£4.90	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Aquafit Class (concession)	Apr-14	£3.30	0.00%	£3.30	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Tonezone Induction	Apr-14	£14.85	1.00%	£15.00	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Tonezone Induction (concession)	Apr-14	£9.90	1.00%	£10.00	Apr-16	Bench marked with local authorities	See PFM 3 - Casual charges
Over 60's off peak activity	n/a	£1.00	100.00%	£2.00	Apr-16	Costs have been static for five years, carried out feedback with customers. This is a unique service, few local authorities offer a similar service.	See PFM 3 - Casual charges
Snowsports Centre							
Ski/Snowboarding Instruction							
Open Fast Track Skiing/Snowboarding (2 hours)	Aug-15	£30.50	2.00%	£31.50	Aug-16	Costs determined by charging exercise to analyse sales volumes - increases/decreases applied accordingly	
Open Fast Track Skiing/Snowboarding (2 hours) concession	Aug-15	£20.50	2.00%	£21.00	Aug-16		
Open Learn to ski/snowboard in a day (over 8's) (5 hours)	Aug-15	£98.00	1.00%	£99.00	Aug-16		
Open taster 4/5/6 year olds (1 hour) concession	Aug-15	£10.00	20.00%	£12.00	Aug-16	Costs determined by charging exercise to analyse sales volumes - increases/decreases applied accordingly	
Race Training Group ski or snowboard with poles (1 hour)	Aug-15	£174.00	0.00%	£174.00	Aug-16		
Race Training Group ski or snowboard with poles (1 hour) concession	Aug-15	£124.00	0.00%	£124.00	Aug-16		
LSRA trainee – 1.5 hour session, concession	Aug-15	£11.00	1.00%	£11.20	Aug-16	Costs determined by charging exercise to analyse sales volumes - increases/decreases applied accordingly	
LSRA warm up (per hour). Concession	Aug-15	£3.80	0.00%	£3.80	Aug-16		
Private Ski/ Snowboarding Group (1 hours)	Aug-15	£150.00	0.00%	£150.00	Aug-16	Costs determined by charging exercise to analyse sales volumes - increases/decreases applied accordingly	
Private Ski/ Snowboarding Group (1 hours), concession	Aug-15	£105.00	0.00%	£105.00	Aug-16		
Private Ski/ Snowboarding Group (1.5 hours)	Aug-15	£195.00	0.00%	£195.00	Aug-16		
Private Ski/ Snowboarding Group (1.5 hours), concession	Aug-15	£135.00	0.00%	£135.00	Aug-16		
Private Ski/ Snowboarding Group (2 hours)	Aug-15	£224.00	0.00%	£224.00	Aug-16		
Private Ski/ Snowboarding Group (2 hours), concession	Aug-15	£148.00	0.00%	£148.00	Aug-16		
Private Lesson - 1 Hour (1 person)	Aug-15	£47.00	2.50%	£48.20	Aug-16		
Private Lesson - 1 Hour (1 extra person) + £15.00	Aug-15	£61.00	3.00%	£63.00	Aug-16		
Private Lesson - 1 Hour (2 extra persons Max) + £30.00	Aug-15	£75.00	4.00%	£78.00	Aug-16		
Private Lesson - 1.5 Hours (1 Person)	Aug-15	£67.00	2.00%	£68.50	Aug-16		
Private Lesson - 1.5 Hours (1 extra person) +£20.00	Aug-15	£85.00	3.00%	£88.00	Aug-16		
Private Lesson - 1.5 Hours (2 extra persons Max) +£40.00	Aug-15	£103.00	5.00%	£108.50	Aug-16		
Private Lesson - 2 Hours (1 Person)	Aug-15	£82.50	2.00%	£84.50	Aug-16		
Private Lesson - 2 Hours (1 extra person) +£22.00	Aug-15	£104.50	1.50%	£107.00	Aug-16		

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
UPDATED MONDAY 29 FEBRUARY 2016							Note: Actual % increases will vary due to roundings.
Private Lesson - 2 Hours (2 extra persons Max) +£44.00	Aug-15	£126.50	1.00%	£128.00	Aug-16	Costs determined by charging exercise to analyse sales volumes - increases/decreases applied accordingly	
Family Lesson - 1.5 Hours (2 Adult + 2 Junior)	Aug-15	£106.50	1.50%	£109.00	Aug-16		
Family Lesson - One extra junior, maximum add on.	Aug-15	£16.00	25.00%	£20.00	Aug-16		
Adult ski and snowboarding course (4 days x 2 hour sessions)	Aug-15	£99.95	0.00%	£100.00	Aug-16		
Junior Ski or Snowboard Camp (5 days x 2.5 hour sessions)	Aug-15	£102.00	0.00%	£102.00	Aug-16		
Junior ski or Snowboard school 4 days x (3 hour sessions)	Aug-15	£99.50	3.00%	£103.00	Aug-16		
Kinder Ski School (4 x 1 hour sessions for ages 4/5)	Aug-15	£48.00	2.00%	£49.00	Aug-16		
Kinder Ski Camp (5 x 1 hour sessions for ages 4/5)	Aug-15	£60.00	3.00%	£62.00	Aug-16		
Super sliders Class/Sunday sliders/Super racers (2hrs)	Aug-15	£12.50	2.00%	£12.75	Aug-16		
Mini Sliders (1 hr)	Aug-15	£6.30	1.00%	£6.40	Aug-16		
Ladies Morning (1.5hrs)	Aug-15	£14.95	0.00%	£14.95	Aug-16		
Freestyle Academy (2hrs)	Aug-15	£12.50	0.00%	£12.50	Aug-16		
BASI course (per day) (Adult)	Aug-15	£23.00	-50.00%	£12.00	Aug-16	Costs determined by charging exercise to analyse sales volumes - increases/decreases applied accordingly	
BASI course (per day) (Junior)	Aug-15	£15.60	-50.00%	£8.00	Aug-16		
Practice Skiing/Snowboarding							
Nursery Slope (price for first hour)	Aug-15	£7.50	0.00%	£7.50	Aug-16	Costs determined by charging exercise to analyse sales volumes - increases/decreases applied accordingly	
Nursery Slope (price for first hour) concession	Aug-15	£5.00	0.00%	£5.00	Aug-16		
Nursery Slope (price for additional hour)	Aug-15	£3.85	0.00%	£3.85	Aug-16		
Nursery Slope (price for additional hour) concession	Aug-15	£2.80	0.00%	£2.80	Aug-16		
Main Slopes (price for first hour)	Aug-15	£12.00	0.00%	£12.00	Aug-16		
Main Slopes (price for first hour) concession	Aug-15	£8.00	0.00%	£8.00	Aug-16		
Additional hour/post lesson/Instruction (not available to schools programme customers)	Aug-15	£5.50	0.00%	£5.50	Aug-16		
Additional hour/post lesson/Instruction (not available to schools programme customers) - concession	Aug-15	£3.80	0.00%	£3.80	Aug-16		
Weekly Ticket (7 day)	Aug-15	£70.00	0.00%	£70.00	Aug-16		
Weekly Ticket (7 day) concession	Aug-15	£47.00	0.00%	£47.00	Aug-16		
3 Month Season Ticket (3 months from date of purchase)	Aug-15	£220.00	0.00%	£220.00	Aug-16		
3 Month Season Ticket (3 months from date of purchase) concession	Aug-15	£143.00	0.00%	£143.00	Aug-16		
Chairlift							
1 Return Journey	Aug-15	£3.00	-33.00%	£2.00	Aug-16	Costs determined by charging exercise to analyse sales volumes - increases/decreases applied accordingly	
Special Family Ticket (2 adults, 2 children)	Aug-15	£7.50	0.00%	£7.50	Aug-16		
Paraglide (per 5 journeys)	Aug-15	£7.25	0.00%	£7.25	Aug-16		
Events							
Entry Peak time	Aug-15	£23.00	-33.00%	£15.60	Aug-16	Costs determined by charging exercise to analyse sales volumes - increases/decreases applied accordingly	
Entry off peak time	Aug-15	£17.50	-33.00%	£11.75	Aug-16		
Slalom poles	Aug-15	£116.50	0.00%	£116.50	Aug-16		
Race Timing Facilities	Aug-15	£106.50	0.00%	£106.50	Aug-16		
Hire freestyle rails	Aug-15	£155.00	0.00%	£155.00	Aug-16		
First aider	Aug-15	£56.00	0.00%	£56.00	Aug-16		£56.00 with multiplier between 0.75 and 3.0
Race timing facilities operator	Aug-15	£56.00	0.00%	£56.00	Aug-16		
Course setter – per hour	Aug-15	£56.00	0.00%	£56.00	Aug-16		
Race Control (start) official – per hour	Aug-15	£56.00	0.00%	£56.00	Aug-16		
Meeting Room - per hour	Aug-15	£15.00	40.00%	£21.00	Apr-16	Charge increased with harmonisation model for all council facilities	
General Admission Fee – per person	Aug-15	£3.00	0.00%	£3.00	Aug-16		

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
UPDATED MONDAY 29 FEBRUARY 2016							Note: Actual % increases will vary due to roundings.
General Admission Fee – per person (pre sale)	Aug-15	£2.50	0.00%	£2.50	Aug-16	Charge increased with harmonisation model for all council facilities	
Booking & Administration Fee – major event	Aug-15	n/a	0.00%	n/a	Aug-16		Charge varies - min charge of £275.00 max charge of £1000.00
Full Centre event hire	Aug-15	n/a	0.00%	n/a	Aug-16		Price on application
Bar Pitch	Aug-15	n/a	0.00%	n/a	Aug-16		Charge varies - min charge of £275.00 max charge of £515.00
Additional Bar Pitch	Aug-15	n/a	0.00%	n/a	Aug-16		Charge varies - min charge of £110.00 max charge of £260.00
Catering Pitch	Aug-15	n/a	0.00%	n/a	Aug-16		Charge varies - min charge of £270.00 max charge of £515.00
Additional Catering Pitch	Aug-15	n/a	0.00%	n/a	Aug-16		Charge varies - min charge of £110.00 max charge of £260.00
Photocopying/printing per sheet	Aug-15	£0.10	0.00%	£0.10	Aug-16		
Education Ski Charges							
Schools Tuition – Midlothian 1.5 hours per pupil	Aug-15	£6.40	0.00%	£6.40	Aug-16	Costs determined by charging exercise to analyse sales volumes - increases/decreases applied accordingly	
Schools Tuition – Midlothian (After School) 1.5 hours per pupil	Aug-15	£6.40	0.00%	£6.40	Aug-16		
Schools Tuition – Non Midlothian 1.5 hours per pupil	Aug-15	£8.00	0.00%	£8.00	Aug-16		
Schools Tuition – Non Midlothian (After School) 1.5 hours per pupil	Aug-15	£8.25	2.00%	£8.50	Aug-16		
3 hour session per pupil – Midlothian	Aug-15	£9.75	0.00%	£9.75	Aug-16		
3 hour session per pupil – Non Midlothian	Aug-15	£11.80	1.00%	£12.00	Aug-16		
Teachers In-Service Course – per hour	Aug-15	£8.00	0.00%	£8.00	Aug-16		
Tubing							
Tubing Parties/person Junior (4-12 year olds)	Aug-15	£12.50	0.00%	£12.50	Aug-16	Costs determined by charging exercise to analyse sales volumes - increases/decreases applied accordingly	
Tubing parties/person	Aug-15	£14.50	0.00%	£14.50	Aug-16		
Pay n play tubing (1 hour) (junior)	Aug-15	£8.00	0.00%	£8.00	Aug-16		
Pay n play tubing (1 hour) (adult)	Aug-15	£10.00	0.00%	£10.00	Aug-16		
Pay n play tubing (hour|) (2 Adults+ 3 Juniors)	Aug-15	£35.00	0.00%	£35.00	Aug-16		
Miscellaneous Charges							
Notice board advertising – per item, per month	Aug-15	£7.00	0.00%	£7.00	Aug-16	Costs determined by charging exercise to analyse sales volumes - increases/decreases applied accordingly	
Replacement locker key	Aug-15	£3.00	0.00%	£3.00	Aug-16		
Shadowing (shadow 35 hours)	Aug-15	£55.00	0.00%	£55.00	Aug-16		
Catering Services							
School Meals							
School Meals (primary schools)	Aug-13	£1.80	8.00%	£1.95	Aug-16		See PFM 5 - School meals
School Meals (high schools)	Aug-13	£2.00	7.50%	£2.15	Aug-16		See PFM 5 - School meals
School Meals (adult meals)	Aug-13	£2.50	6.00%	£2.65	Aug-16		See PFM 5 - School meals
Bonnyrigg District Heating Scheme							
Monthly heating charge	Mar-13	£83.79	0.00%	£83.79	n/a	Charges frozen due to surplus, charges set to a level to recover costs over a period of time.	

Commercial

Road Services							
Permits							
Property Enquiries	Apr-14	£42.00	0.00%	£42.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Property Enquiry adoption plan	Apr-14	£5.00	0.00%	£5.00	Apr-16	Charges are aligned with average prices charged by other authorities.	

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
UPDATED MONDAY 29 FEBRUARY 2016							Note: Actual % increases will vary due to roundings.
Tables and Chairs up to 12 months (new application)	Apr-14	£126.00	0.00%	£126.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Tables and Chairs up to 12 months (renewal)	Apr-14	£94.50	0.00%	£95.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Tables and Chairs up to 6 months (new application)	Apr-14	£94.50	0.00%	£95.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Tables and Chairs up to 6 months (renewal)	Apr-14	£63.00	0.00%	£63.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Accident Data Retrievals	Apr-09	£22.96	8.00%	£25.00	Apr-16	Charges are aligned with average prices charged by other authorities.	Initial charge of £25.00 plus additional £25.00 per km, based on unit cost of staff time
Temporary Traffic Regulation Order up to 5 days	Apr-14	£126.00	59.00%	£200.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Temporary Traffic Regulation Order over 5 days + legal notice	Apr-14	£126.00	217.00%	£400.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Temporary Traffic Signals 2 way - non public utility	Apr-14	£36.00	11.00%	£40.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Temporary Traffic Signals 3 way and over	New charge	£0.00	0.00%	£70.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Cabin / Storage container	Apr-14	£108.00	11.00%	£120.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Crane	Apr-14	£72.00	4.00%	£75.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Excavations Minor Works up to 3 working days	Apr-14	£72.00	4.00%	£75.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Excavations Standard Works 4 -10 working days	Apr-14	£105.00	4.50%	£110.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Excavations - Major Works over 10 working days	Apr-14	£144.00	4.00%	£150.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Footway Crossing up to 3 working days	Apr-14	£36.00	11.00%	£40.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Hoarding	Apr-14	£108.00	11.00%	£120.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Hoist Access Tower	Apr-14	£36.00	11.00%	£40.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Materials/Road Occupation	Apr-14	£36.00	11.00%	£40.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Mobile Crane	Apr-14	£36.00	11.00%	£40.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Scaffolding	Apr-14	£108.00	11.00%	£120.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Skip	Apr-14	£36.00	11.00%	£40.00	Apr-16	Charges are aligned with average prices charged by other authorities.	
Access Protection Marking	Apr-14	£62.40	0.00%	£62.40	Apr-16	Charges are aligned with average prices charged by other authorities.	
Transport Scotland Act Violations	Apr-14	£120.00	0.00%	£120.00	Apr-16	Statutory charge	Paid 30 plus days
Transport Scotland Act Violations	Apr-14	£80.00	0.00%	£80.00	Apr-16	Statutory charge	Paid within 29 days (discounted)
Utility Company Charges Sample Inspection	Apr-14	£36.00	0.00%	£36.00	Apr-16	Statutory charge	
Utility Company Charges Defect Inspection	Apr-14	£36.00	0.00%	£36.00	Apr-16	Statutory charge	

Travel and Fleet services							
Passenger Transport							
Blue Badges	Apr-09	£20.00	0.00%	£20.00	n/a	Statutory cap is £20 - no change	
Lost School Bus Pass	Apr-06	£10.00	0.00%	£10.00	n/a	No change proposed	
Non-entitled Travel School Bus Pass	Aug-14	£220.50	5.00%	£230.00	Aug-16		

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes

UPDATED MONDAY 29 FEBRUARY 2016

Note: Actual % increases will vary due to roundings.

