

**Effect of a nil increase on 2015/16 Council Tax**

Band (April 1991 Value)	Proportion of Band D	CFA Council Tax 2014/15 £	CFA Council Tax 2015/16 £	Increase per week £
A (Up to £40,000)	6/9	39.5013	39.5013	0.00
B (£40,001 to £52,000)	7/9	46.0849	46.0849	0.00
C (£52,001 to £68,000)	8/9	52.6684	52.6684	0.00
D (£68,001 to £88,000)	1	59.2520	59.2520	0.00
E (£88,001 to £120,000)	11/9	72.4191	72.4191	0.00
F (£120,001 to £160,000)	13/9	85.5862	85.5862	0.00
G (£160,001 to £320,000)	15/9	98.7533	98.7533	0.00
H (Over £320,000)	2	118.5040	118.5040	0.00

**Council Tax Bases 2014/15 & 2015/16**

Authority	2014/15 Tax Base	2015/16 Tax Base	Increase / (Decrease)	%
Blaby	30,104.43	30,961.93	857.50	2.85
Charnwood	51,150.50	52,291.30	1,140.80	2.23
Harborough	31,551.70	32,163.00	611.30	1.94
Hinckley & Bosworth	34,721.90	35,599.60	877.70	2.53
Leicester City	64,375.00	65,903.00	1,528.00	2.37
Melton	17,707.50	17,909.30	201.80	1.14
North West Leicestershire	29,074.00	29,664.00	590.00	2.03
Oadby & Wigston	16,461.76	16,698.90	237.14	1.44
Rutland	14,305.63	14,459.99	154.36	1.08
Total	289,452.42	295,651.02	6,198.60	2.14

**Precept Levels 2014/15 & 2015/16**

Authority	2014/15 Precept £	2015/16 Precept £	Increase / (Decrease)	%
Blaby	1,783,748	1,834,556	50,808	2.85
Charnwood	3,030,769	3,098,364	67,595	2.23
Harborough	1,869,501	1,905,722	36,221	1.94
Hinckley & Bosworth	2,057,342	2,109,347	52,005	2.53
Leicester City	3,814,348	3,904,885	90,537	2.37
Melton	1,049,205	1,061,162	11,957	1.14
North West Leicestershire	1,722,693	1,757,651	34,958	2.03
Oadby & Wigston	975,392	989,443	14,051	1.44
Rutland	847,637	856,783	9,146	1.08
Total	17,150,635	17,517,913	367,278	2.14

**Council Tax Surpluses 2013/14 & 2014/15**

<b>Authority</b>	<b>2013/14 Surplus/ (Deficit) £</b>	<b>2014/15 Surplus/ (Deficit) £</b>	<b>Increase / (Decrease) £</b>
Blaby	26,570	3,341	-23,229
Charnwood	12,921	55,244	42,323
Harborough	9,832	13,820	3,988
Hinckley & Bosworth	14,600	33,453	18,853
Leicester City	109,000	142,000	33,000
Melton	-947	2,885	3,832
North West Leicestershire	38,994	6,616	-32,378
Oadby & Wigston	25,314	12,547	-12,767
Rutland	19,679	0	-19,679
<b>Total</b>	<b>255,963</b>	<b>269,906</b>	<b>13,943</b>

**Effect of a 1.5% increase on 2015/16 Council Tax**

Band (April 1991 Value)	Proportion of Band D	CFA Council Tax 2014/15 £	CFA Council Tax 2015/16 £	Increase per week £
A (Up to £40,000)	6/9	39.5013	40.0939	0.01
B (£40,001 to £52,000)	7/9	46.0849	46.7762	0.01
C (£52,001 to £68,000)	8/9	52.6684	53.4585	0.02
D (£68,001 to £88,000)	1	59.2520	60.1408	0.02
E (£88,001 to £120,000)	11/9	72.4191	73.5054	0.02
F (£120,001 to £160,000)	13/9	85.5862	86.8700	0.02
G (£160,001 to £320,000)	15/9	98.7533	100.2347	0.03
H (Over £320,000)	2	118.5040	120.2816	0.03