Finance and ISS

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes
Civic Government							
Taxi Driver Licence Renewal 1 year	Jul-14	£40.30	5.00%	£42.00	Apr-16	1. Application and renewal fees for licences should reflect cost to the Council of processing the same which limits the ability to increase fees. 2. Where applicants can apply for 1, 2 or 3 year licences, fees for 2 and 3 year licences are based on 95% and 90% of cost of 1 year licence respectively.	
Taxi Driver Licence Renewal 2 years (2 x £42.00 - 5%)	Jul-14	£76.57	5.00%	£80.00	Apr-16		
Taxi Driver Licence Renewal 3 years (3 x £42.00 - 10%)	Jul-14	£100.81	5.00%	£113.00	Apr-16		
Private Hire Car Driver Licence 1 year	Jul-14	£40.30	5.00%	£42.00	Apr-16		
Private Hire Car Driver Licence Renewal 2 years (2 x £42.00 - 5%)	Jul-14	£76.57	5.00%	£80.00	Apr-16		
Private Hire Car Driver Licence Renewal 3 years (3 x £42.00 - 10%)	Jul-14	£100.81	5.00%	£113.00	Apr-16		
Private Hire Car Licence (application) (1st fee)	Jul-14	£60.45	5.00%	£63.00	Apr-16		
Private Hire Car Licence (application) (2nd fee) (Inc cost of plates)	Jul-14	£258.65	5.00%	£272.00	Apr-16		
Private Hire Car Licence Renewal	Jul-14	£282.00	3.00%	£290.00	Apr-16		3% increase only to Introduce consistent charge for Renewals
Taxi Licence (application) (1st fee)	Jul-14	£60.45	5.00%	£63.00	Apr-16		
Taxi Licence (application) (2nd fee)	Jul-14	£265.00	5.00%	£280.00	Apr-16		
Taxi Licence Renewal (Inc cost of plates)	Jul-14	£275.60	5.00%	£290.00	Apr-16		
Special Events (application) (1st fee)	Jul-14	£60.45	5.00%	£63.00	Apr-16		
Special Events (application) (2nd fee)	Jul-14	£258.65	5.00%	£272.00	Apr-16		
Special Events Renewal (Inc cost of plates)	Jul-14	£275.60	5.00%	£290.00	Apr-16		
Window Cleaner Licence 1 year (application)	Jul-14	£58.80	5.00%	£63.00	Apr-16		
Window Cleaner Renewal Licence 1 year	Jul-14	£39.90	5.00%	£42.00	Apr-16		
Window Cleaner Renewal Licence 2 years (2 x £42.00- 5%)	Jul-14	£75.81	5.00%	£80.00	Apr-16		
Window Cleaner Renewal Licence 3 years (3 x £42.00 - 10%)	Jul-14	£107.73	5.00%	£113.00	Apr-16		
Street Trader Licence (application) (Incl Vehicles)	Jul-14	£128.10	5.00%	£135.00	Apr-16		
Street Trader Licence (Renewal) (Incl Vehicles)	Jul-14	£102.90	5.00%	£108.00	Apr-16		
Wheelie Bin Cleaner Licence (application) (less examination element)	Jul-14	£115.50	5.00%	£122.00	Apr-16		
Wheelie Bin Cleaner Licence (Renewal) (less examination element)	Jul-14	£82.95	5.00%	£88.00	Apr-16		
Other Street Trader Licence (application) (no inspection)	Jul-14	£59.85	5.00%	£63.00	Apr-16		
Other Street Trader Licence (Renewal) (no inspection)	Jul-14	£39.90	5.00%	£42.00	Apr-16		
Other Street Trader Licence Year 2 (no inspection) -5%	Jul-14	£75.81	5.00%	£80.00	Apr-16		
Other Street Trader Licence Year 3 (no inspection) -10%	Jul-14	£107.90	5.00%	£113.00	Apr-16		
Public Entertainment Licence (3 years)	Apr-14	£219.45	5.00%	£230.00	Apr-16		
Public Entertainment Licence Renewal (3 years)	Apr-14	£136.50	5.00%	£144.00	Apr-16		
Public indoor Sports Entertainment Licence (3 years)	Apr-14	£219.45	5.00%	£230.00	Apr-16		
Public Indoor Sports Entertainment Licence Renewal (3 years)	Apr-14	£136.50	5.00%	£144.00	Apr-16		
Metal Dealer Licence (3 years)	Apr-14	£219.45	5.00%	£230.00	Apr-16		
Metal Dealer Licence Renewal (3 years)	Apr-14	£136.50	5.00%	£144.00	Apr-16		
Second Hand Dealer Licence (3 years)	Apr-14	£243.60	5.00%	£256.00	Apr-16		
Second Hand Dealer Licence Renewal (3 years)	Apr-14	£154.35	5.00%	£163.00	Apr-16		
Market Operator Licence (3 years)	Apr-14	£243.60	5.00%	£256.00	Apr-16		
Market Operator Licence Renewal (3 years)	Apr-14	£154.35	5.00%	£163.00	Apr-16		
Charity Car Boot Sales Licence	n/a	n/a	0.00%		n/a	No charge levied at present as charity	
Late Hours Catering Licence (3 years)	Apr-14	£219.45	5.00%	£230.00	Apr-16		
Late Hours Catering Licence Renewal (3 years)	Apr-14	£136.50	5.00%	£144.00	Apr-16		
Tattooing/Skin Piercing Licence (3 years)	Apr-14	£219.45	5.00%	£230.00	Apr-16		
Tattooing/Skin Piercing Licence Renewal (3 years)	Apr-14	£136.50	5.00%	£144.00	Apr-16		

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes

UPDATED MONDAY 29 FEBRUARY 2016

Note: Actual % increases will vary due to roundings.

Hire Car Booking Office Licence (first application)	Apr-14	£231.00	5.00%	£243.00	Apr-16		
Hire Car Booking Office Licence (renewal)	Apr-14	£231.00	5.00%	£243.00	Apr-16		
Knife Dealers Licence (3 years)	Apr-14	£237.30	5.00%	£250.00	Apr-16		
Knife Dealers Licence Renewal (3 years)	Apr-14	£151.20	5.00%	£160.00	Apr-16		
Cosmetic Ear Piercing Licence (3 years)	Apr-14	£106.05	5.00%	£112.00	Apr-16		
Cosmetic Ear Piercing Licence Renewal (3 Years)	Apr-14	£106.05	5.00%	£112.00	Apr-16		
Houses in Multiple Occupation Licence (application) [up to 5 persons]	Apr-14	£218.40	5.00%	£230.00	Apr-16		
Houses in Multiple Occupation Licence Renewal [up to 5 persons]	Apr-14	£136.50	5.00%	£144.00	Apr-16		
Houses in Multiple Occupation Licence (application) [between 6 and 10 persons]	Apr-14	£279.30	5.00%	£294.00	Apr-16		
Houses in Multiple Occupation Licence Renewal [between 6 and 10 persons]	Apr-14	£172.20	5.00%	£181.00	Apr-16		
Houses in Multiple Occupation Licence [more than 10 persons]	Apr-14	£353.85	5.00%	£372.00	Apr-16		
Houses in Multiple Occupation Licence Renewal [more than 10 persons]	Apr-14	£220.50	5.00%	£232.00	Apr-16		
Houses in Multiple Occupation Licence Change in Material Circumstances	Apr-14	£42.00	5.00%	£45.00	Apr-16		
Itinerant Metal Dealer Licence	Apr-14	£81.90	5.00%	£86.00	Apr-16		
Itinerant Metal Dealer Licence Renewal	Apr-14	£81.90	5.00%	£86.00	Apr-16		
Sex Shop Licence Application (application) 1 year	Apr-14	£171.15	5.00%	£180.00	Apr-16		
Sex Shop Licence Renewal (3 years)	Apr-14	£302.40	5.00%	£318.00	Apr-16		
Temporary Licence (Including public entertainment)	Apr-14	£98.70	5.00%	£104.00	Apr-16		
Public Charitable Collection Permit	n/a	n/a	0.00%		n/a	No charge levied at present as charity	
Second Hand Dealers Register	n/a	£6.00	1233.00%	£80.00	Apr-16	Introduce consistent charge for purchase of Register across Licensing	Discretionary charge
Replacement Private Hire Car Disc	Apr-14	£12.00	108.00%	£25.00	Apr-16	Introduce consistent charge for issuing replacements across Licensing	Discretionary charge
Replacement Private Hire Car Plate	Apr-14	£9.00	177.00%	£25.00	Apr-16	Introduce consistent charge for issuing replacements across Licensing	Discretionary charge
Replacement Private Hire Car Bracket for Plate	Apr-14	£11.55	116.00%	£25.00	Apr-16	Introduce consistent charge for issuing replacements across Licensing	Discretionary charge
Replacement Taxi Plate - Front	n/a	£8.00	212.00%	£25.00	Apr-16	Introduce consistent charge for issuing replacements across Licensing	Discretionary charge
Replacement Taxi Plate - Rear	Apr-14	£10.00	150.00%	£25.00	Apr-16	Introduce consistent charge for issuing replacements across Licensing	Discretionary charge
Replacement Taxi Plate - Internal	n/a	£4.00	525.00%	£25.00	Apr-16	Introduce consistent charge for issuing replacements across Licensing	Discretionary charge
Copy Licence	Apr-14	£15.00	67.00%	£25.00	Apr-16	Introduce consistent charge for issuing replacements across Licensing	Discretionary charge
Copy Identification Card	Apr-14	£15.00	67.00%	£25.00	Apr-16	Introduce consistent charge for issuing replacements across Licensing	Discretionary charge
Taxi Adjust Licence Change of Vehicle : inspection Required (includes cost of plates)	Apr-14	£60.00	8.00%	£65.00	Apr-16		8% Increase to Introduce consistent charge between Taxi/Private hire costs
Taxi Adjust Licence Change of Vehicle : No Inspection Required (includes cost of plates)	Apr-14	£27.10	5.00%	£29.00	Apr-16		
Private Hire Car Adjust Licence Change of Vehicle (insp/inc plates)	Apr-14	£61.95	5.00%	£65.00	Apr-16		
Private Hire Car Adjust Licence Change of Vehicle (no insp/inc plates)	Apr-14	£42.00	-30.00%	£29.00	Apr-16		30% decrease to Introduce consistent charge between Taxi/Private hire costs
Exemption - Metal Dealers only	Apr-14	£71.80	5.00%	£75.00	Apr-16		
Cherished Registration Plate	Apr-14	£43.05	5.00%	£45.00	Apr-16		
Certified Extract of Register	Apr-14	£15.00	67.00%	£25.00	Apr-16	Introduce consistent charge for issuing replacements across Licensing	Discretionary charge

Description of charge	Last Increase	Current charge	Increase %	Rounded Amount	Proposed start date	Comments	Notes

UPDATED MONDAY 29 FEBRUARY 2016

Note: Actual % increases will vary due to roundings.

Copy of Register	Apr-14	£68.25	17.00%	£80.00	Apr-16	Introduce consistent charge for purchase of Register across Licensing	Discretionary charge
Re-inspection Charge (Taxi and Private Hire Car)	Apr-14	£42.00	5.00%	£44.00	Apr-16		
Cancellation of Inspection Appointment (Taxi and Private Hire Car)	Apr-14	£42.00	5.00%	£44.00	Apr-16		
Post Red Sticker Examination (Taxi and Private Hire Car)	Apr-14	£42.00	5.00%	£44.00	Apr-16		
Taxi Advertisement - Internal	Apr-14	£16.05	5.00%	£17.00	Apr-16		
Taxi Advertisement - External	Apr-14	£43.05	5.00%	£45.00	Apr-16		
Taxi Advertisement - Superside	Apr-14	£49.95	5.00%	£52.00	Apr-16		
Taxi Advertisement - Full Livery	Apr-14	£86.10	5.00%	£90.00	Apr-16		
Private Hire Car Advertisement	Apr-14	£43.05	5.00%	£45.00	Apr-16		
Theatre 1 year	Apr-14	£155.40	5.00%	£164.00	Apr-16		
Theatre Renewal 1 year	Apr-14	£81.90	5.00%	£86.00	Apr-16		
Theatre Occasional (6 weeks)	Apr-14	£81.90	5.00%	£86.00	Apr-16		
Theatre Transfer	Apr-14	£81.90	5.00%	£86.00	Apr-16		
Hypnotism (not theatre or public entertainment venue)	Apr-14	£81.90	5.00%	£86.00	Apr-16		
Performing Animals	Apr-14	£55.15	5.00%	£58.00	Apr-16		
Zoo (inspection costs to be borne by applicant)	Apr-14	£46.80	5.00%	£50.00	Apr-16		
Venison Dealer	Apr-14	£53.00	5.00%	£56.00	Apr-16		
Cinema 1 year	Apr-14	£218.00	5.00%	£230.00	Apr-16		
Cinema Occasional	Apr-14	£42.00	5.00%	£44.00	Apr-16		
Cinema Transfer	Apr-14	£42.00	5.00%	£44.00	Apr-16		

Midlothian Integration Joint Board – Financial Assurance Update

Report by Gary Fairley, Head of Finance and Integrated Service Support

1 Purpose of the Report

The purpose of this report is to provide a further update to Council on the work undertaken in relation to financial assurance in respect of the delegation of resources to the Midlothian Integration Joint Board (the Board) from 1 April 2016.

2 Background

Since the first meeting of the Board on 20 August 2015 it has worked to put in place appropriate and proportionate financial governance arrangements in preparation for the delegation of financial resources, from the Council and NHS Lothian, from 1 April 2016.

At its meeting on 10 December 2015 the Board approved its Strategic Plan for Health and Social Care and it is from this plan that Directions will flow. These Directions will in due course, following confirmation of the budgets being delegated to the Board, be issued to the Council and NHS Lothian together with the provision of resources to fulfil the directions.

Since the last Financial Assurance update report the Scottish Government has published its 2016-17 budget and proposed local government grant settlement. Nationally the local government settlement represents an overall reduction in funding of 3.31%. The overall settlement package to local government includes £250 million to be provided from the health budget to integration authorities in 2016-17 for social care.

3 Midlothian Council Element of Delegated Budget

The Financial Strategy 2016/17 to 2020/21 report which is also on today's agenda asks Council to agree the level of resources from the Adult and Social Care budget which will be delegated to the Board from 1 April 2016.

This allocation includes provision for pay awards and incremental progression, contractual inflation and for the estimated impact of demographic pressures which lead to an increase in demand for social care services. It assumes that resource transfer income from NHS Lothian will be maintained at the 2015-16 level of £4.751 million and it includes savings of £0.394 million.

The Board's share of the £250 million 'Integration funding' amounts to £3.6m.

£1.8 million of this funding must be allocated for the purchase of social care. Initial plans are for this to be invested in new services and the expansion of existing services, targeted at ensuring the future sustainability of Health and Social Care services. This element of the funding is also to be used to increase charging thresholds for all non-residential services. As part of the means testing process, raising the threshold from 16.5% to 25% will mean that service users will have more of their income disregarded from charging. The financial impact of this is still to be determined but is estimated to be between £0.100 million and £0.200 million.

The remaining £1.8 million will in part be used to fund payment of the Living Wage of £8.25 per hour to care workers, with a target implementation date of 1 October 2016. It will also fund other Social Care cost and pay pressures which the Council is facing. The Board will approve the overall use of the £3.6 million.

The Financial Monitoring 2015-16 report presented to Council on 9 February 2016 showed, for Adult and Social Care, a projected overspend of £1.142 million on a recurring budget of £36.923m.This projected overspend is mainly as a result of demand led pressures on the Community Care Resource Panel and expenditure pressures within care homes for older people. The proposed budget allocation to the Board makes provision for additional demographic cost pressures. In addition work continues to seek to manage these cost pressures within the overall budget.

4 NHS Lothian Element of Delegated Budget

NHS Lothian will not have reached a position where it is able to determine a final budget to be delegated to the Board for 1st April 2016. The current proposal is that budgets for core services will be allocated to the Board on the basis of historic core budgets held by the Midlothian Community Health Partnership (CHP).

GP Prescribing budgets are to be allocated using the Prescribing Budget setting model. It will be for IJBs across Lothian to consider whether or not to continue existing risk sharing arrangements and in this respect officers will continue to monitor developments and the implications for the Council.

Indicative allocations of hosted and set aside budgets, currently managed on a pan-Lothian basis, have been shared with the Board, however discussions are ongoing around uplifts and efficiency schemes. It is likely that the NHS budget will continue to rely on an element of non-recurring funding.

Work is ongoing to finalise the overall budget which will form the final proposal to the Board, with the Board and the Council being kept informed of proposals as they develop. The Board is receiving regular Financial Assurance update reports with details of progress.

5 Overall Budget of Integration Joint Board

Further assurance work will be required in relation to the NHS Lothian share of the Board's budget. It is anticipated that, whilst an indicative allocation has been provided, work on determining the final amount of this budget will continue through March and into the new financial year as the implications of NHS Lothian's financial settlement for individual IJBs become clearer.

The Board will require a formal proposition from both the Council and NHS Lothian laying out the amount being proposed along with confirmation that the budgets being proposed represent the functions being delegated. In 2016-17 it is proposed that there will be a principle of no cross-subsidisation between the partners which will assist in mitigating any financial risks to the Council.

Efficiencies which are assumed within the financial propositions, principally in respect of health, will need to be detailed and assurances given to the Board around their achievement.

Consideration is ongoing between the four Lothian Boards to determine any risk sharing arrangements which would be appropriate for 2016/17. Such arrangement will help mitigate the risk of any financial turbulence whilst the Boards are in their infancy whilst enabling the Boards to deliver the delegated services in the most effective way.

The financial assurance process from a Council perspective will need to continue beyond the 1 April 2016 to include the implications of the final Health Board allocations, risk sharing arrangements, and the implication of directions. It is expected that a further report will be presented to Council alongside in June 2016.

6 Report Implications

6.1 Resources

There are no resource implications arising directly from this report. The report deals with the financial assurance work undertaken in relation to the determination of the initial budget for the Board and the delegation of resources from 1 April 2016.

The Adult and Social Care budget represents the functions being delegated to the Board and this budget, amounting to £37.086 million, will be delegated to the Board from 1 April 2016.

The Council continues to provide service support to the work of the Board and there is a commitment to continue this support going forward. There will be no charge for these support services.

6.2 Risk

The Council and NHS Lothian continue to manage risk according to their own established policies and arrangements are being developed to manage these risks through the Board arrangements. The directions of the Board will bring a new facet to the risks and these will be managed by the Board.

The ongoing work being undertaken on financial assurance will identify and address the financial risks which are inherent in the new arrangements.

Council and NHS Lothian financial pressures will impact on the resources available to the Board at the same time as demographic pressures increase demand for services. Pressures in relation to the impact of the living wage on service providers and the raising of the charging threshold will also need to be managed. NHS Lothian's overall financial position continues to rely on non-recurrent budgets to fund ongoing services.

There remains further work to be completed by NHS Lothian to determine the final allocation of NHS budgets to the Board. A final allocation will not be available until after 1 April 2016 and the Board will need to work with an indicative budget in the meantime.

The future development of pan-Lothian services will be dependent on IJBs across Lothian working together effectively. There is a risk that this work will be dominated by the larger IJBs.

6.3 Policy

Strategy
The creation of new arrangements for Health and Social Care are consistent with one of the key findings of the Christie Commission that "public services work effectively together to achieve outcomes".

Consultation
Consultation has taken place with the Chief Officer and Chief Financial Officer of the Integration Joint Board. Finance workstreams continue to be discussed at a Lothian-wide level through a Section 95 Officers Finance Group with representation from the four Lothian authorities and NHS Lothian.

Equalities
There are no equalities issues arising from this report.

Sustainability

There are no environmental sustainability issues arising from this report.

IT Issues
There are no IT issues arising from this report.

7 Summary

Delegation of financial resources to the Board will take effect from 1 April 2016. The amount of Council resources to be delegated has been determined and NHS Lothian continues to work on its proposed allocation of financial resources to the Board. Financial assurance will be an ongoing process beyond 1 April 2016 as the IJBs, Councils and NHS Lothian embrace integration.

8 Recommendations

Council is recommended to

8.1 Note the update on the ongoing financial assurance process in relation to the delegation of financial resources to Midlothian Integration Joint Board.

8.2 Note the ongoing work in relation to the finalisation of the delegated budgets, the issuing of formal propositions to the Board, the issuing of directions by the Board and the consideration of risk sharing arrangements between IJBs.

8.3 Note that the Adult and Social Care budget which it is proposed be delegated to the Board amounts to £37.086m and is being considered as part of the latest Financial Strategy report.