**Council Tax Bases 2014/15 & 2015/16**

Authority	2014/15 Tax Base	2015/16 Tax Base	Increase / (Decrease)	%
Blaby	30,104.43	30,961.93	857.50	2.85
Charnwood	51,150.50	52,291.30	1,140.80	2.23
Harborough	31,551.70	32,163.00	611.30	1.94
Hinckley & Bosworth	34,721.90	35,599.60	877.70	2.53
Leicester City	64,375.00	65,903.00	1,528.00	2.37
Melton	17,707.50	17,909.30	201.80	1.14
North West Leicestershire	29,074.00	29,664.00	590.00	2.03
Oadby & Wigston	16,461.76	16,698.90	237.14	1.44
Rutland	14,305.63	14,459.99	154.36	1.08
Total	289,452.42	295,651.02	6,198.60	2.14

**Precept Levels 2014/15 & 2015/16**

Authority	2014/15 Precept £	2015/16 Precept £	Increase / (Decrease)	%
Blaby	1,783,748	1,862,075	78,327	4.39
Charnwood	3,030,769	3,144,841	114,072	3.76
Harborough	1,869,501	1,934,309	64,808	3.47
Hinckley & Bosworth	2,057,342	2,140,988	83,646	4.07
Leicester City	3,814,348	3,963,459	149,111	3.91
Melton	1,049,205	1,077,080	27,875	2.66
North West Leicestershire	1,722,693	1,784,017	61,324	3.56
Oadby & Wigston	975,392	1,004,285	28,893	2.96
Rutland	847,637	869,635	21,998	2.60
Total	17,150,635	17,780,689	630,054	3.67

**Council Tax Surpluses 2013/14 & 2014/15**

<b>Authority</b>	<b>2013/14 Surplus/ (Deficit) £</b>	<b>2014/15 Surplus/ (Deficit) £</b>	<b>Increase / (Decrease) £</b>
Blaby	26,570	3,341	-23,229
Charnwood	12,921	55,244	42,323
Harborough	9,832	13,820	3,988
Hinckley & Bosworth	14,600	33,453	18,853
Leicester City	109,000	142,000	33,000
Melton	-947	2,885	3,832
North West Leicestershire	38,994	6,616	-32,378
Oadby & Wigston	25,314	12,547	-12,767
Rutland	19,679	0	-19,679
<b>Total</b>	<b>255,963</b>	<b>269,906</b>	<b>13,943</b>

**Effect of a 1.99% increase on 2015/16 Council Tax**

Band (April 1991 Value)	Proportion of Band D	CFA Council Tax 2014/15 £	CFA Council Tax 2015/16 £	Increase per week £
A (Up to £40,000)	6/9	39.5013	40.2874	0.02
B (£40,001 to £52,000)	7/9	46.0849	47.0020	0.02
C (£52,001 to £68,000)	8/9	52.6684	53.7165	0.02
D (£68,001 to £88,000)	1	59.2520	60.4311	0.02
E (£88,001 to £120,000)	11/9	72.4191	73.8602	0.03
F (£120,001 to £160,000)	13/9	85.5862	87.2894	0.03
G (£160,001 to £320,000)	15/9	98.7533	100.7185	0.04
H (Over £320,000)	2	118.5040	120.8622	0.05

**Council Tax Bases 2014/15 & 2015/16**

Authority	2014/15 Tax Base	2015/16 Tax Base	Increase / (Decrease)	%
Blaby	30,104.43	30,961.93	857.50	2.85
Charnwood	51,150.50	52,291.30	1,140.80	2.23
Harborough	31,551.70	32,163.00	611.30	1.94
Hinckley & Bosworth	34,721.90	35,599.60	877.70	2.53
Leicester City	64,375.00	65,903.00	1,528.00	2.37
Melton	17,707.50	17,909.30	201.80	1.14
North West Leicestershire	29,074.00	29,664.00	590.00	2.03
Oadby & Wigston	16,461.76	16,698.90	237.14	1.44
Rutland	14,305.63	14,459.99	154.36	1.08
Total	289,452.42	295,651.02	6,198.60	2.14