8.4 Agree to receive a further update in June 2016.

1 March 2016

Report Contact:
Gary Fairley Tel No 0131 271 3110
E-mail Gary.Fairley@midlothian.gov.uk

Health and Social Care **APPENDIX 1**

Adult and Social Care

ANALYSIS OF BUDGET CHANGE	**£**	**Base Budget £**	**£**	**£3.6m £**	**Total £**
REVISED BUDGET 2015/16		**36,802,996**			**36,802,996**
1. Budget Projection					
1.01 1% pay award	127,385				
1.02 Inflation on payments to other local authorities	14,344				
1.03 Review of pay and grading			195,806		
		141,729		195,806	**337,535**
2. Changes to the Projection					
2.01 Remove performance factor in frontline services	187,898				
2.02 Provision for NCHC uplift at 6.23% (NMW 50p differential, other differentials, inflation and nurses' uplifts)			384,000		
2.03 Provision to lift care staff from £7.70 to £8.25 per hour from 1 October			151,000		
2.04 National Insurance increase			159,194		
2.05 Reinstate saving with 2017/18 start date	79,547				
2.06 Free Personal Care uplift	42,692				
2.07 Inteagency Information Exchange Project costs	35,157				
2.08 Adjust car leasing budgets	10,379				
2.09 Other employee cost changes	40,893				
2.10 Scottish Government funding to improve quality of care	(68,884)				
2.11 Rates adjustments	(4,970)				
2.12 Other miscellaneous adjustments	2,738				
2.13 Provision for Living Wage Uplift for other providers			50,000		
		325,450		744,194	**1,069,644**
3. Demographic Pressures					
3.01 Community Care			610,000		
3.02 Packages into Adulthood	160,000		250,000		
3.03 Joint Equipment Store - increased volume	49,679				
		209,679		860,000	**1,069,679**
4. Investment in Services 2016/17					
4.01 Newbyres review			384,000		
4.02 Intermediate Care - Highbank review			19,000		
4.03 MERRIT (extend capacity)			273,000		
4.04 MERRIT (out of hours)			50,000		
4.05 Expand In Reach Team			121,000		
4.06 Hospital to Home Team			165,000		
4.07 Extend Reablement			108,000		
4.08 Review Team			150,000		
4.09 Anticipatory care planning			80,000		
4.10 Learning Disability - Challenging Behaviour Team			90,000		
4.11 Extend MH & Wellbeing services (based in GP practices)			300,000		
4.12 OT waiting list/equipment			150,000		
4.13 Impact of increase to charging threshold			200,000		
4.14 Unallocated reduction			(290,000)		
		0		1,800,000	**1,800,000**
5. Budgeted Savings					
Financial Discipline					
5.01 Financial Discipline - service user income	(123,000)				
Staffing Establishment					
Service Savings					
5.02 Increase telecare charges	(87,000)				
5.03 New savings 2016-17	(134,000)				
Council Transformation Programme					
5.04 Review of respite	(50,000)				
		(394,000)		0	**(394,000)**
BUDGET 2016/17		**37,085,854**		**3,600,000**	**40,685,854**

General Services Capital Plan 2015/16 to 2020/21
Report by Gary Fairley, Head of Finance and Integrated Service Support

1 Purpose of Report

The purpose of this report is to provide Council with:-

- An update on the General Services Capital Plan reflecting changes approved since the previous report to Council on 22 September 2015;
- Information on additions to the Capital Plan for approval since the last monitoring report to Council on 9 February 2016; and
- Updated forecasts of expenditure and income for the General Services Capital Plan for 2015/16 through to 2020/21;

2 Background

2.1 Budget

The General Services Capital Plan for 2015/16 to 2020/21 considered by Council on 22 September 2015 provided for expenditure of £106.126 million and funding of £69.594 million, therefore giving a total borrowing requirement of £36.532 million over the period 2015/16 to 2020/21. Table 1 below provides a breakdown of this per financial year.

Table 1: General Services Capital Plan for 2015/16 to 2020/21
as reported to Council on 22 September 2015

Item	**2015/16 Forecast Outturn £000's**	**2016/17 Budget £000's**	**2017/18 Budget £000's**	**2018/19 Budget £000's**	**2019/20 Budget £000's**	**2020/21 Budget £000's**	**Total**
Expenditure	23,195	31,481	14,015	12,352	12,510	12,573	**106,126**
Funding	16,581	12,251	11,302	10,085	9,742	9,633	**69,594**
Borrowing Required	**6,614**	**19,230**	**2,713**	**2,267**	**2,768**	**2,940**	**36,532**

2.2 Expenditure already approved

Since consideration by Council on 22 September 2015, Council have approved changes to the plan as follows:-

- Council on 3 November 2015 approved the addition of £0.022 million of new projects and an increase to existing project budgets of £0.470; and
- Council on 9 February 2016 approved the addition of £0.906 million of new projects

2.3 Expenditure to be approved

Since the General Services Capital Plan Quarter 3 report to Council on 9 February 2016, the new projects as outlined in Table 2 below are being presented for inclusion in the plan:-

Table 2: Additions to Capital Plan for approval

Project	Description	Expenditure £000's	Phasing
School Digital Assets	Planned replacement of Digital Assets in schools, particularly projectors and white boards which are at end of life	813	2016/17 & 2017/18
East High Street Public Realm & Burns Monument	Public Realm works to East High Street and restoration of the Burns Monument	120	2015/16 to 2017/18
Assistive Technology	Extension of rolling capital budget over 2018/19 to 2020/21	450	2018/19 to 2020/21
Total		**1,383**	

<u>Adjustment to project budgets for approval</u>

Since the General Services Capital Plan Quarter 3 report to Council on 9 February 2016, an amendment to the budgets of the projects outlined in Table 3 overleaf is required:-

Table 3: Adjustment to project budgets for approval

Project	Description of amendment to budget	Previous Budget £000's	Revised Budget £000's	Budget Movement £000's
Newbattle Centre	Stage 1/2 Fees to hub; with corresponding reduction in Unitary Charge	290	1,243	+953
Member's Environmental Improvements	Removal of capital budget in 2016/17 and 2017/18	360	0	-360
Further Early Years Provision	Additional funding (currently unallocated) for provision of Early Year Childcare.	1,836	2,352	+516
Total		**2,486**	**3,595**	**+1,109**

** Funded through additional Scottish Government Grant*

2.4 Funding

The planning assumption for the level of General Capital Grant funding from the Scottish Government over the life of the plan was £53.961 million, as reported to Council in the *General Services Capital Plan 2015/16 to 2020/21* report on 22 September 2015. The Local Government Finance (Scotland) Settlement 2016-17 (Finance Circular 7/2015) issued on 16 December 2015 provides for a reduction in the level of General Capital Grant compared to the previous planning assumption. As such the level of General Capital Grant funding from the Scottish Government over the life of the plan has been reduced from £53.961 million to £48.016 million, a reduction of £5.945 million.

The expectation remains that the next Scottish Government will publish a three year budget settlement in the autumn of 2016. Only at that point will there be clarity on the level of grant funding local government can expect for future years. Given the extent of the reduction in the 2016/17 grant (albeit at this stage the reduction is to be reprofiled across the following 3 financial years), it is considered prudent to take a more pessimistic view on future year's settlements than incorporated into previous General Services Capital Plan reports. This is reflected in the forecast levels of General Capital Grant as illustrated in Appendix 1. In light of this, further work shall be undertaken to assess the implications for the 2017/18 to 2020/21 budget projections and as such these will be reported to Council later in the year.

In line with revised levels of expenditure, the forecast level of developer contributions that can be applied to finance the plan has increased from £15.585 million as reported to Council on 22 September 2015, to £16.644 million.

In addition, the level of other contributions available to finance the plan has increased from £0.047 million (per the 22 September 2015 report) to £0.694 million. This reflects:-

- £0.526 million from Zero Waste Scotland to fund the provision of new vehicles and caddies for the Food Waste rollout (as reported to Council in the Quarter 2 Monitoring Report on 3 November 2015);
- £0.061 million from the Scottish Government to finance the provision of Electric Vehicle Charging Points (as reported to Council in the Quarter 3 Monitoring Report on 9 February 2016), and
- £0.060 million from Dalkeith Business Renewal to finance 50% of the East High Street & Burns Monument Works.

Overall, the funding available to finance the planned expenditure has decreased from £69.594 million to £65.354 million.

2.5 Future Year Capital Budgets

As reported to Council in the *General Services Capital Plan 2015/16 to 2020/21* report on 22 September 2015, work is currently being undertaken to develop full asset management plans for the Council's core asset base of Property, Roads, Street Lighting, Footway & Footpaths, Vehicles and Digital Services equipment. The impact of this work on the availability of capital resources will be reported to Council in due course.

In line with this, in the 22 September 2015 *General Services Capital Plan 2015/16 to 2020/21* report, a planning assumption was included in the capital plan, to include an unallocated budget in 2016/17 through to 2020/21 in order to provide a prudent estimate of the likely levels of capital spend arising from these core strands of work. This was designed to aid budget planning through the provision of more realistic loan charges projections, particularly over the latter years of the capital plan.

This provided for a level of "unallocated" capital expenditure across 2016/17 to 2020/21 of £31.489 million. This level was set to ensure that the cap on debt outstanding of £114.000 million (net of the debt outstanding on any projects that the Council are forward funding), as set by Council on 4 February 2014, remained achievable.

Based on the revised levels of expenditure and funding as outlined in Sections 2.2 and 2.3 above, the level of "unallocated" capital expenditure has been reduced by £7.062 million to £24.427 million, to ensure that the cap on debt outstanding of £114.000 million remains achievable.

Overall, including the adjustments outlined in Sections 2.2 to 2.4, the total expenditure included in the plan has decreased from £106.126 million to £102.954 million.

2.6 Borrowing

As a result of the revised expenditure and funding forecasts as reported in Sections 2.2 to 2.5, the forecast level of borrowing over the period 2015/16 to 2020/21 has increased from £36.532 million to £37.600 million.

2.7 Summary

Table 4 overleaf provides a summary of the forecast levels of expenditure, funding and borrowing as reported in Sections 2.2 to 2.6 above.

Table 4: Summary of General Services Capital Plan 2015/16 to 2020/21

Item	**2015/16 Forecast Outturn £000's**	**2016/17 Budget £000's**	**2017/18 Budget £000's**	**2018/19 Budget £000's**	**2019/20 Budget £000's**	**2020/21 Budget £000's**	**Total**
Expenditure	21,040	29,615	17,468	12,708	11,451	10,671	**102,954**
Funding	17,657	11,065	9,965	10,429	8,636	7,602	**65,354**
Borrowing Required	**3,384**	**18,550**	**7,503**	**2,279**	**2,815**	**3,069**	**37,600**

3 Overall Cap on Debt Outstanding

As noted in Section 2.5, the approved cap on debt outstanding sits at £114.000 million, net of the debt outstanding on any projects that are forward funded (where the Council build the asset and recover monies from e.g. developers).

The projected level of debt outstanding, based on the expenditure and income assumptions outlined above, and net of any forward funded projects, is shown in table 5 below:-

Table 5: Debt outstanding net of any forward funded projects

Item	**2015/16 Forecast Outturn £000's**	**2016/17 Budget £000's**	**2017/18 Budget £000's**	**2018/19 Budget £000's**	**2019/20 Budget £000's**	**2020/21 Budget £000's**
Debt Outstanding 01 April	103,675	103,142	118,019	121,653	120,023	119,078
Borrowing arising from Capital Plan	3,384	18,550	7,503	2,279	2,815	3,069
Debt Repayments	-3,917	-3,672	-3,870	-3,908	-3,761	-3,829
Debt Outstanding 31 March	**103,142**	**118,019**	**121,653**	**120,023**	**119,078**	**118,318**
Less: Net debt on Forward Funded projects						
Bilston Primary School	-188	-1,215	-1,217	-225	0	0
Gorebridge North Primary School	0	-3,151	-4,195	-3,655	-3,095	-2,515
Paradykes Primary School	0	-843	-2,241	-2,143	-1,983	-1,803
Debt Outstanding 31 March exc. Forward Funded projects	**102,954**	**112,810**	**114,000**	**114,000**	**114,000**	**114,000**
Agreed Cap	**114,000**	**114,000**	**114,000**	**114,000**	**114,000**	**114,000**
Headroom	**11,046**	**1,190**	**0**	**0**	**0**	**0**

As can be noted from the table above, the overall level of debt outstanding (net of forward funded projects) is projected to remain within the cap of £114.000 million set by Council, and officers will continue to monitor and review the appropriate level of cap which should be applied.

4 Capital Fund

The Capital Fund at the start of the 2015/16 financial year was £14.853 million. Capital Receipts of £2.563 million are forecast to be received in 2015/16, and will be transferred to the Capital Fund. This will increase the balance in the Capital Fund to £17.416 million. The projected balance on the Capital Fund at 31 March 2021 is £32.061 million.

Officers are currently reviewing the medium-long term strategy for the utilisation of the Capital Fund and will report back in due course.

5 Report Implications

5.1 Resource

The borrowing required to finance the planned investment across 2015/16 to 2020/21 is currently £37.600 million. The loan charges associated with this borrowing are reported to Council in the Financial Strategy 2016/17 to 2020/21 report also presented to Council today, 8 March 2016.

The loan charges associated with this borrowing are reported in the Financial Strategy 2016/17 to 2020/21 report to Council, also on today's agenda. These loan charges reflect the slippage, or reprofiling, of expenditure, based on experience from previous capital plan budget reports.

5.2 Risk

The inherent risk in the Capital Plan is that projects will cost more than estimated thus resulting in additional borrowing. The monitoring procedures ensure that significant variations are reported at an early stage so that remedial action can be taken to mitigate this risk.

There is also a risk that the wrong projects are prioritised, however there is an additional risk that the revenue budget cannot afford the level of borrowing currently reflected.

5.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

☐ Community safety
☐ Adult health, care and housing
☐ Getting it right for every Midlothian child
☐ Improving opportunities in Midlothian
☒ Sustainable growth
☐ Business transformation and Best Value
☐ None of the above

5.4 Impact on Performance and Outcome

There are no issues arising directly from this report.

5.5 Adopting a Preventative Approach

There are no issues arising directly from this report

5.6 Involving Communities and Other Stakeholders

No external consultation has taken place on this report.

5.7 Ensuring Equalities

There are no equalities issues arising directly from this report.

5.8 Supporting Sustainable Development

There are no sustainability issues arising directly from this report.

5.9 Digital Issues

There are no digital implications arising from this report.

6 Recommendations

Council is asked to:

a) Approve the additions to the Capital Plan as outlined in Section 2.3;
b) Approve the revised expenditure and funding forecasts in the General Services Capital Plan, as shown in Section 2.7 and Appendices 3 and 4;
c) Note the unallocated amounts in the General Services Capital Plan 2015/16 to 2020/21 (as shown in Appendices 3 and 4).

Date 29 February 2016

Report Contact:
Name Gary Thomson
Tel No 0131 271 3230
gary.thomson@midlothian.gov.uk

Background Papers:
Appendix 1 – General Services Capital Plan 2015/16 to 2020/21
Appendix 2 – General Services Capital Plan detailed expenditure 2015/16 to 2020/21

Appendix 1: General Services Capital Plan 2015/16 to 2020/21

GENERAL SERVICES CAPITAL PLAN	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
2015/16 to 2020/21	Forecast Outturn	Budget	Budget	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE							
Resources	9,665	5,806	6,237	2,141	4,547	2,453	**30,850**
Education, Community & Economy	9,954	22,310	11,051	1,622	443	0	**45,380**
Health & Social Care	310	105	143	150	150	203	**1,060**
Council Transformation	1,112	87	37	0	0	0	**1,237**
Unallocated	0	1,306	0	8,794	6,311	8,016	**24,427**
Total Approved Expenditure	21,040	29,615	17,468	12,708	11,451	10,671	**102,954**
FUNDING							
Government Grants	9,654	7,392	8,224	8,214	7,691	6,842	**48,016**
Receipts from Sales	2,563	2,515	3,250	2,960	2,960	2,960	**17,208**
Transfer to Capital Fund	-2,563	-2,515	-3,250	-2,960	-2,960	-2,960	**-17,208**
Developer Contributions	7,362	3,635	1,725	2,215	945	760	**16,644**
Other Contributions	640	38	16	0	0	0	**694**
Total Available Funding	17,657	11,065	9,965	10,429	8,636	7,602	**65,354**
Approved Borrowing Required	**3,384**	**18,550**	**7,503**	**2,279**	**2,815**	**3,069**	**37,600**

Appendix 2: General Services Capital Plan detailed expenditure 2015/16 to 2020/21

GENERAL SERVICES CAPITAL PLAN 2014/15 to 2017/18	2015/16 Budget £'000	2016/17 Budget £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	Total Spend £'000
RESOURCES							
Customer Services							
Front Office - Device & Interactive Asset Upgrades	375	421	445	143	0	0	**1,384**
Back Office - Anti Virus Upgrades	0	0	0	49	26	0	**75**
Back Office - Server Replacement	160	0	59	91	32	0	**341**
Back Office - UPS Devices	40	-21	-9	0	0	0	**10**
Network Enterprise - Network Connection	0	0	0	0	0	0	**0**
Network Enterprise - Network Assets (Power & Data)	75	70	111	44	0	0	**300**
IGS - Compliance - Data Encryption	0	0	0	15	8	0	**23**
IGS - Compliance - PCI	0	27	12	0	0	0	**39**
Disaster Recovery	0	0	0	0	0	40	**40**
Service Desk - ITMIS Service Improvement	50	70	30	0	0	0	**150**
Midlothian Website Development	5	0	0	0	0	0	**5**
IT Development (Education)	0	0	0	0	0	0	**0**
Committee Management System	15	0	0	0	0	0	**15**
Paperless Meetings	16	0	0	0	0	0	**16**
Business Application Upgrades inc. mobile working	100	81	35	0	0	0	**216**
Interactive White Board Replacement	0	569	244	0	0	0	**813**
SWAN Programme	0	0	0	0	0	0	**0**
Commercial Operations							
Street Lighting Upgrades	646	595	905	350	0	0	**2,496**
Street Lighting LED Upgrade (Salix Funded)	200	0	0	0	0	0	**200**
Footway & Footpath Network Upgrades	1,000	700	300	0	0	0	**2,000**
Road Upgrades	1,521	1,050	1,425	525	0	0	**4,521**
A6106 Lugton	30	0	0	0	0	0	**30**
Millerhill Access Road / Site Services	100	0	0	0	0	0	**100**
Zero Waste Capital Contribution	0	0	0	0	4,481	2,413	**6,894**
Beeslack High School Safer Routes to School	0	0	0	0	0	0	**0**
Cycling, Walking & Safer Streets Projects	127	67	87	32	0	0	**312**
Ironmills Park Steps	28	0	0	0	0	0	**28**
Emily Bing	13	0	0	0	0	0	**13**
New recycling facility - Penicuik	1	220	94	0	0	0	**315**
DDA Works 2010/11	0	0	0	0	0	0	**0**
Waste Collection Vehicles	338	70	391	194	0	0	**993**
Food Waste Collection	526	89	38	0	0	0	**653**
Vehicle & Plant Replacement Programme	1,484	700	950	350	0	0	**3,484**
Electric Vehicles - Powerpoint Installation	61	0	0	0	0	0	**61**
Install Geogrid - Barleyknowe Lane	102	0	0	0	0	0	**102**
Bonnyrigg Skate Park	4	0	0	0	0	0	**4**
Newtongrange Wheeled Sports park	39	0	0	0	0	0	**39**
Loanhead Memorial Park	60	0	0	0	0	0	**60**
Riverside Park	26	0	0	0	0	0	**26**
20mph Limits	40	0	0	0	0	0	**40**
Vogrie Car Parking Barriers	33	0	0	0	0	0	**33**
CCTV Upgrade	143	0	0	0	0	0	**143**
Webcasting Council, Cabinet & Committee Meetings	19	0	0	0	0	0	**19**
Property & Facilities							
Stobhill Depot Upgrade	0	398	171	0	0	0	**569**
Property Upgrades inc. Lighting/Lightning	1,576	700	950	350	0	0	**3,576**
Purchase of 7 Eskdaill Court, Dalkeith	700	0	0	0	0	0	**700**
Primary 1-3 Free School Meals	12	0	0	0	0	0	**12**
TOTAL RESOURCES	**9,665**	**5,806**	**6,237**	**2,141**	**4,547**	**2,453**	**30,850**