**Precept Levels 2014/15 & 2015/16**

Authority	2014/15 Precept £	2015/16 Precept £	Increase / (Decrease)	%
Blaby	1,783,748	1,871,063	87,315	4.90
Charnwood	3,030,769	3,160,021	129,252	4.26
Harborough	1,869,501	1,943,645	74,144	3.97
Hinckley & Bosworth	2,057,342	2,151,323	93,981	4.57
Leicester City	3,814,348	3,982,591	168,243	4.41
Melton	1,049,205	1,082,279	33,074	3.15
North West Leicestershire	1,722,693	1,792,628	69,935	4.06
Oadby & Wigston	975,392	1,009,133	33,741	3.46
Rutland	847,637	873,833	26,196	3.09
Total	17,150,635	17,866,516	715,881	4.17

**Council Tax Surpluses 2013/14 & 2014/15**

<b>Authority</b>	<b>2013/14 Surplus/ (Deficit) £</b>	<b>2014/15 Surplus/ (Deficit) £</b>	<b>Increase / (Decrease) £</b>
Blaby	26,570	3,341	-23,229
Charnwood	12,921	55,244	42,323
Harborough	9,832	13,820	3,988
Hinckley & Bosworth	14,600	33,453	18,853
Leicester City	109,000	142,000	33,000
Melton	-947	2,885	3,832
North West Leicestershire	38,994	6,616	-32,378
Oadby & Wigston	25,314	12,547	-12,767
Rutland	19,679	0	-19,679
<b>Total</b>	<b>255,963</b>	<b>269,906</b>	<b>13,943</b>

**Effect of a £5 increase on 2015/16 Council Tax**

Band (April 1991 Value)	Proportion of Band D	CFA Council Tax 2014/15 £	CFA Council Tax 2015/16 £	Increase per week £
A (Up to £40,000)	6/9	39.5013	42.8347	0.06
B (£40,001 to £52,000)	7/9	46.0849	49.9738	0.07
C (£52,001 to £68,000)	8/9	52.6684	57.1129	0.09
D (£68,001 to £88,000)	1	59.2520	64.2520	0.10
E (£88,001 to £120,000)	11/9	72.4191	78.5302	0.12
F (£120,001 to £160,000)	13/9	85.5862	92.8084	0.14
G (£160,001 to £320,000)	15/9	98.7533	107.0867	0.16
H (Over £320,000)	2	118.5040	128.5040	0.19

**Council Tax Bases 2014/15 & 2015/16**

Authority	2014/15 Tax Base	2015/16 Tax Base	Increase / (Decrease)	%
Blaby	30,104.43	30,961.93	857.50	2.85
Charnwood	51,150.50	52,291.30	1,140.80	2.23
Harborough	31,551.70	32,163.00	611.30	1.94
Hinckley & Bosworth	34,721.90	35,599.60	877.70	2.53
Leicester City	64,375.00	65,903.00	1,528.00	2.37
Melton	17,707.50	17,909.30	201.80	1.14
North West Leicestershire	29,074.00	29,664.00	590.00	2.03
Oadby & Wigston	16,461.76	16,698.90	237.14	1.44
Rutland	14,305.63	14,459.99	154.36	1.08
Total	289,452.42	295,651.02	6,198.60	2.14

**Precept Levels 2014/15 & 2015/16**

Authority	2014/15 Precept £	2015/16 Precept £	Increase / (Decrease)	%
Blaby	1,783,748	1,989,366	205,618	11.53
Charnwood	3,030,769	3,359,821	329,052	10.86
Harborough	1,869,501	2,066,537	197,036	10.54
Hinckley & Bosworth	2,057,342	2,287,345	230,003	11.18
Leicester City	3,814,348	4,234,400	420,052	11.01
Melton	1,049,205	1,150,708	101,503	9.67
North West Leicestershire	1,722,693	1,905,971	183,278	10.64
Oadby & Wigston	975,392	1,072,938	97,546	10.00
Rutland	847,637	929,083	81,446	9.61
Total	17,150,635	18,996,169	1,845,534	10.76