EDUCATION, COMMUNITY AND ECONOMY	2015/16 Budget £'000	2016/17 Budget £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	Total Spend £'000
Early Years							
Woodburn Family Learning Centre	305	15	7	0	0	0	**327**
Further Early Years Provisions	0	523	784	784	261	0	**2,352**
Primary							
Burnbrae Primary	23	0	0	0	0	0	**23**
New Bilston Primary	3,162	2,537	1,087	0	0	0	**6,786**
New Gorebridge North Primary	3,421	3,651	1,565	0	0	0	**8,636**
Rosewell Primary Extension	95	0	0	0	0	0	**95**
Cornbank Primary Extension	24	0	0	0	0	0	**24**
St Andrews Primary Extension	5	0	0	0	0	0	**5**
Newtongrange Primary Extension	30	0	0	0	0	0	**30**
Paradykes & Roslin Primaries Preparatory Works	523	333	143	0	0	0	**998**
Paradykes Primary Replacement	0	9,274	4,196	119	0	0	**13,589**
Roslin Primary Replacement	0	5,048	2,284	65	0	0	**7,396**
Gorebridge Primary School Additional Classroom	12	0	0	0	0	0	**12**
Hopefield Primary School Demolition	164	0	0	0	0	0	**164**
Hawthornden Primary School Roof	6	0	0	0	0	0	**6**
Stobhill Primary School Footpath	22	0	0	0	0	0	**22**
Secondary							
Lasswade High School inc. 2nd MUGA	172	404	379	111	0	0	**1,067**
Newbattle High School Preparatory Works	1,243	53	405	544	182	0	**2,426**
Newbattle High School - Future Extension	0	0	0	0	0	0	**0**
Saltersgate Alterations	154	3	1	0	0	0	**159**
General							
Online Payments for Schools	45	0	0	0	0	0	**45**
Bright Sparks	356	8	3	0	0	0	**367**
PPP1 Land Acquisition	27	0	0	0	0	0	**27**
Children and Families							
Eastfield Children's Unit	3	0	0	0	0	0	**3**
Woodburn Children's Unit	0	0	0	0	0	0	**0**
Planning & Development							
Environmental Improvements	140	386	166	0	0	0	**692**
Property Asset Management System	9	0	0	0	0	0	**9**
Dalkeith Town Centre	1	0	0	0	0	0	**1**
East High Street Public Realm & Burns Monument	12	76	32	0	0	0	**120**
TOTAL EDUCATION, COMMUNITY AND ECONOMY	**9,954**	**22,310**	**11,051**	**1,622**	**443**	**0**	**45,380**
HEALTH AND SOCIAL CARE							
Adult & Social Care							
Care Homes	1	0	0	0	0	0	**1**
Penicuik Care Home Hub	33	0	0	0	0	0	**33**
Penicuik Care Home Hub - Fit Out	0	0	0	0	0	0	**0**
Highbank OPH - Adaptations (Phase II)	0	0	0	0	0	0	**0**
Assistive Technology	260	105	143	150	150	203	**1,010**
Travelling Peoples Site Upgrade	17	0	0	0	0	0	**17**
Customer & Housing Services							
Libraries Cash Management System	-1	0	0	0	0	0	**-1**
TOTAL HEALTH AND SOCIAL CARE	**310**	**105**	**143**	**150**	**150**	**203**	**1,060**
COUNCIL TRANSFORMATION							
Purchase to Pay	32	0	0	0	0	0	**32**
Property Services Review	43	0	0	0	0	0	**43**
EDRMS	12	0	0	0	0	0	**12**
EWiM	125	0	0	0	0	0	**125**
EWiM Phase 2	661	0	0	0	0	0	**661**
Online Housing Applications	27	0	0	0	0	0	**27**
Corporate Telephony Services Upgrade	54	0	0	0	0	0	**54**
EWiM - Buccleuch House Ground Floor	33	0	0	0	0	0	**33**
Unallocated	125	88	38	0	0	0	**250**
TOTAL COUNCIL TRANSFORMATION	**1,112**	**87**	**37**	**0**	**0**	**0**	**1,237**
UNALLOCATED							
Unallocated	0	1,306	0	8,794	6,311	8,016	**24,427**
TOTAL UNALLOCATED	**0**	**1,306**	**0**	**8,794**	**6,311**	**8,016**	**24,427**
GENERAL SERVICES CAPITAL PLAN TOTAL	**21,040**	**29,615**	**17,468**	**12,708**	**11,451**	**10,671**	**102,954**

Treasury Management and Investment Strategy 2016/17 & Prudential Indicators

Report by Gary Fairley, Head of Finance and Integrated Service Support

1 Purpose of Report

The purpose of the report is to seek the agreement of Council to the Treasury Management and Annual Investment Strategies for 2016/17 and the Prudential and Treasury indicators contained therein.

2 Treasury Management & Investment Strategy 2016/17

2.1 Current Loan and Investment Portfolio

The Council's current loan and investment portfolio, as at 26 February 2016, is shown in tables 1 and 2 below:-

Table 1: Current Loan Portfolio as at 26 February 2016

Loan Type	Principal Outstanding £000's	Weighted Average Rate
PWLB Annuity	768	8.90%
PWLB Maturity	179,224	4.01%
LOBO	20,000	4.51%
Temporary Market Loans	24,741	0.37%
Other Loans	418	0.00%
Total Loans	**225,151**	**3.66%**

Table 2: Current Investment Portfolio as at 26 February 2016

Investment Type	Principal Outstanding £000's	Weighted Average Rate
Bank Call Accounts	1	0.32%
Money Market Funds	38,906	0.48%
Bank Notice Accounts	14,985	1.15%
Total Investments	**53,892**	**0.67%**

2.2 Borrowing Requirement 2015/16 to 2020/21

The Council's capital plans contain projections of capital expenditure and income over the forthcoming financial years. Any expenditure not financed directly by income, requires funding through borrowing.

The projected borrowing requirement arising from the Council's Capital Plans, and the maturing long-term loans that require to be refinanced, over the period 2016/17 to 2020/21 is shown in table 3 below:-

Table 3: Total Borrowing Requirement over the period 2016/17 to 2020/21

	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	Total £000's
Capital Expenditure						
General Services	29,614	17,468	12,707	11,451	10,672	**81,912**
HRA	42,813	14,919	7,303	7,085	7,161	**79,281**
Total Capital Expenditure	**72,427**	**32,387**	**20,010**	**18,536**	**17,833**	**161,193**
Total Available Financing	-12,943	-10,698	-11,165	-9,375	-8,344	**-52,525**
Principal Debt Repayments	-7,411	-8,505	-,9034	-9,362	-9,928	**-44,240**
Capital Expenditure less available Financing	**52,074**	**13,184**	**-189**	**-201**	**-439**	**64,427**
Maturing Loans	2,094	10,275	10,456	9,135	9,146	**41,105**
Total Borrowing Requirement	**54,168**	**23,459**	**10,267**	**8,934**	**8,707**	**105,532**

2.3 Borrowing Strategy for 2016/17

Long-term borrowing rates from the Debt Management Office's (DMO) Public Works Loans Board (PWLB) are currently sitting at, or close to, historical lows. As can be noted from Table 3 above, the Council has a significant borrowing requirement across the forthcoming 2 financial years (2016/17 and 2017/18). It is therefore expected that the majority of the borrowing requirement to fund capital expenditure incurred in 2016/17 and 2017/18 shall be sourced from PWLB unless other, more cost effective options arise.

At the same time, it is also expected that throughout the majority of 2016/17, temporary borrowing from the money markets or other local authorities will remain at historically low levels of below bank base rate (i.e. sub-0.50%), whilst new long term PWLB borrowing sits at somewhere between 2.40%-3.30%. If rates remain at these levels, the continued utilisation of temporary borrowing within the Council's overall loan portfolio (current level of £23.6 million as at 18 February 2016 as shown in Table 1) would continue to provide a cost-effective solution to the Council. This will be viewed against the backdrop of potential long term costs if the opportunity is missed to take PWLB loans at historically low medium-long term rates, particularly given the projected gradual rise in PWLB rates.

As illustrated in table 3 above, the Council also has a significant borrowing requirement over the short-medium term, with a particular cluster of loans totalling £37.2 million maturing in the period 1.5 years to 5 years from now, all of which will require to be refinanced. The opportunity has arisen to consider forward dealing some, or all, of these loans. This would involve the Council entering into a legal commitment to draw down these loans at specific intervals, broadly matching the maturity profile of existing loans and/or projected capital expenditure within this period. This would allow the Council to draw down these loans at interest rates that are priced against current historically low gilt levels, and also at significantly lesser rates than current market forward projections, and eliminate the majority of the cost of carry.

Officers will ensure that any loans taken are drawn to match the existing maturity and projected capital expenditure profiles as closely as possible, that proposed interest rates continue to sit below forward interest rate projections, and that the overall borrowing remains within the Authorised Limit of £334.261m proposed below. Any other borrowing undertaken in advance of need would be supported by a business case which will appraise the anticipated savings in borrowing costs (from expected increases in rates later in the year / in forthcoming years) against the carrying cost associated with borrowing in advance of need.

2.3 Investment Strategy

The investment environment remains challenging, with the continued scrutiny over the creditworthiness of counterparties resulting in an ever tighter counterparty list. At the same time, the low base rate dictates low returns of typically sub 1% for a 12 month fixed term deposit.

The position on potential investment opportunities remains broadly as reported to Council in the Treasury Management Mid-Year Update report on 3 November 2015.

It is proposed that Council officers, in conjunction with Capita Asset Services, continue to review the range of investment options available to the Council within its stated investment policy in order to select only the most creditworthy counterparties to ensure the security of Council funds, and from that list select the range of investment products that offer best value to the Council's investment portfolio.

The updated list of Permitted Investments in Appendix 1 also includes the subscription of subordinated debt to the Newbattle Centre SPV and the utilisation of Certificates of Deposit, both approved by Council on 23 September 2014. In addition, the potential use of Property Funds has been added to allow the Council to explore options to manage longer-term cash balances.

3 Prudential Indicators

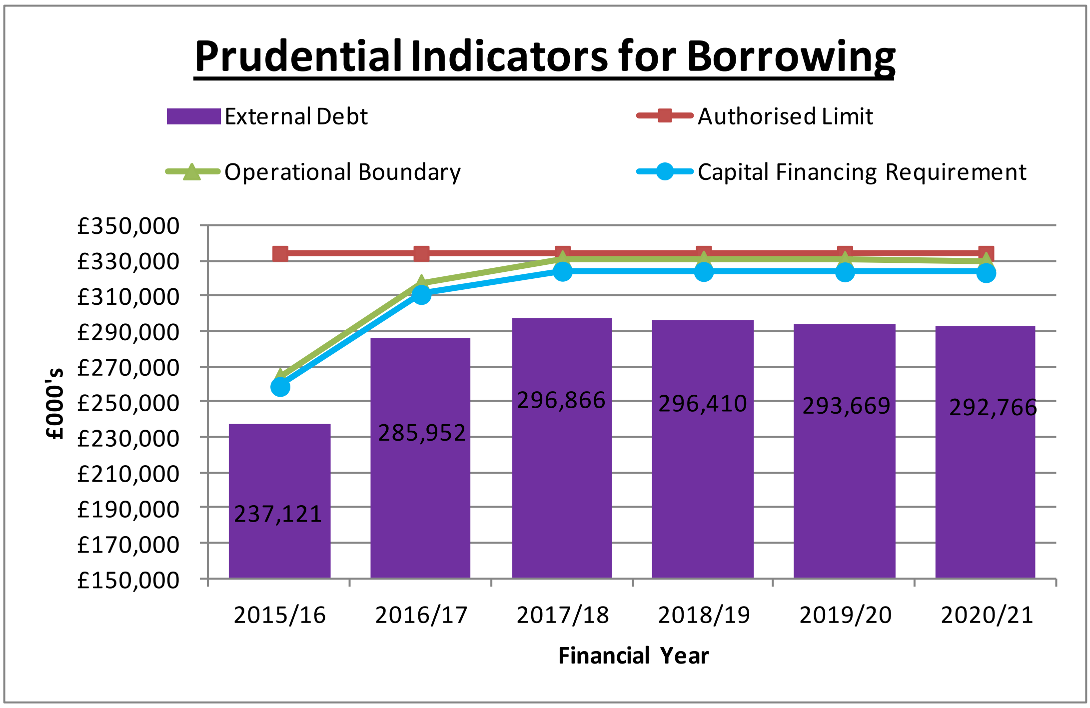
<u>Prudential Code for Capital Finance in Local Authorities</u>

The Prudential Code for Capital Finance in Local Authorities requires that Councils can demonstrate that their Capital Plans are affordable, prudent and sustainable, taking into account the financial provisions made in current and future revenue budgets; and that Treasury Management decisions are taken in accordance with good practice.

The Prudential Indicators that Councils need to consider relate to both actual, historic outcomes, and future estimated outcomes (covering the same period as the Council's Capital Plans), as follows:-

- Original indicators and actual outcomes for 2014/15;
- Revised estimates of the 2015/16 indicators; and
- Estimates of indicators for 2016/17 to 2018/19.

The Prudential Indicators required by the Code are listed individually in Appendix 2. The key indicators relating to external borrowing are shown in graphical format below.



The **Capital Financing Requirement (CFR)** denotes the Council's underlying need to borrow for capital purposes. The CFR includes borrowing arising as a result of the Council's Capital Plans, plus the long-term liability arising from the Council's two PPP contracts. The Underlying Borrowing Requirement strips out the latter of these (long-term liability arising from the two PPP contracts) from the CFR.

The **Authorised Limit for Borrowing** represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It is the expected maximum borrowing need with some headroom for unexpected movements.

The Authorised Limit for Borrowing has been calculated by taking the maximum value of the CFR over the next 5 financial years (2016/17 to 2020/21), with the total forecast level of capital receipts and developer contributions added back to this figure (given the inherent uncertainty regarding the timing and value of these receipts/contributions). This is shown in table 4 below.

Table 4: Authorised Limit for Borrowing: Calculation

Authorised Limit	**Amount £000's**
CFR – General Services (31 March 2021)	121,653
CFR – HRA (31 March 2021)	202,464
Unrealised Capital Receipts & Developer Contributions 2015/16	2,084
Forecast level of Capital Receipts & Developer Contributions 2016/17 to 2020/21	8,060
Proposed Authorised Limit	**334,261**

Council is therefore asked to approve an adjustment to the authorised limit for borrowing to £334.261m, if market conditions support this action. This would have the effect of securing lower costs for future years but care would be taken to ensure that the cost of carry from borrowing early is minimized and that the maturity structure of all debt is sufficiently robust to ensure that the CFR at 31 March 2021 remains achievable.

The authorised limit therefore reflects a level of borrowing which, while not desired, could be afforded but is not sustainable

4. Report Implications

4.1 Resources

There are no direct resource implications arising from this report.

4.2 Risk

The strategies outlined in this report are designed to improve the overall risk management of Treasury activity. Providing the limits outlined in the strategies are observed they will enhance the controls already in place in the Treasury Management Practices within which the treasury function operates.

The Prudential Indicators contained in Appendix 2 improve the overall risk management of Capital Investment and Treasury Management.

4.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☐ Sustainable growth
- ☐ Business transformation and Best Value
- ☒ None of the above

4.4 Impact on Performance and Outcomes

The strategies to be adopted are an integral part of the corporate aim to achieve Best Value as they seek to minimise the cost of borrowing by exercising prudent debt management and investment. This in turn helps to ensure that the Council's capital expenditure is sustainable in revenue terms.

4.5 Adopting a Preventative Approach

The proposals in this report do not directly impact on the adoption of a preventative approach.

4.6 Involving Communities and Other Stakeholders

Although no external consultation has taken place, cognisance has been taken of professional advice obtained from Capita Asset Services, the Council's appointed Treasury Consultants.

4.7 Ensuring Equalities

There are no equality issues arising from this report.

4.8 Supporting Sustainable Development

There are no sustainability issues arising from this report.

4.9 Digital Issues

There are no IT issues arising from this report.

5 Summary

The Treasury Management and Investment Strategies outlined in this document, and in the detailed document attached as Appendix 3, have been formulated to comply with the revised Codes of Practice and relevant Regulations and provide the framework for achieving best value in the management of the Council's borrowing and investment portfolios.

6 Recommendations

It is recommended that the Council

a) Approve the Treasury Management and Investment Strategy for the 2016/17 financial year, as summarised in Section 2 of this report and as detailed in the in-depth main report that is attached as Appendix 3;
b) Approve the list of Permitted Investments outlined in Appendix 1;
c) Adopt the Prudential Indicators contained in Appendix 2 of this report;
d) Approve an adjustment to the Authorised Limit for Borrowing to £334.261 million (as shown in Section 3) if market conditions indicate that this is prudent.

Date:- 29 February 2016

Report Contact:-
Name Gary Thomson
Tel No 0131 271 3230
E mail gary.thomson@midlothian.gov.uk

Background Papers:-

Appendix 1:-	Permitted Investments
Appendix 2:-	Prudential Indicators
Appendix 3:-	Treasury Management & Annual Investment Strategy Statement – 2016/17 Detailed

Permitted Investments Appendix 1

The Council uses the Capita creditworthiness service. This utilises credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard & Poors, along with credit watches, outlooks, CDS spreads and country sovereign ratings in a weighted scoring system with an end product of a series of colour coded bands which indicate the relative creditworthiness of counterparties for investment.

These colour codes are used by the Council to determine the maximum suggested duration for investment with that counterparty. These are as follows:-

Capita Colour Code	**Maximum Suggested Duration for Investment**
Yellow	6 years*
Dark Pink	6 years**
Light Pink	6 years**
Purple	3 years
Blue	2 years***
Orange	2 years
Red	8 months
Green	120 days
No colour	Not to be used

* *Note the yellow colour category is for:- UK Government Debt, or its equivalent, constant NAV Money Market Funds (MMF's), and collateralised deposits where the collateral is UK Government Debt*

** *Dark Pink for Enhanced MMF's with a credit score of 1.25; Light Pink for Enhanced MMF's with a credit score of 1.5*

*** *Only applies to nationalised or semi-nationalised UK banks*

**** *The Green Limit was formerly for 3 months but the Financial Conduct Authority set (in July 2013) a requirement for qualifying deposits for bank liquidity buffers of a minimum of 95 days so the Green Limit has been slightly extended to accommodate this regulatory change*

Note that the maximum suggested durations listed above have been extended by 1 year (when compared to the suggested maximum durations provided by Capita) for the Yellow, Dark Pink, Light Pink, Purple, Blue and Orange categories, to allow flexibility around these durations on the margins e.g. the placement of a 13 month fixed term deposit for a counterparty rated Orange or Blue. Equally, the maximum suggested duration for the Red category has been extended by a month to 8 months, and the maximum duration for the Green category has been extended by 20 days to 120 days, on the same basis. A thorough appraisal of the additional risk involved in extending the duration of any deposit (marginally) beyond the maximum suggested by Capita, against any enhanced value to the portfolio, will be undertaken prior to the placement of any deposit.

1.1 Deposits

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Debt Management Agency Deposit Facility	--	Term	No	**100%**	**6 months**
Term deposits – local authorities	--	Term	No	**100%**	**2 years**
Call accounts – banks and building societies	Green	Instant	No	**100%**	**1 day**
Term deposits / Notice Accounts – banks and building societies	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 8 mths** **Up to 120 days** **Not for use**
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 8 mths** **Up to 120 days** **Not for use**

1.2 Deposits with counterparties currently in receipt of government support / ownership

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
UK nationalised banks – Call accounts	Blue	Instant	No	**100%**	**1 day**
UK nationalised banks – Term Deposits / Notice Accounts	Blue	Term	No	**100%**	**2 years**
UK nationalised banks – Fixed term deposits with variable rate and variable maturities: - Structured deposits	Blue	Term	No	**100%**	**2 years**
Non-UK(high sovereign rated country) nationalised banks – Call accounts	Green	Instant	No	**100%**	**1 day**
Non-UK (high sovereign rated country) nationalised banks:- Term Deposits / Notice Accounts	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 8 mths** **Up to 120 days** **Not for use**
Non-UK (high sovereign rated country) nationalised banks:- Fixed term deposits with variable rate and variable maturities: - Structured deposits	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 8 mths** **Up to 120 days** **Not for use**

If forward deposits are made, the forward period plus the deal period equate to the maximum maturity period.

1.3 Collective investment schemes structured as Open Ended Investment Companies (OEICs)

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Government Liquidity Funds	AAA	Instant	No	**100%**	**1 day**
Money Market Funds	AAA	Instant	No	**100%**	**1 day**
Enhanced Money Market Funds with a credit score of 1.25	AAA	T+1 to T+5	Yes	**100%**	**1 day**
Enhanced Money Market Funds with a credit score of 1.5	AAA	T+1 to T+5	Yes	**100%**	**1 week**
Bond Funds	AAA	T+2 or longer	Yes	**50%**	**2 days**
Gilt Funds	AAA	T+2 or longer	Yes	**50%**	**2 days**

1.4 Securities issued or guaranteed by governments

Investment Category	* Minimum Credit Criteria	Liquidity risk	Market risk	Max %?£m of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	Yes	**100%**	**50 years**
UK Government Gilts	UK sovereign rating	Sale T+1	Yes	**100%**	**50 years**
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	Yes	**100%**	**50 years**
Sovereign bond issues (other than the UK govt)	AAA (or state your criteria if different)	Sale T+1	Yes	**100%**	**50 years**
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	Sale T+1	Yes	**10)%**	**50 years**

1.5 Securities issued by corporate organisations

Investment Category	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of deposit issued by banks and building societies	Yellow Purple Blue Orange Red Green No Colour	Sale T+1	Yes	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 7 mths** **Up to 100 days** **Not for use**
Commercial paper other	Yellow Purple Blue Orange Red Green No Colour	Sale T+0	Yes	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 7 mths** **Up to 100 days** **Not for use**
Floating rate notes	Yellow Purple Blue Orange Red Green No Colour	Sale T+0	Yes	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 7 mths** **Up to 100 days** **Not for use**
Corporate Bonds other	Yellow Purple Blue Orange Red Green No Colour	Sale T+3	Yes	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 7 mths** **Up to 100 days** **Not for use**

1.6 Other

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Local authority mortgage guarantee scheme.	Blue	Term	No	**50%**	**5 years**
Loans to Third Parties	n/a	Term	No	**£25m**	**20 years**
Subordinated Debt Subscription to Newbattle Centre SPV	n/a	Term	No	**£1m**	**27 years**
Property Funds	n/a	T+4	Yes	**50%**	**15 years**

Prudential Indicators Appendix 2

1. Prudential Indicators for Affordability

1.1 Estimates of Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Ratio of Financing Costs to Net Revenue Stream								
%	2014/15 Original	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
General Services	**4.26%**	**3.92%**	3.63%	3.51%	3.69%	3.70%	3.55%	3.52%
HRA	**36.29%**	**34.16%**	34.92%	36.06%	40.19%	41.01%	39.86%	40.73%

1.2 Estimates of the Incremental Impact of Investment Decisions on Council Tax and Rents

This indicator shows the change in Council Tax and Rents necessary to support increased spending on the capital account year on year. This is achieved by taking the difference between:-

- the capital plans used to calculate last years' prudential indicators; and
- the current capital plans.

The loan charges on that difference are then expressed as the change to Council Tax or Rents which would be necessary to support those charges.

Incremental Impact of Capital Investment Decisions on Council Tax and Housing Rent Levels								
	2014/15 Original	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
General Services	**£ (6.45)**	**£ (1.95)**	£ (7.23)	£ (2.72)	£ 13.05	£ 11.31	£ 3.59	£ 4.27
HRA	**£ (0.38)**	**£ (0.22)**	£ (1.76)	£ (1.20)	£ 2.96	£ 0.47	£ 0.29	£ 0.27

The figures in 1.1 and 1.2 above are based on the latest Capital Plans presented to Council.

2. Prudential Indicators for Capital Expenditure

2.1 Estimated Capital Expenditure

This indicator shows the gross capital spend included in the relevant capital plans.

Capital Expenditure	2014/15 Actual £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's
General Services							
Resources	£ 7,775	£ 9,665	£ 5,806	£ 6,237	£ 2,141	£ 4,547	£ 2,453
Education, Community & Economy	£ 3,014	£ 9,954	£ 22,310	£ 11,051	£ 1,622	£ 443	£ -
Health & Social Care	£ 120	£ 310	£ 105	£ 143	£ 150	£ 150	£ 203
Business Transformation	£ 492	£ 1,112	£ 87	£ 37	£ -	£ -	£ -
Unallocated		£ -	£ 1,306	£ -	£ 8,794	£ 6,311	£ 8,016
Total General Services	**£ 11,401**	**£ 21,041**	**£ 29,614**	**£ 17,468**	**£ 12,707**	**£ 11,451**	**£ 10,672**
Total HRA	**£ 11,888**	**£ 14,535**	**£ 42,813**	**£ 14,919**	**£ 7,303**	**£ 7,085**	**£ 7,161**
Combined Total	**£ 23,289**	**£ 35,576**	**£ 72,427**	**£ 32,387**	**£ 20,010**	**£ 18,536**	**£ 17,833**

2.2 Financing of Capital Expenditure

This indicator shows how the Capital Expenditure forecasts are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital Expenditure and Available Financing	2014/15 Actual £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's
Capital Expenditure							
General Services	£11,401	£21,041	£ 29,614	£17,468	£12,707	£11,451	£10,672
HRA	£11,888	£14,535	£ 42,813	£14,919	£ 7,303	£ 7,085	£ 7,161
Total	**£23,289**	**£35,576**	**£ 72,427**	**£32,387**	**£20,010**	**£18,536**	**£17,833**
Financed by:							
Capital receipts	£ 2,020	£ 2,310	£ 1,148	£ -	£ -	£ -	£ -
Capital grants	£10,168	£10,792	£ 8,004	£ 8,836	£ 8,826	£ 8,303	£ 7,454
Capital reserves	£ -	£ -	£ -	£ -	£ -	£ -	£ -
Developer/Other Contributions	£ 2,134	£10,302	£ 3,791	£ 1,862	£ 2,339	£ 1,072	£ 890
Net financing need for the year	**£ 8,967**	**£12,172**	**£ 59,485**	**£21,689**	**£ 8,845**	**£ 9,161**	**£ 9,489**

2.3 Estimated Capital Financing Requirement

This indicator measures the Council's maximum underlying need to borrow for capital purposes and other long term liabilities over the next three years.

Capital Financing Requirement (CFR)							
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Capital Financing Requirement							
CFR – General Services	£ 103,675	£ 103,143	£ 118,020	£ 121,653	£ 120,023	£ 119,077	£ 118,318
CFR – HRA	£ 150,234	£ 155,717	£ 192,913	£ 202,464	£ 203,905	£ 204,650	£ 204,970
CFR – PFI Schemes	£ 57,300	£ 56,180	£ 54,972	£ 53,659	£ 52,233	£ 50,683	£ 48,998
Total CFR	**£ 311,209**	**£ 315,040**	**£ 365,905**	**£ 377,776**	**£ 376,162**	**£ 374,410**	**£ 372,286**
Movement in CFR	**£ 865**	**£ 3,831**	**£ 50,866**	**£ 11,871**	**£ (1,615)**	**£ (1,751)**	**£ (2,124)**
Movement in CFR represented by							
Net financing need for the year (previous table)	£ 8,967	£ 12,172	£ 59,485	£ 21,689	£ 8,845	£ 9,161	£ 9,489
Less Scheduled Debt Amortisation	£ (7,062)	£ (7,221)	£ (7,411)	£ (8,505)	£ (9,034)	£ (9,362)	£ (9,928)
Less PFI Finance Lease Principal Payments	£ (1,040)	£ (1,120)	£ (1,208)	£ (1,313)	£ (1,426)	£ (1,550)	£ (1,685)
Movement in CFR	**£ 865**	**£ 3,831**	**£ 50,866**	**£ 11,871**	**£ (1,615)**	**£ (1,751)**	**£ (2,124)**

3. Prudential Indicators for Prudence

3.1 Net Borrowing Requirement

This indicator shows the amount of external borrowing required to finance the current debt outstanding on capital projects.

Net Borrowing Requirement							
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
External Debt							
Debt at 1 April	£ 225,993	£ 234,706	£ 237,121	£ 285,952	£ 296,866	£ 296,410	£ 293,669
Actual/Expected change in Debt	£ 8,713	£ 2,415	£ 48,831	£ 10,914	£ (456)	£ (2,741)	£ (903)
Other long-term liabilities (OLTL)	£ 58,340	£ 57,300	£ 56,180	£ 54,972	£ 53,659	£ 52,233	£ 50,683
Actual/Expected change in OLTL	£ (1,040)	£ (1,120)	£ (1,208)	£ (1,313)	£ (1,313)	£ (1,312)	£ (1,311)
Actual/Expected Gross Debt at 31 March	**£ 292,006**	**£ 293,301**	**£ 340,924**	**£ 350,525**	**£ 348,756**	**£ 344,590**	**£ 342,138**
The Capital Financing Requirement	**£ 311,209**	**£ 315,040**	**£ 365,905**	**£ 377,776**	**£ 376,162**	**£ 374,410**	**£ 372,286**
Under / (over) borrowing	**£ 19,203**	**£ 21,739**	**£ 24,981**	**£ 27,251**	**£ 27,406**	**£ 29,820**	**£ 30,148**
Investments							
Cash & Cash Equivalents	£ 5,891	£ 5,000	£ 5,000	£ 5,000	£ 5,963	£ 5,000	£ 5,000
Short-Term Investments	£ 50,000	£ 49,785	£ 49,785	£ 49,785	£ 49,785	£ 49,785	£ 49,785
Total Investments	**£ 55,891**	**£ 54,785**	**£ 54,785**	**£ 54,785**	**£ 55,748**	**£ 54,785**	**£ 54,785**

4. Prudential Indicators for External Debt

4.1 Operational Boundary

This is the limit beyond which external debt is not normally expected to exceed and will be the focus of day to day treasury management. Typically, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

For this Council:-

- the Operational Boundary for Borrowing has been calculated to equate directly to the value of the CFR for General Services and HRA combined, over each of the next 5 financial years (2016/17 to 2020/21); and
- the Operational Boundary for Other Long-Term Liabilities has been calculated to equate directly to the in-year CFR for Other Long-Term Liabilities, given the known contractual provisions for the repayment of debt within the Council's two PPP agreements.

Operational Boundary						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
Operational Boundary - Borrowing	£ 258,860	£ 310,933	£ 324,117	£ 323,929	£ 323,727	£ 323,288
Operational Boundary - Other long term liabilities	£ 56,180	£ 54,972	£ 53,659	£ 52,233	£ 50,683	£ 48,998
Total	**£ 315,040**	**£ 365,905**	**£ 377,776**	**£ 376,162**	**£ 374,410**	**£ 372,286**

Should the Operational Boundary be breached, for example as a result of a decision taken to borrow in advance (should market conditions indicate that it is prudent to do so), this will be reported to Council at the next available opportunity.

4.2 Authorised Limit of Total External Debt

This indicator sets the limit for total external debt.

In an active Treasury Management policy it is sometimes prudent to borrow in advance of need if interest rates are expected to rise.

In order to continue to service the ongoing external debt and finance the current capital programmes the Council needs to increase its external borrowing to £324.1 million by 31 March 2018. Within the Capital Plans, there are assumptions regarding capital receipts and developer contributions which when applied to the Council's capital plans reduce the Council's borrowing requirements. However, the realisation of these capital receipts and developer contributions carry inherent uncertainty around both the timing and value of each receipt/contribution, given that they are largely dependent upon economic and market activity which are outwith the Council's control. Therefore, in order to calculate the Authorised Limit for Borrowing, these capital receipts and developer contributions have been added to the Capital Financing Requirement, to give the Council flexibility to fully borrow in advance of need (if market conditions support this action) should these receipts and contributions be unable to be realised in the short term. This therefore reflects a level of borrowing which, while not desired, could be afforded but is not sustainable.

Council is therefore asked to approve that, rather than restrict borrowing to £258.9m for 2015/16, £310.7m for 2016/17, £324.1m for 2017/18, £323.9m for 2018/19, £323.7m for 2019/20 and £323.3m for 2020/21, that permission be granted to borrow up to the 2016/17 Authorised Limit for borrowing of £334.260m as shown in the table below), if market conditions support this action.

Adopting this approach will secure lower costs for future years but care will be taken to ensure that the cost of carry is minimised and that the maturity structure of all debt is sufficiently robust to ensure that the Capital Financing Requirement at 31 March 2021 remains achievable.

Authorised Limit						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
Authorised Limit - Borrowing	£ 334,261	£ 334,261	£ 334,261	£ 334,261	£ 334,261	£ 334,261
Authorised Limit - Other long term liabilities	£ 56,180	£ 54,972	£ 53,659	£ 52,233	£ 50,683	£ 48,998
Total Debt	**£ 390,441**	**£ 389,233**	**£ 387,920**	**£ 386,494**	**£ 384,944**	**£ 383,259**

Reconciliation of calculation of Authorised Limit for borrowing:-

Reconciliation of Authorised Limit for Borrowing	
	£000's
CFR - General Services at 31 March 2018	£ 121,653
CFR - HRA at 31 March 2018	£ 202,464
Capital Receipts 2015/16 unrealised to date	£ 813
Capital Receipts 2016/17-2020/21	£ 1,148
Developer/Other Contributions 2015/16 Unrealised to date	£ 1,271
Developer/Other Contributions 2016/17-2020/21	£ 6,912
Authorised Limit for Borrowing	**£ 334,261**

5. Prudential Indicators for Treasury Management

5.1 Adoption of the CIPFA Treasury Management Code of Practice

The adoption of CIPFA's *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* is an indication of a clear, integrated and prudent approach to Treasury Management.

5.2 Upper limits on Fixed and Variable Interest Rates

This indicator limits the amount of external debt that may be held at fixed or variable rates. These limits are proposed to be as follows:-

Upper Limits on Exposure to Fixed and Variable Interest Rates 2015/16	
Interest rate exposures	**Upper Limit**
Limits on fixed interest rates based on gross debt	100.00%
Limits on variable interest rates based on gross debt	30.00%
Limits on fixed interest rates based on investments	100.00%
Limits on variable interest rates based on investments	100.00%

5.3 Maturity Structure of Borrowing

This indicator sets the upper and lower limits of the time scales within which external debt may be held.

The Treasury Management Code of Practice now requires that LOBO's with a call date in the next 12 months are classified as short-term borrowing rather than longer-term (10 year+) borrowing.

In addition, the Code also recommends that where an authority's debt is typically very long term (i.e. for a period of greater than 10 years), that authorities should break down the period in excess of 10 years into several ranges, for example 10 to 20 years, 20 to 30 years, etc.

With the above in mind, the proposed upper and lower limits for each maturity band are shown below, with the overall aim to ensure a spreading approach to avoid a cluster of high value loans maturing/requiring refinancing within a short period of time.