**Council Tax Surpluses 2013/14 & 2014/15**

<b>Authority</b>	<b>2013/14 Surplus/ (Deficit) £</b>	<b>2014/15 Surplus/ (Deficit) £</b>	<b>Increase / (Decrease) £</b>
Blaby	26,570	3,341	-23,229
Charnwood	12,921	55,244	42,323
Harborough	9,832	13,820	3,988
Hinckley & Bosworth	14,600	33,453	18,853
Leicester City	109,000	142,000	33,000
Melton	-947	2,885	3,832
North West Leicestershire	38,994	6,616	-32,378
Oadby & Wigston	25,314	12,547	-12,767
Rutland	19,679	0	-19,679
<b>Total</b>	<b>255,963</b>	<b>269,906</b>	<b>13,943</b>



**Effect of a £10 increase on 2015/16 Council Tax**

Band (April 1991 Value)	Proportion of Band D	CFA Council Tax 2014/15 £	CFA Council Tax 2015/16 £	Increase per week £
A (Up to £40,000)	6/9	39.5013	46.1680	0.13
B (£40,001 to £52,000)	7/9	46.0849	53.8627	0.15
C (£52,001 to £68,000)	8/9	52.6684	61.5573	0.17
D (£68,001 to £88,000)	1	59.2520	69.2520	0.19
E (£88,001 to £120,000)	11/9	72.4191	84.6413	0.24
F (£120,001 to £160,000)	13/9	85.5862	100.0307	0.28
G (£160,001 to £320,000)	15/9	98.7533	115.4200	0.32
H (Over £320,000)	2	118.5040	138.5040	0.38

**Council Tax Bases 2014/15 & 2015/16**

Authority	2014/15 Tax Base	2015/16 Tax Base	Increase / (Decrease)	%
Blaby	30,104.43	30,961.93	857.50	2.85
Charnwood	51,150.50	52,291.30	1,140.80	2.23
Harborough	31,551.70	32,163.00	611.30	1.94
Hinckley & Bosworth	34,721.90	35,599.60	877.70	2.53
Leicester City	64,375.00	65,903.00	1,528.00	2.37
Melton	17,707.50	17,909.30	201.80	1.14
North West Leicestershire	29,074.00	29,664.00	590.00	2.03
Oadby & Wigston	16,461.76	16,698.90	237.14	1.44
Rutland	14,305.63	14,459.99	154.36	1.08
Total	289,452.42	295,651.02	6,198.60	2.14

**Precept Levels 2014/15 & 2015/16**

Authority	2014/15 Precept £	2015/16 Precept £	Increase / (Decrease)	%
Blaby	1,783,748	2,144,176	360,428	20.21
Charnwood	3,030,769	3,621,277	590,508	19.48
Harborough	1,869,501	2,227,352	357,851	19.14
Hinckley & Bosworth	2,057,342	2,465,343	408,001	19.83
Leicester City	3,814,348	4,563,915	749,567	19.65
Melton	1,049,205	1,240,255	191,050	18.21
North West Leicestershire	1,722,693	2,054,291	331,598	19.25
Oadby & Wigston	975,392	1,156,432	181,040	18.56
Rutland	847,637	1,001,383	153,746	18.14
Total	17,150,635	20,474,424	3,323,789	19.38

**Council Tax Surpluses 2013/14 & 2014/15**

<b>Authority</b>	<b>2013/14 Surplus/ (Deficit) £</b>	<b>2014/15 Surplus/ (Deficit) £</b>	<b>Increase / (Decrease) £</b>
Blaby	26,570	3,341	-23,229
Charnwood	12,921	55,244	42,323
Harborough	9,832	13,820	3,988
Hinckley & Bosworth	14,600	33,453	18,853
Leicester City	109,000	142,000	33,000
Melton	-947	2,885	3,832
North West Leicestershire	38,994	6,616	-32,378
Oadby & Wigston	25,314	12,547	-12,767
Rutland	19,679	0	-19,679
<b>Total</b>	<b>255,963</b>	<b>269,906</b>	<b>13,943</b>