Maturity Structure of Borrowing 2016/17		
Maturity structure of fixed interest rate borrowing 2016/17	**Lower**	**Upper**
Under 12 months	0.00%	50.00%
12 months to 2 years	0.00%	50.00%
2 years to 5 years	0.00%	50.00%
5 years to 10 years	0.00%	50.00%
10 years to 20 years	0.00%	50.00%
20 years to 30 years	0.00%	50.00%
30 years to 40 years	0.00%	50.00%
40 years to 50 years	0.00%	50.00%
50 years and above	0.00%	50.00%
Maturity structure of variable interest rate borrowing 2016/17	**Lower**	**Upper**
Under 12 months	0.00%	30.00%
12 months to 2 years	0.00%	30.00%
2 years to 5 years	0.00%	30.00%
5 years to 10 years	0.00%	30.00%
10 years to 20 years	0.00%	30.00%
20 years to 30 years	0.00%	30.00%
30 years to 40 years	0.00%	30.00%
40 years to 50 years	0.00%	30.00%
50 years and above	0.00%	30.00%

5.4 Total Principal Sums Invested for Periods Longer than 364 Days

This indicator relates to the total level of investments held for periods longer than 364 days.

Principal Sums Invested for > 364 Days			
	2016/17	2017/18	2018/19
Limit	£50m	£50m	£50m

The current strategy as outlined in the body of these reports is to cash-back the Council's balance sheet reserves. It is expected that the majority of this will be in the form of 12 month fixed term deposits and/or certificates of deposit. The limit for prinicipal sums invested for > 364 days has been set at £50m to give the Council flexibility to extend the duration of such deposits on the margins, to e.g. 366 days or 13/14 months. As noted in the Investment Strategy section of this report, a thorough appraisal of the additional risk involved in extending the duration of any deposit (marginally) beyond the maximum suggested by Capita, against any enhanced value to the portfolio, will be undertaken prior to the placement of any deposit.

Appendix 3

Treasury Management & Annual Investment Strategy Statement

Midlothian Council
2015/16

INDEX

1 INTRODUCTION 14
1.1 Background 14
1.2 Reporting requirements 14
1.3 Treasury Management Strategy for 2016/17 14
1.4 Training 15
1.5 Treasury management consultants 15
2 THE CAPITAL PRUDENTIAL INDICATORS 2016/17 – 2020/21 16
2.1 Capital expenditure 16
2.2 The Council's borrowing need (the Capital Financing Requirement) 17
2.3 Core funds and expected investment balances 17
2.4 Affordability prudential indicators 17
2.5 Ratio of financing costs to net revenue stream. 18
2.6 Incremental impact of capital investment decisions on council tax and housing rent levels 18
2.7 HRA ratios 18
3 Borrowing 19
3.1 Current portfolio position 19
3.2 Treasury Indicators: limits to borrowing activity 20
3.3 Prospects for interest rates 22
3.4 Borrowing strategy 25
3.5 Policy on borrowing in advance of need 26
3.6 Debt rescheduling 26
4 ANNUAL INVESTMENT STRATEGY 28
4.1 Changes to the Credit Rating methodology 28
4.2 Investment policy 28
4.3 Creditworthiness policy 29
4.4 Country and sector limits 31
4.5 Investment strategy 31
4.6 Investment risk benchmarking 32
4.7 End of year investment report 32
4.8 Procedures for reviewing the holding of longer-term investments 32
5 Appendices 33
5.1 APPENDIX: Economic Background 34
5.2 APPENDIX: Treasury Management Practice (TMP1): Permitted Investments 39
5.3 APPENDIX: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management 49
5.4 APPENDIX: Approved countries for investments 54
5.5 APPENDIX: Treasury management scheme of delegation 55
5.6 APPENDIX: The treasury management role of the section 95 officer 56

1 INTRODUCTION

1.1 Background

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 or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering 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. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

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."*

1.2 Reporting requirements

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

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators) for 2016/17 to 2020/21;
- the treasury management strategy (how the investments and borrowings are to be organised) for 2016/17, including treasury indicators; and
- an investment strategy for 2016/17 (the parameters on how investments are to be managed).

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 actual treasury strategy is meeting the strategy outlined in advance of the year, or whether any policies require revision.

An annual treasury outturn report – This provides details of a selection of actual prudential and treasury indicators for the previous financial year and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit Committee.

1.3 Treasury Management Strategy for 2016/17

The strategy for 2016/17 covers two main areas:

Capital issues

- the capital plans and the prudential indicators (Section 2 of this report).

Treasury management issues

- policy on use of external service providers (Section 1.5);
- the current treasury position (Section 3.1);
- treasury indicators which limit the treasury risk and activities of the Council (Section 3.2);
- prospects for interest rates (Section 3.3);
- the borrowing strategy (Section 3.4);
- policy on borrowing in advance of need (Section 3.5);
- debt rescheduling (Section 3.6);
- the investment strategy (Section 4.1); and
- creditworthiness policy (Section 4.2).

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.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsibe for scrutiny. A training workshop for Members was held on 14 June 2011 and further training will be arranged as required.

A training workshop in Treasury Management for the Financial Services team, led by the Council's Treasury Management consultants Capita Asset Services, is scheduled to take place on 03 March 2016.

1.5 Treasury management consultants

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

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

2 THE CAPITAL PRUDENTIAL INDICATORS 2016/17 – 2020/21

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The table below summarises the Capital Expenditure forecasts:-

Table 1: Capital Expenditure

	2014/15 Actual £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's
General Services							
Resources	£ 7,775	£ 9,665	£ 5,806	£ 6,237	£ 2,141	£ 4,547	£ 2,453
Education, Community & Economy	£ 3,014	£ 9,954	£ 22,310	£ 11,051	£ 1,622	£ 443	£ -
Health & Social Care	£ 120	£ 310	£ 105	£ 143	£ 150	£ 150	£ 203
Business Transformation	£ 492	£ 1,112	£ 87	£ 37	£ -	£ -	£ -
Unallocated		£ -	£ 1,306	£ -	£ 8,794	£ 6,311	£ 8,016
Total General Services	**£ 11,401**	**£ 21,041**	**£ 29,614**	**£ 17,468**	**£ 12,707**	**£ 11,451**	**£ 10,672**
Total HRA	**£ 11,888**	**£ 14,535**	**£ 42,813**	**£ 14,919**	**£ 7,303**	**£ 7,085**	**£ 7,161**
Combined Total	**£ 23,289**	**£ 35,576**	**£ 72,427**	**£ 32,387**	**£ 20,010**	**£ 18,536**	**£ 17,833**

The table below shows how the Capital Expenditure forecasts are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Members are asked to approve the capital expenditure forecasts and the financing of these forecasts:-

Table 2: Capital Expenditure and Available Financing

	2014/15 Actual £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's
Capital Expenditure							
General Services	£11,401	£21,041	£ 29,614	£17,468	£12,707	£11,451	£10,672
HRA	£11,888	£14,535	£ 42,813	£14,919	£ 7,303	£ 7,085	£ 7,161
Total	**£23,289**	**£35,576**	**£ 72,427**	**£32,387**	**£20,010**	**£18,536**	**£17,833**
Financed by:							
Capital receipts	£ 2,020	£ 2,310	£ 1,148	£ -	£ -	£ -	£ -
Capital grants	£10,168	£10,792	£ 8,004	£ 8,836	£ 8,826	£ 8,303	£ 7,454
Capital reserves	£ -	£ -	£ -	£ -	£ -	£ -	£ -
Developer/Other Contributions	£ 2,134	£10,302	£ 3,791	£ 1,862	£ 2,339	£ 1,072	£ 890
Net financing need for the year	**£ 8,967**	**£12,172**	**£ 59,485**	**£21,689**	**£ 8,845**	**£ 9,161**	**£ 9,489**

Note:- The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for (financed), will increase the CFR.

The CFR does not increase indefinitely, as scheduled debt amortisation (the principal repayment element of the loans fund charges) broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme already include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £57.3m of such schemes within the CFR. The Council is asked to approve the CFR projections below:

Table 3: Capital Financing Requirement (CFR)

	2014/15 Actual £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's
Capital Financing Requirement							
CFR – General Services	£ 103,675	£ 103,143	£ 118,020	£ 121,653	£ 120,023	£ 119,077	£ 118,318
CFR – HRA	£ 150,234	£ 155,717	£ 192,913	£ 202,464	£ 203,905	£ 204,650	£ 204,970
CFR – PFI Schemes	£ 57,300	£ 56,180	£ 54,972	£ 53,659	£ 52,233	£ 50,683	£ 48,998
Total CFR	**£ 311,209**	**£ 315,040**	**£ 365,905**	**£ 377,776**	**£ 376,162**	**£ 374,410**	**£ 372,286**
Movement in CFR	**£ 865**	**£ 3,831**	**£ 50,866**	**£ 11,871**	**£ (1,615)**	**£ (1,751)**	**£ (2,124)**
Movement in CFR represented by							
Net financing need for the year (previous table)	£ 8,967	£ 12,172	£ 59,485	£ 21,689	£ 8,845	£ 9,161	£ 9,489
Less Scheduled Debt Amortisation	£ (7,062)	£ (7,221)	£ (7,411)	£ (8,505)	£ (9,034)	£ (9,362)	£ (9,928)
Less PFI Finance Lease Principal Payments	£ (1,040)	£ (1,120)	£ (1,208)	£ (1,313)	£ (1,426)	£ (1,550)	£ (1,685)
Movement in CFR	**£ 865**	**£ 3,831**	**£ 50,866**	**£ 11,871**	**£ (1,615)**	**£ (1,751)**	**£ (2,124)**

2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Table 4: Balance Sheet Resources

Reserve	2014/15 Actual £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's
HRA Balances	£ 21,377	£ 23,932	£ 24,670	£ 23,692	£ 21,962	£ 20,577	£ 18,081
General Fund Balances	£ 12,843	£ 12,843	£ 12,843	£ 12,843	£ 12,843	£ 12,843	£ 12,843
Earmarked reserves	£ 8,472	£ 8,472	£ 8,472	£ 8,472	£ 8,472	£ 8,472	£ 8,472
Provisions	£ 3,073	£ 3,073	£ 3,073	£ 3,073	£ 3,073	£ 3,073	£ 3,073
Capital Fund	£ 14,853	£ 17,416	£ 19,931	£ 23,181	£ 26,141	£ 29,101	£ 32,061
Total Reserves / Core Funds	**£ 60,618**	**£ 65,736**	**£ 68,989**	**£ 71,261**	**£ 72,491**	**£ 74,066**	**£ 74,530**
Working capital*	£ 14,476	£ 10,788	£ 10,777	£ 10,775	£ 9,699	£ 10,539	£ 10,404
Under/over borrowing	£ 19,203	£ 21,739	£ 24,981	£ 27,251	£ 27,406	£ 29,820	£ 30,148
Expected investments	**£ 55,891**	**£ 54,785**	**£ 54,785**	**£ 54,785**	**£ 54,785**	**£ 54,785**	**£ 54,785**

** Working capital balances shown are estimated year end; these may be higher mid year*

2.4 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:-

2.5 Ratio of financing costs to net revenue stream.

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Table 5: Ratio of Financing Costs to Net Revenue Stream								
%	2014/15	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Original	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
General Services	**4.26%**	**3.92%**	3.63%	3.51%	3.69%	3.70%	3.55%	3.52%
HRA	**36.29%**	**34.16%**	34.92%	36.06%	40.19%	41.01%	39.86%	40.73%

The estimates of financing costs include current commitments and the proposals in this budget report.

2.6 Incremental impact of capital investment decisions on council tax and housing rent levels

These indicators identify the revenue costs associated with proposed changes to the three year capital programme recommended in current budget reports compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

Table 6: Incremental Impact of Capital Investment Decisions on Council Tax and Housing Rent Levels								
	2014/15	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Original	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
General Services	**£ (6.45)**	**£ (1.95)**	£ (7.23)	£ (2.72)	£ 13.05	£ 11.31	£ 3.59	£ 4.27
HRA	**£ (0.38)**	**£ (0.22)**	£ (1.76)	£ (1.20)	£ 2.96	£ 0.47	£ 0.29	£ 0.27

2.7 HRA ratios

Table 7: HRA Debt as a % of Gross Revenue							
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
HRA debt £000's	£ 150,234	£ 155,717	£ 192,913	£ 202,464	£ 203,905	£ 204,650	£ 204,970
HRA revenues £000's	£ 22,395	£ 22,056	£ 23,225	£ 24,689	£ 25,935	£ 27,175	£ 29,096
Ratio of debt to revenues %	671%	706%	831%	820%	786%	753%	704%

Table 8: HRA Debt per Dwelling							
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
HRA debt £000's	£ 150,234	£ 155,717	£ 192,913	£ 202,464	£ 203,905	£ 204,650	£ 204,970
Number of HRA dwellings	6,843	6,833	6,908	6,976	7,082	7,169	7,181
Debt per dwelling £	£ 21,954	£ 22,789	£ 27,926	£ 29,023	£ 28,792	£ 28,547	£ 28,543

3 Borrowing

The capital expenditure plans set out in Section 2 provide 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 approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2015, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 9: Current Treasury Portfolio

	2014/15 Actual £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's
External Debt							
Debt at 1 April	£ 225,993	£ 234,706	£ 237,121	£ 285,952	£ 296,866	£ 296,410	£ 293,669
Actual/Expected change in Debt	£ 8,713	£ 2,415	£ 48,831	£ 10,914	£ (456)	£ (2,741)	£ (903)
Other long-term liabilities (OLTL) at 1 April	£ 58,340	£ 57,300	£ 56,180	£ 54,972	£ 53,659	£ 52,233	£ 50,683
Actual/Expected change in OLTL	£ (1,040)	£ (1,120)	£ (1,208)	£ (1,313)	£ (1,313)	£ (1,312)	£ (1,311)
Actual/Expected Gross Debt at 31 March	**£ 292,006**	**£ 293,301**	**£ 340,924**	**£ 350,525**	**£ 348,756**	**£ 344,590**	**£ 342,138**
The Capital Financing Requirement	**£ 311,209**	**£ 315,040**	**£ 365,905**	**£ 377,776**	**£ 376,162**	**£ 374,410**	**£ 372,286**
Under / (over) borrowing	**£ 19,203**	**£ 21,739**	**£ 24,981**	**£ 27,251**	**£ 27,406**	**£ 29,820**	**£ 30,148**
Investments							
Cash & Cash Equivalents	£ 5,891	£ 5,000	£ 5,000	£ 5,000	£ 5,963	£ 5,000	£ 5,000
Short-Term Investments	£ 50,000	£ 49,785	£ 49,785	£ 49,785	£ 49,785	£ 49,785	£ 49,785
Total Investments	**£ 55,891**	**£ 54,785**	**£ 54,785**	**£ 54,785**	**£ 55,748**	**£ 54,785**	**£ 54,785**

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 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 Head of Finance & Integrated Service Support reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

For this Council:-

- the Operational Boundary for Borrowing has been calculated to equate directly to the maximum value of the CFR over the next 5 financial years (2016/17 to 2020/21); and
- the Operational Boundary for Other Long-Term Liabilities has been calculated to equate directly to the in-year CFR for Other Long-Term Liabilities, given the known contractual provisions for the repayment of debt within the Council's two PPP agreements.

Table 10: Operational Boundary

	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's
Operational Boundary - Borrowing	£258,860	£310,933	£324,117	£323,929	£ 323,727	£ 323,288
Operational Boundary - Other long term liabilities	£ 56,180	£ 54,972	£ 53,659	£ 52,233	£ 50,683	£ 48,998
Total	**£315,040**	**£365,905**	**£377,776**	**£376,162**	**£ 374,410**	**£ 372,286**

The authorised limit for external debt

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit (Affordable Capital Expenditure Limit) determined under section 35 (1) of the Local Government in Scotland Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised;
2. The Authorised Limit for Borrowing has been calculated by taking the maximum value of the CFR over the next 5 financial years (2016/17 to 2020/21), with the total forecast level of capital receipts and developer contributions ***added back*** to this figure (given the inherent uncertainty regarding the timing and value of these receipts/contributions):-
    a. Council is therefore asked to approve that, rather than restrict borrowing to £258.9m for 2015/16, £310.7m for 2016/17, £324.1m for 2017/18, £323.9m for 2018/19, £323.7m for 2019/20 and £323.3m for 2020/21, that permission be granted to borrow up to the 2016/17 Authorised Limit for borrowing of £334.261m as shown in the table below), if market conditions support this action.;
    b. This would have the effect of securing lower costs for future years but care would be taken to ensure that the cost of carry from borrowing early is minimized and that the maturity structure of all debt is sufficiently robust to ensure that the CFR at 31 March 2021 remains achievable.
    c. The authorised limit therefore reflects a level of borrowing which, while not desired, could be afforded but is not sustainable.
3. The Authorised Limit for Other Long-Term Liabilities has been calculated to equate directly to the Operational Boundary for Other Long-Term Liabilities, given the known contractual provisions for the repayment of debt within the Council's two PPP agreements.

Table 11: Authorised Limit						
	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's
Authorised Limit - Borrowing	£ 334,261	£ 334,261	£ 334,261	£ 334,261	£ 334,261	£ 334,261
Authorised Limit - Other long term liabilities	£ 56,180	£ 54,972	£ 53,659	£ 52,233	£ 50,683	£ 48,998
Total Debt	**£ 390,441**	**£ 389,233**	**£ 387,920**	**£ 386,494**	**£ 384,944**	**£ 383,259**

Table 12: Reconciliation of Authorised Limit for Borrowing	
	£000's
CFR - General Services at 31 March 2018	£ 121,653
CFR - HRA at 31 March 2018	£ 202,464
Capital Receipts 2015/16 unrealised to date	£ 813
Capital Receipts 2016/17-2020/21	£ 1,148
Developer/Other Contributions 2015/16 Unrealised to date	£ 1,271
Developer/Other Contributions 2016/17-2020/21	£ 6,912
Authorised Limit for Borrowing	**£ 334,261**

3.3 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 Asset Services central view.

Table 13: Interest Rate Forecasts Quarterly Averages					
Quarter Ending	Bank Rate	PWLB Borrowing Rates (inc. certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Now	0.50%	1.57%	2.24%	3.12%	2.94%
Mar 2016	0.50%	1.70%	2.30%	3.20%	3.00%
Jun 2016	0.50%	1.90%	2.40%	3.20%	3.00%
Sep 2016	0.50%	2.00%	2.50%	3.30%	3.10%
Dec 2016	0.50%	2.10%	2.60%	3.30%	3.10%
Mar 2017	0.75%	2.20%	2.70%	3.50%	3.30%
Jun 2017	0.75%	2.30%	2.80%	3.50%	3.30%
Sep 2017	1.00%	2.40%	2.90%	3.60%	3.40%
Dec 2017	1.00%	2.60%	3.00%	3.60%	3.40%
Mar 2018	1.25%	2.70%	3.10%	3.70%	3.50%
Jun 2018	1.25%	2.80%	3.30%	3.70%	3.60%
Sep 2018	1.50%	2.90%	3.40%	3.70%	3.60%
Dec 2018	1.50%	3.00%	3.50%	3.80%	3.70%
Mar 2019	1.75%	3.10%	3.60%	3.80%	370.00%

UK. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and although the 2015 growth rate is likely to be a leading rate in the G7 again, it looks likely to disappoint previous forecasts and come in at about 2.2%. Quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a slight increase in quarter 2 to +0.5% (+2.3% y/y) before weakening again to +0.4% (2.1% y/y) in quarter 3 followed by a slight recovery in quarter 4 to an initial reading of +0.5%. The Februaryr Bank of England Inflation Report included a forecast for growth to remain around 2.2% – 2.4% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015. However, these forecasts are approximately 0.2% lower than those of the November Inflation Report. Investment expenditure is also expected to support growth. However, since the second half of 2015, most worldwide economic statistics have been weak and financial markets have been particularly volatile in early 2016. The November Inflation Report flagged up particular concerns for the potential impact of these factors on the UK and this theme was maintained in the February Inflation Report.

The February Inflation Report was notably subdued in respect of the forecasts for inflation in the near-term; this was expected to barely get back up to the 1% level within the next 12 months but was expected to marginally exceed the 2% target on the 2-3 year time horizon. The increase in the November Inflation Report forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. However, the first round of falls in oil, gas and food prices over late 2014 and also in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but a second, more recent round of falls in fuel and commodity prices will delay a significant tick up in inflation from around zero. There is, therefore, considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There is also the uncertain impact of the EU referendum which may take place as early as June 2016.

The weakening of UK GDP growth during 2015 and the deterioration of prospects in the international scene, especially for emerging market countries, have consequently led to forecasts for when the first increase in Bank Rate would occur being pushed back to quarter 1 of 2017. There is downside risk to this forecast i.e. it could be pushed further back and the markets are currently betting on a quarter 1 2018 increase.

USA. The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, but then pulled back to 2.0% in quarter 3 and retreated to +0.7% in quarter 4. However, the uninterrupted run of strong monthly increases in non-farm payrolls figures for growth in employment in 2015 prepared the way for the Fed. to embark on its long awaited first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

Eurozone. In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it was intended to run initially to September 2016. At the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. The ECB also cut its deposit facility rate by 10bps from -0.2% to -0.3%. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.3% y/y) but has then eased back to +0.4% (+1.6% y/y) in quarter 2 and to +0.3% (+1.6%) in quarter 3. Financial markets were disappointed by the ECB's lack of more decisive action in December and it is likely that it will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost their majority of seats. An anti-austerity coalition has won a majority of seats in Portugal while the general election in Spain produced a complex result where no combination of two main parties is able to form a coalition with a majority of seats. It is currently unresolved as to what administrations will result from both these situations. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

- Investment returns are likely to remain relatively low during 2016/17 and beyond;
- Borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically phenominally low levels during 2015. 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 will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

A more detailed interest rate view and economic commentary is provided at appendix 5.1.

3.4 Borrowing strategy

The Council is expected to have an under-borrowed (internally-borrowed) position of c. £21.7 million by the end of financial year 2015/16. 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 backdrop and the risks within the economic forecast, caution will be adopted with the 2016/17 treasury operations. The Head of Finance & Integrated Service Support 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 unexpected 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.

It is expected that throughout the majority of 2016/17, temporary borrowing from the money markets or other local authorities will remain at historically low levels of below bank base rate (i.e. sub-0.50%), whilst new long term PWLB borrowing sits at somewhere between 1.90%-3.30%. If rates remain at these levels, utilisation of temporary borrowing within the Council's overall loan portfolio would continue to provide the most cost-effective solution to the Council.

However, this will be viewed against the backdrop of potential long term costs if the opportunity is missed to take PWLB loans at historically low medium-long term rates, particularly given the projected gradual rise in PWLB rates.

At the same time, consideration shall continue to be given to whether any forward borrowing opportunities offer value (these would allow the Council to secure loans now at an agreed rate, to be drawn down at later dates when interest rates are forecast to be significantly higher. This would eliminate the majority of the cost of carry).

Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are 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 for borrowing based upon the gross debt position, and variable interest rates for investments based upon the total investment position;

- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates for both borrowing and investments;

- 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:

Table 14: Treasury Indicators & Limits			
	2016/17	2017/18	2018/19
Interest rate exposures	**Upper**	**Upper**	**Upper**
Limits on fixed interest rates based on gross debt	100.00%	100.00%	100.00%
Limits on variable interest rates based on gross debt	30.00%	30.00%	30.00%
Limits on fixed interest rates based on investments	100.00%	100.00%	100.00%
Limits on variable interest rates based on investments	100.00%	100.00%	100.00%
Maturity structure of fixed interest rate borrowing 2016/17		**Lower**	**Upper**
Under 12 months		0.00%	50.00%
12 months to 2 years		0.00%	50.00%
2 years to 5 years		0.00%	50.00%
5 years to 10 years		0.00%	50.00%
10 years to 20 years		0.00%	50.00%
20 years to 30 years		0.00%	50.00%
30 years to 40 years		0.00%	50.00%
40 years to 50 years		0.00%	50.00%
50 years and above		0.00%	50.00%
Maturity structure of variable interest rate borrowing 2016/17		**Lower**	**Upper**
Under 12 months		0.00%	30.00%
12 months to 2 years		0.00%	30.00%
2 years to 5 years		0.00%	30.00%
5 years to 10 years		0.00%	30.00%
10 years to 20 years		0.00%	30.00%
20 years to 30 years		0.00%	30.00%
30 years to 40 years		0.00%	30.00%
40 years to 50 years		0.00%	30.00%
50 years and above		0.00%	30.00%

3.5 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 (as detailed in Section 3.2) 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.

3.6 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 the Council, at the earliest meeting following its action.

4 ANNUAL INVESTMENT STRATEGY

4.1 Changes to the Credit Rating methodology

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.

In keeping with the agencies' new methodologies, the rating element of our own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard & Poor's, this has been a change in the use of Fitch and Moody's ratings. It is important to stress that the other key elements to our process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, clients typically assigned the highest sovereign rating to their criteria, the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it will continue to specify a minimum sovereign rating of ….. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the "support" phase of the financial crisis.

4.2 Investment policy

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 moniutor counterparties are the Short Term and Long Term ratings.

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

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.

Investment instruments identified for use in the financial year are listed in appendices 5.2 and 5.3. Counterparty limits will be as set through the Council’s treasury management practices – schedules.

4.3 Creditworthiness policy

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

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is 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:-

Table 15: Recommended Maximum Durations for Investments	
Sector Colour Code	**Maximum Suggested Duration for Investment**
Yellow	6 years*
Dark Pink	6 years**
Light Pink	6 years**
Purple	3 years
Blue	2 years***
Orange	2 years***
Red	8 months
Green	120 days****
No colour	Not to be used

* *Note the yellow colour category is for:- UK Government Debt, or its equivalent, constant NAV Money Market Funds (MMF's), and collateralised deposits where the collateral is UK Government Debt*

** *Dark Pink for Enhanced MMF's with a credit score of 1.25*
Light Pink for Enhanced MMF's with a credit score of 1.5

*** *Applies only to nationalised or semi-nationalised UK Banks*

**** *The Green Limit was formerly for 3 months but the Financial Conduct Authority set (in July 2013) a requirement for qualifying deposits for bank liquidity buffers of a minimum of 95 days so the Green Limit has been slightly extended to accommodate this regulatory change*

Note that the maximum suggested durations listed above have been extended by 1 year (when compared to the suggested maximum durations provided by Capita) for the Yellow, Dark Pink, Light Pink, Purple, Blue and Orange categories, to allow flexibility around these durations on the margins e.g. the placement of a 13 month fixed term deposit for a counterparty rated Orange or Blue. Equally, the maximum suggested duration for the Red category has been extended by a month to 7 months, on the same basis. A thorough appraisal of the additional risk involved in extending the duration of any deposit (marginally) beyond the maximum suggested by Capita, against any enhanced value to the portfolio, will be undertaken prior to the placement of any deposit.

The Capita Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be (Fitch or equivalents):-

- 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 will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services 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 daily basis via its Passport website, provided exclusively to the Council by Capita Asset Services. 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 this Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

4.4 Country and sector limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch.

The list of countries that qualify using the above criteria as at the date of this report are shown in Appendix 5.5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

The Council will avoid a concentration of investments in too few counterparties or countries by adopting a spreading approach to investing whereby no more than £30 million will be invested in each of the two UK-government backed banks (Lloyds Banking Group and the Royal Bank of Scotland Group), £15 million in any other UK counterparty, and £15 million in any one counterparty, group or country outwith the UK.

4.5 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 0.50% before starting to rise from quarter 1 of 2017. Bank Rate forecasts for financial year ends (March) are:-

- 2015/16 0.50%
- 2016/17 0.75%
- 2017/18 1.25%
- 2018/19 1.75%

The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in Bank Rate occurs later). However, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk.

The suggested budgeted investment earnings rates for returns on investments placed for periods of up to 100 days during each financial year for the next 3 years are as follows:-

- 2016/17 0.60%
- 2017/18 1.25%
- 2018/19 1.75%
- 2019/20 2.00%
- 2020/21 2.25%
- 2021/22 2.50%
- 2022/23 2.75%
- 2023/24 2.75%
- Later years 3.00%

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: -

Table 16: Principal Sums Invested for > 364 Days			
	2016/17	2017/18	2018/19
Limit	£50m	£50m	£50m

The current strategy as outlined in the body of these reports is to cash-back the Council's balance sheet reserves. It is expected that the majority of this will be in the form of 12 month fixed term deposits and/or certificates of deposit. The limit for prinicipal sums invested for > 364 days has been set at £50m to give the Council flexibility to extend the duration of such deposits on the margins, to e.g. 366 days or 13/14 months. As noted in Section 4.3, a thorough appraisal of the additional risk involved in extending the duration of any deposit (marginally) beyond the maximum suggested by Capita, against any enhanced value to the portfolio, will be undertaken prior to the placement of any deposit.

For its cash flow generated balances, the Council will seek to utilise its business reserve 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.

4.6 Investment risk benchmarking

The Council will use an investment benchmark to assess the investment performance of its investment portfolio of 6 month LIBID compounded.

4.7 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.

4.8 Procedures for reviewing the holding of longer-term investments

The TM Code requires that, where authorities hold longer term investments, that these are periodically reviewed. It is proposed that this is carried out semi-annually, as part of the Treasury Management Outturn and Half-yearly update reports, to ensure that the Council's policy objectives continue to be met and that the risk exposure to the Council continues to be mitigated as far as is reasonably possible.

5 Appendices

1. Economic background
2. Treasury Management Practice 1 – Permitted Investments
3. Treasury Management Practice 1 – credit and counterparty risk management
4. Approved countries for investments
5. Treasury management scheme of delegation
6. The treasury management role of the section 95 officer

5.1 APPENDIX: Economic Background

UK. UK GDP growth rates of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and although the 2015 growth rate is likely to be a leading rate in the G7 again, it looks likely to disappoint previous forecasts and come in at about 2.2%. Quarter 1 2015 was weak at +0.4% (+2.9% y/y), although there was a slight increase in quarter 2 to +0.5% before weakening again to +0.4% (+2.1% y/y) in quarter 3 and then picking up to +0.5% (2.2%) in quarter 4.

The Bank of England's February Inflation Report included a forecast for growth to remain around 2.2% – 2.4% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.1%.

Since the August Inflation report was issued, most worldwide economic statistics have been weak and financial markets have been particularly volatile. The November Inflation Report flagged up particular concerns for the potential impact of these factors on the UK. Bank of England Governor Mark Carney has set three criteria that need to be met before he would consider making a start on increasing Bank Rate. These criteria are patently not being met at the current time, (as he confirmed in a speech on 19 January):

- Quarter-on-quarter GDP growth is above 0.6% i.e. using up spare capacity. This condition was met in Q2 2015, but Q3 came up short and Q4 looks likely to also fall short.
- Core inflation (stripping out most of the effect of decreases in oil prices), registers a concerted increase towards the MPC's 2% target. This measure was on a steadily decreasing trend since mid-2014 until November 2015 @ 1.2%. December 2015 saw a slight increase to 1.4%.
- Unit wage costs are on a significant increasing trend. This would imply that spare capacity for increases in employment and productivity gains are being exhausted, and that further economic growth will fuel inflationary pressures.

The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of CPI inflation in order to underpin a sustainable recovery. It has, therefore, been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which has been around zero since February. However, it is unlikely that the MPC would start raising rates until wage inflation was expected to consistently stay over 3%, as a labour productivity growth rate of around 2% would mean that net labour unit costs would still only be rising by about 1% y/y. The November 2015 Inflation Report was notably subdued in respect of the forecasts for CPI inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon it was the biggest since February 2013. However, the first round of falls in oil, gas and food prices in late 2014 and in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but only to be followed by a second, subsequent round of falls in fuel and commodity prices which will delay a significant tick up in inflation from around zero. According to the February 2016 Inflation Report, CPI inflation is now expected to get back to around 1% by the end of 2016 but not get near to 2% until the latter part of 2017.

However, with the price of oil having fallen further in January 2016, and with sanctions having been lifted on Iran, enabling it to sell oil freely into international markets, there could well be some further falls still to come in 2016. The price of other commodities exported by emerging countries could also have downside risk and several have seen their currencies already fall by 20-30%, (or more), over the last year. These developments have led to the Bank of England lowering the pace of increases in inflation in its February

2016 Inflation Report. On the other hand, the start of the national living wage in April 2016 (and further staged increases until 2020), will raise wage inflation; however, it could also result in a decrease in employment so the overall inflationary impact may be muted. For now, the Bank of England is forecasting further falls in unemployment to circa 4.8%.

Confidence is another big issue to factor into forecasting. Recent volatility in financial markets could dampen investment decision making as corporates take a more cautious view of prospects in the coming years due to international risks. This could also impact in a slowdown in increases in employment. However, consumers will be enjoying the increase in disposable incomes as a result of falling prices of fuel, food and other imports from emerging countries, so this could well feed through into an increase in consumer expenditure and demand in the UK economy, (a silver lining!). Another silver lining is that the UK may not be affected as much as some other western countries by a slowdown in demand from emerging countries, as the EU and US are our major trading partners.

There is, therefore, considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There are also concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are, accordingly, arguments that rates ought to rise sooner and quicker, so as to have some options available for use if there was another major financial crisis in the near future. But it is unlikely that either would aggressively raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

The forecast for the first increase in Bank Rate has, therefore, been pushed back progressively over the last year from Q4 2015 to Q1 2017. Increases after that are also likely to be at a much slower pace, and to much lower final levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers and householders than they did before 2008. There has also been an increase in momentum towards holding a referendum on membership of the EU in 2016, perhaps as early as June, rather than in 2017; this could impact on MPC considerations to hold off from a first increase until the uncertainty caused by it has passed.

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.

USA. GDP growth in 2014 of 2.4% was followed by Q1 2015 growth, which was depressed by exceptionally bad winter weather, at only +0.6% (annualised). However, growth rebounded remarkably strongly in Q2 to 3.9% (annualised) before falling back to +2.0% in Q3 and then retreating to +0.7% in Q4.

Until the turmoil in financial markets in August, caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Fed. would start to increase rates in September. The Fed pulled back from that first increase due to global risks which might depress US growth and put downward pressure on inflation, as well as a 20% appreciation of the dollar which has caused the Fed. to lower its growth forecasts. Although the non-farm payrolls figures for growth in employment in August and September were disappointingly weak, the October figure was stunningly strong while November was also reasonably strong (and December was outstanding); this, therefore, opened up the way for the Fed. to embark on its first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

Eurozone. In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. At the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. The ECB also cut its deposit facility rate by 10bps from -0.2% to -0.3%. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.3% y/y) but has then eased back to +0.4% (+1.6% y/y) in quarter 2 and to +0.3% (+1.6%) in quarter 3. The initial reading for Q4 is 0.3% also. Financial markets were disappointed by the ECB's lack of more decisive action in December and it is likely that it will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity. An €86bn third bailout package has since been agreed although it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the initial resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so a Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost their majority of seats. A left wing / communist anti-austerity coalition has won a majority of seats in Portugal. The general election in Spain produced a complex result where no combination of two main parties is able to form a coalition with a majority of seats. It is currently unresolved as to what administrations will result from both these situations. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

China and Japan. Japan is causing considerable concern as the increase in sales tax in April 2014 suppressed consumer expenditure and growth. In Q2 2015 quarterly growth shrank by -0.2% after a short burst of strong growth of 1.1% during Q1, but then came back to +0.3% in Q3 after the first estimate had indicated that Japan had fallen back into recession; this would have been the fourth recession in five years. Japan has been hit hard by the downturn in China during 2015 and there are continuing concerns as to how effective efforts by the Abe government to stimulate growth, and increase the rate of inflation from near zero, are likely to prove when it has already fired the first two of its 'arrows' of reform but has dithered about firing the third, deregulation of protected and inefficient areas of the economy.

As for China, the Government has been very active during 2015 and the start of 2016 in implementing several stimulus measures to try to ensure the economy hits the growth target of about 7% for 2015. It has also sought to bring some stability after the major fall in the onshore Chinese stock market during the summer and then a second bout in January 2016. Many commentators are concerned that recent growth figures could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much of bank lending to corporates and local government during the post 2008 credit expansion period. Overall, China is still expected to achieve a growth figure that the EU would be envious of. Nevertheless, there are growing concerns about whether the Chinese economy could be heading for a hard landing and weak progress in rebalancing the economy from an over dependency on manufacturing and investment to consumer demand led services. There are also concerns over the volatility of the Chinese stock market, which was the precursor to falls in world financial markets in August and September and again in January 2016, which could lead to a flight to quality to bond markets. In addition, the international value of the

Chinese currency has been on a steady trend of weakening and this will put further downward pressure on the currencies of emerging countries dependent for earnings on exports of their commodities.

Emerging countries. There are also considerable concerns about the vulnerability of some emerging countries, and their corporates, which are getting caught in a perfect storm. Having borrowed massively in dollar denominated debt since the financial crisis, (as investors searched for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields and near zero interest rates into emerging countries), there is now a strong flow back to those western economies with strong growth and a path of rising interest rates and bond yields.

The currencies of emerging countries have therefore been depressed by both this change in investors' strategy, and the consequent massive reverse cash flow, and also by the expectations of a series of central interest rate increases in the US which has caused the dollar to appreciate significantly. In turn, this has made it much more costly for emerging countries to service their dollar denominated debt at a time when their earnings from commodities are depressed by a simultaneous downturn in demand for their exports and a deterioration in the value of their currencies. There are also likely to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates.

Corporates (worldwide) heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by the sovereign wealth funds of those countries that are highly exposed to falls in commodity prices and which, therefore, may have to liquidate investments in order to cover national budget deficits.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Capita Asset Services undertook its last review of interest rate forecasts on 12 February 2016. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 1 of 2017.

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, and the eventual unwinding of QE. At some future point in time, an increase in investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently to the downside, given the number of potential headwinds that could be growing on both the international and UK scene. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

However, the overall balance of risks to our Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in February 2016, (based on short sterling), for the first Bank Rate increase are currently around quarter 1 2018.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or Fed. rate increases, causing a flight to safe havens
- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and combat the threat of deflation in western economies, especially the Eurozone and Japan.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:-

- Uncertainty around the risk of a UK exit from the EU.The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

5.2 APPENDIX: Treasury Management Practice (TMP1): Permitted Investments

This Council is asked to approve the following forms of investment instrument for use as permitted investments as set out in tables 1.1-1.4.

Treasury risks
All the investment instruments in tables 1.1-1.4 are subject to the following risks:-

1. **Credit and counter-party risk:** this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have the highest, relative, level of creditworthiness.

2. **Liquidity risk:** this is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts, CDs, corporate bonds can usually be sold immediately if the need arises, there are two caveats: - a. cash may not be available until a settlement date up to three days after the sale b. there is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer. The column in tables 1.1-1.4 headed as 'market risk' will show each investment instrument as being instant access, sale T+3 = transaction date plus 3 business days before you get cash, or term i.e. money is locked in until an agreed maturity date.

3. **Market risk:** this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g. those investing in investment instruments with a view to obtaining a long term increase in value.

4. **Interest rate risk**: this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report (see Section 3.4).

5. **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

Controls on treasury risks

1. **Credit and counter-party risk:** this authority has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes. See Sections 4.2 and 4.3.

2. **Liquidity risk:** this authority has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.

3. **Market risk:** this authority does not purchase investment instruments which are subject to market risk in terms of fluctuation in their value.

4. **Interest rate risk**: this authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing. See Section 4.4.

5. **Legal and regulatory risk:** this authority will not undertake any form of investing until it has ensured that it has all necessary powers and also complied with all regulations.

Unlimited investments

Regulation 24 states that an investment can be shown in tables 1 / 2 as being 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category. The authority has given the following types of investment an unlimited category: -

1. **Debt Management Agency Deposit Facility**. This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e. the UK Government's sovereign rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.

2. **High credit worthiness banks and building societies**. See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will ensure diversification of its portfolio ensuring that no more than £15 million can be placed with any one institution or group at any one time, other than the Bank of Scotland or Royal Bank of Scotland where the limit is £30 million.

Objectives of each type of investment instrument

Regulation 25 requires an explanation of the objectives of every type of investment instrument which an authority approves as being ‘permitted’.

1. DEPOSITS

The following forms of ‘investments’ are actually more accurately called deposits as cash is deposited in an account until an agreed maturity date or is held at call.

a) **Debt Management Agency Deposit Facility.** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. However, it is very useful for authorities whose overriding priority is the avoidance of risk. The longest period for a term deposit with the DMADF is 6 months.

b) **Term Deposits – Local Authorities.** As they are quasi-Government bodies with low counterparty and value risk, they typically offer low rates of return. Typical deposit terms vary from 1 month to 2 years, with longer term deposits offering an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and typically higher earnings than the DMADF. Where it is restricted is that once a longer term investment is made, that cash is locked in until the maturity date other than with agreement of the counterparty, at which point penalties would typically apply.

c) **Call accounts with high credit worthiness banks and building societies.** See Section 4.2 for an explanation of this authority’s definition of high credit worthiness. These typically offer a much higher rate of return than the DMADF and now that measures have been put in place to avoid over reliance on credit ratings, the authority feels much more confident that the residual risks around using such banks and building societies are at a low, reasonable and acceptable level. There is instant access to recalling cash deposited (or short-dated notice e.g. 15-30 days). This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit (see 1d below). However, there are a number of call accounts which at the time of writing, offer rates 2 – 3 times more than term deposits with the DMADF. Some use of call accounts is highly desirable to ensure that the authority has ready access to cash when needed to pay bills.

d) **Term deposits with high credit worthiness banks and building societies.** The objectives are as for 1c. These offer a much higher rate of return than the DMADF and deposits made with other Local Authorities (dependent upon term) and, similar to 1c, now that measures have been put in place to avoid over reliance on credit ratings, the authority feels much more confident that the residual risks around using such banks and building societies are at a low, reasonable and acceptable level. This is the most widely used form of investing used by local authorities. The authority will ensure diversification of its portfolio of deposits ensuring that no more than £15 million is invested with any (non-nationalised) UK counterparty, and no more than £15 million is invested with any other non-UK counterparty, group or country. In addition, longer term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer term investment is made, that cash is locked in until the maturity date.

e) **Fixed term deposits with variable rate and variable maturities (structured deposits).** This encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide greater flexibility to adopt new instruments as and when they are brought to the market.

2. DEPOSITS WITH COUNTERPARTIES CURRENTLY IN RECEIPT OF UK GOVERNMENT SUPPORT / OWNERSHIP

These banks offer another dimension of creditworthiness in terms of UK Government backing through either direct (partial or full) ownership. The view of this authority is that such backing makes these banks attractive institutions with whom to place deposits, and that will remain our view if the UK sovereign rating were to be downgraded in the coming year.

a. **Call accounts.** As for 1c. but UK Government stated support implies that the UK Government stands behind these banks and building societies and will be deeply committed to providing whatever support that may be required to ensure the continuity of such institutions. This authority feels this indicates a low and acceptable level of residual risk.

b. **Term deposits with high credit worthiness banks which are fully or semi nationalised.** As for 1d. but Government ownership partial or full implies that the UK Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This authority considers this indicates a low and acceptable level of residual risk.

c. **Fixed term deposits with variable rate and variable maturities (structured deposits).** As for 1e but UK Government stated support implies that the UK Government stands behind eligible banks and building societies and will be deeply committed to providing whatever support that may be required to ensure the continuity of such institutions. This authority feels this indicates a low and acceptable level of residual risk. This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide greater flexibility to adopt new instruments as and when they are brought to the market.

3. COLLECTIVE INVESTMENT SCHEMES STRUCTURED AS OPEN ENDED INVESTMENT COMPANIES (OEICS)

a. **Government liquidity funds.** These are the same as money market funds (see below) but only invest in government debt issuance with highly rated governments. Due to the higher quality of underlying investments, they offer a lower rate of return than MMFs. However, their net return is typically on a par with the DMADF, but with instant access.

b. **Money Market Funds (MMFs).** By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which this authority does not currently have the expertise or capabilities to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60 day WAM means they have locked in investments earning higher rates of interest than are currently available in the market. MMFs also help an authority to diversify its own portfolio as e.g. a £2m investment placed directly with HSBC is a 100% risk exposure to HSBC whereas £2m invested in a MMF may end up with say £10,000 being invested with HSBC through the MMF. For authorities particularly concerned with risk exposure to banks, MMFs offer an effective way of minimising risk exposure while still getting much better rates of return than available through the DMADF.

c. **Enhanced Money Market Funds .** These funds are similar to MMFs, can still be AAA rated but have Variable Net Asset Values (VNAV) as opposed to a traditional MMF which has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer. Their primary objective is yield and capital preservation is second. They therefore are a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

d. **Gilt funds.** These are funds which invest only in U.K. Government gilts. They offer a lower rate of return than bond funds but are highly rated both as a fund and through investing only in highly rated government securities. They offer a higher rate of return than investing in the DMADF but they do have an exposure to movements in market prices of assets held.

e. **Bond funds.** These can invest in both government and corporate bonds. This therefore entails a higher level of risk exposure than gilt funds and the aim is to achieve a higher rate of return than normally available from gilt funds by trading in non-government bonds.

4. SECURITIES ISSUED OR GUARANTEED BY GOVERNMENTS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it matures or is sold. The annual earnings on a security is called a yield i.e. it is normally the interest paid by the issuer divided by the price you paid to purchase the security unless a security is initially issued at a discount e.g. treasury bills..

b. **Treasury bills.** These are short term bills (up to 12 months, although none have ever been issued for this maturity) issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.

c. **Gilts.** These are longer term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.

d. **Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government** e.g. National Rail. This is similar to a gilt due to the explicit Government guarantee.

e. **Sovereign bond issues (other than the UK govt) denominated in Sterling.** As for gilts but issued by other nations. Use limited to issues of nations with at least the same sovereign rating as for the UK.

f. **Bonds issued by Multi Lateral Development Banks (MLDBs).** These are similar to c. and e. above but are issued by MLDBs which are typically guaranteed by a group of sovereign states e.g. European Bank for Reconstruction and Development.

5. SECURITIES ISSUED BY CORPORATE ORGANISATIONS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it is sold. The annual earnings on a security is called a yield i.e. is the interest paid by the issuer divided by the price you paid to purchase the security. These are similar to the previous category but corporate organisations can have a wide variety of credit worthiness so it is essential for local authorities to only select the organisations with the highest levels of credit worthiness. Corporate securities are generally a higher risk than government debt issuance and so earn higher yields.

a. **Certificates of deposit (CDs).** These are shorter term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.

b. **Commercial paper.** This is similar to CDs but is issued by commercial organisations or other entities. Maturity periods are up to 365 days but commonly 90 days.

c. **Corporate bonds.** These are (long term) bonds (usually bearing a fixed rate of interest) issued by a financial institution, company or other non-government issuer in order to raise capital for the institution as an alternative to issuing shares or borrowing from banks. They are generally seen to be of a lower creditworthiness than government issued debt and so usually offer higher rates of yield.

d. **Floating rate notes.** These are bonds on which the rate of interest is established periodically with reference to short-term interest rates.

6. OTHER

a. Local Authority Mortgage Scheme. Authorities who are participating in the Local Authority Mortgage Guarantee Scheme (LAMS) may be required to place a deposit with the mortgage provider(s) up to the full value of the guarantee. The deposit will be in place for the term of the guarantee i.e. 5 years (with the possibility of a further 2 year extension if the account is 90+ days in arrears at the end of the initial 5 years) - and may have conditions / structures attached. The mortgage provider will not hold a legal charge over the deposit.

b. Loans to third parties – This would involve the Council borrowing from the PWLB/markets and onward lending to Registered Social Landlords to enable them to access lower cost loans and kickstart developments of affordable mid-market homes. The risk associated with such an investment would be mitigated by an assessment of the counterparty in advance of any loan being granted and through the application of a premium on the loan rate. Interest would be paid by the RSL over the term of the loan, with repayment of principal upon the earlier of 10/20 years or at the point of house sales. The Council will also request that a standard security is taken over the property which would allow the Council to require the sale of the homes to another landlord, providing greater risk mitigation.

c. **Subordinated Debt Subscription to the SPV set up to deliver the Newbattle Centre project –** this would involve the Council subscribing subordinated debt to the SPV that is set up to deliver the Newbattle Centre project (2 year construction and 25 year operational contract length). The expected length of the investment would be 24-24.5 years (assuming the subscription is made at operation commencement of the contract), or 26-26.5 years if the subscription is made during the construction phase. The repayment profile of the subscription is still to be agreed, but would typically comprise 75% of the principal remaining invested until the final years of the contract. The risk associated with this type of investment will be mitigated through a thorough annual assessment as a minimum to review the holding of such debt, and whether the exposure to risk arising from the investment has changed over the period.

d. **Property fund.** This is a collective investment fund specialising in property. Rather than owning a single property with all the risk exposure that means to one property in one location rising or falling in value, maintenance costs, tenants actually paying their rent / lease etc, a collective fund offers the advantage of diversified investment over a wide portfolio of different properties. This can be attractive for authorities who want exposure to the potential for the property sector to rise in value. However, timing is critical to entering or leaving this sector at the optimum times of the property cycle of rising and falling values. Typically, the minimum investment time horizon for considering such funds is at least 3-5 years.

Table 1: Permitted Investments

This table is for use by the in house treasury management team.

1.1 Deposits

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Debt Management Agency Deposit Facility	--	Term	No	**100%**	**6 months**
Term deposits – local authorities	--	Term	No	**100%**	**2 years**
Call accounts – banks and building societies	Green	Instant	No	**100%**	**1 day**
Term deposits / Notice Accounts – banks and building societies	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 8 mths** **Up to 120 days** **Not for use**
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 8 mths** **Up to 120 days** **Not for use**

1.2 Deposits with counterparties currently in receipt of government support / ownership

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
UK nationalised banks – Call accounts	Blue	Instant	No	**100%**	**1 day**
UK nationalised banks – Term Deposits / Notice Accounts	Blue	Term	No	**100%**	**2 years**
UK nationalised banks – Fixed term deposits with variable rate and variable maturities: - Structured deposits	Blue	Term	No	**100%**	**2 years**
Non-UK(high sovereign rated country) nationalised banks – Call accounts	Green	Instant	No	**100%**	**1 day**
Non-UK (high sovereign rated country) nationalised banks:- Term Deposits / Notice Accounts	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 8 mths** **Up to 120 days** **Not for use**
Non-UK (high sovereign rated country) nationalised banks:- Fixed term deposits with variable rate and variable maturities: - Structured deposits	Yellow Purple Blue Orange Red Green No Colour	Term	No	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 8 mths** **Up to 120 days** **Not for use**

If forward deposits are made, the forward period plus the deal period equate to the maximum maturity period.

1.3 Collective investment schemes structured as Open Ended Investment Companies (OEICs)

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Government Liquidity Funds	AAA	Instant	No	**100%**	**1 day**
Money Market Funds	AAA	Instant	No	**100%**	**1 day**
Enhanced Money Market Funds with a credit score of 1.25	AAA	T+1 to T+5	Yes	**100%**	**1 day**
Enhanced Money Market Funds with a credit score of 1.5	AAA	T+1 to T+5	Yes	**100%**	**1 week**
Bond Funds	AAA	T+2 or longer	Yes	**50%**	**2 days**
Gilt Funds	AAA	T+2 or longer	Yes	**50%**	**2 days**

1.4 Securities issued or guaranteed by governments

Investment Category	* Minimum Credit Criteria	Liquidity risk	Market risk	Max %?£m of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	Yes	**100%**	**50 years**
UK Government Gilts	UK sovereign rating	Sale T+1	Yes	**100%**	**50 years**
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	Yes	**100%**	**50 years**
Sovereign bond issues (other than the UK govt)	AAA (or state your criteria if different)	Sale T+1	Yes	**100%**	**50 years**
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	Sale T+1	Yes	**10)%**	**50 years**

1.5 Securities issued by corporate organisations

Investment Category	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of deposit issued by banks and building societies	Yellow Purple Blue Orange Red Green No Colour	Sale T+1	Yes	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 7 mths** **Up to 100 days** **Not for use**
Commercial paper other	Yellow Purple Blue Orange Red Green No Colour	Sale T+0	Yes	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 7 mths** **Up to 100 days** **Not for use**
Floating rate notes	Yellow Purple Blue Orange Red Green No Colour	Sale T+0	Yes	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 7 mths** **Up to 100 days** **Not for use**
Corporate Bonds other	Yellow Purple Blue Orange Red Green No Colour	Sale T+3	Yes	**100%**	**Up to 6 yrs** **Up to 3 yrs** **Up to 2 yrs** **Up to 2 yrs** **Up to 7 mths** **Up to 100 days** **Not for use**

1.6 Other

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period
Local authority mortgage guarantee scheme.	Blue	Term	No	**50%**	**5 years**
Loans to Third Parties	n/a	Term	No	**£25m**	**20 years**
Subordinated Debt Subscription to Newbattle Centre SPV	n/a	Term	No	**£1m**	**27 years**
Property Funds	n/a	T+4	Yes	**50%**	**15 years**

5.3 APPENDIX: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Midlothian Council Permitted Investments, Associated Controls and Limits

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
Cash type instruments			
a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	As shown in Appendix 5.2.
b. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non- local authority deposits will follow the approved credit rating criteria.	As shown in Appendix 5.2.
c. Money Market Funds (MMFs) **(Very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMF has a “AAA” rated status from either Fitch, Moody’s or Standard & Poors.	As shown in Appendix 5.2.
d. Enhanced Money Market Funds (EMMFs) **(low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the EMMF has a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	As shown in Appendix 5.2.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
e. Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's, with the credit scoring methodology by Capita Asset Services overlaid. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.
f. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b), (c) and (d) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's, with the credit scoring methodology by Capita Asset Services overlaid. On day to day investment dealing, this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
g. Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity.	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures	As shown in Appendix 5.2.
h. Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates (no loss if these are held to maturity). Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. The selection defaults to the lowest available colour band / credit rating to provide additional risk control measures. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.
i. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) (Low to medium risk depending on period & credit rating)	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b), (c) and (d) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's, with the credit scoring methodology by Capita Asset Services overlaid. On day to day investment dealing, this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.

j. Corporate bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. The selection defaults to the lowest available colour band / credit rating to provide additional risk control measures. Corporate bonds will be restricted to those meeting the base criteria. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.
Other types of investments			
k. Loans to third parties	Using the example of a loan to a RSL, these would be medium risk investments, exhibiting higher risks than categories (a)-(f) above. They are also highly illiquid and are only repaid at the end of a defined period of time (up to 20 years) or on the sale of a property, whichever is the earlier.	The risk associated with such an investment would be mitigated through the application of a premium on the loan rate. The Council will also request that a standard security is taken over the property which would allow the Council to require the sale of the homes to another landlord, providing greater risk mitigation.	£25m
l. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	Per Existing

m. Local Authority Mortgage Scheme (LAMS)	These are service investments at market rates of interest plus a premium.		As shown in Appendix 5.2.
n. Subordinated Debt Subscription to Newbattle Centre SPV	These are investments that are exposed to the success or failure of individual projects and are highly illiquid.	The Council and Scottish Government (via the SFT) are participants in and party to the governance and controls within the project structure. As such they are well placed to influence and ensure the successful completion of the project's term.	As shown in Appendix 5.2.

The Monitoring of Investment Counterparties - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Capita Asset Services, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Head of Finance & Integrated Service Support, and if required new counterparties which meet the criteria will be added to the list.

5.4 APPENDIX: Approved countries for investments

Based on the lowest available rating (as at 15.02.16)

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium

5.5 APPENDIX: Treasury management scheme of delegation

(i) Full Council

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

(iii) Audit Committee

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

5.6 APPENDIX: The treasury management role of the section 95 officer

The S95 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.