**LEICESTER, LEICESTERSHIRE AND RUTLAND COMBINED FIRE AUTHORITY**

**REVENUE EXPENDITURE ESTIMATE 2015/16**

	<b>VOLUME STANDSTILL 2015/16 £</b>	<b>EFFICIENCY SAVINGS £</b>	<b>TEMPORARY SAVINGS £</b>	<b>PERMANENT GROWTH £</b>	<b>TEMPORARY GROWTH £</b>	<b>PROVISIONAL ESTIMATE 2015/16 £</b>
EMPLOYEES	27,625,030	-1,455,515	0	413,442	200,330	26,783,287
FIRE PENSIONS	252,370	0	0	0	0	252,370
INDIRECT EMPLOYEES	744,270	-170	-70,000	0	0	674,100
PREMISES	2,202,750	-28,050	0	0	0	2,174,700
TRANSPORT	1,255,660	-16,850	0	0	0	1,238,810
SUPPLIES AND SERVICES	3,199,260	-8,750	-87,750	17,980	36,250	3,156,990
SERVICES TO THE CFA	50,000	0	0	0	0	50,000
SUPPORT SERVICES	71,700	0	0	0	0	71,700
CAPITAL FINANCING	2,634,250	0	0	0	87,750	2,722,000
<b>GROSS EXPENDITURE</b>	<b>38,035,290</b>	<b>-1,509,335</b>	<b>-157,750</b>	<b>431,422</b>	<b>324,330</b>	<b>37,123,957</b>

**CFA Growth and Savings 2015/16**

	2015/16	Full Year Effect on:		Establishment
	£	2016/17	2017/18	Changes
	£	£	£	
<b><u>Efficiencies</u></b>				
Day Crewing Plus Phase 1	-139,690	0	0	0.00
Moir Station devolved budget and remaining estates costs	-13,080	0	0	0.00
Reduction in the number and cost of Waste Disposal Contracts	-15,890	0	0	0.00
Disestablishment of Group Manager Control	-69,050	0	0	-1.00
Reduction in Employer's Pension Contributions	-20,000	0	0	0.00
Disestablishment of Flexi Duty Officers	-337,630	-12,660	-63,290	-6.00
Reduction in Flexi Duty Officers Car Leasing Costs	-16,850	-390	-1,960	0.00
Disestablishment of 3 Watch Managers posts	-138,201	0	0	-3.00
Reduction in Operational Overtime	-125,120	0	0	0.00
Organisational Change Project (OCP) - Support Staff Review	-620,634	-53,180	0	-18.40
Reduction in the Chief Fire and Rescue Officer's Salary	-13,190	0	0	0.00
Personal Protective Equipment (PPE) Breathable Fire Tunic	0	-82,130	0	0.00
Fire Control Merger	0	-400,000	0	0.00
Reduction in Telephony Call Charges	0	-30,000	0	0.00
Disestablishment of Director Post	0	-50,000	-50,000	-1.00
Reduction in Operational Establishment	0	-475,460	0	-12.00
	-1,509,335	-1,103,820	-115,250	-41.40
<b><u>Temporary Other Service Efficiencies</u></b>				
Fire Training School at the Fire Service College	-70,000	70,000	0	0.00
PPE Breathable Fire Tunic	-87,750	87,750	0	0.00
	-157,750	157,750	0	0
<b>Total Savings</b>	-1,667,085	-946,070	-115,250	-41.40
<b><u>Permanent Other Service Pressures/ Improvements</u></b>				
Local Government Pension Scheme Employer Contributions	40,540	40,510	0	0.00
Southern Station / Technical Rescue Responsibility Allowance	95,000	0	0	0.00
Shared Area Manager Control Post	63,000	0	0	1.00
Hydrant Maintenance	17,980	0	0	0.00
OCP - Support Staff Review	214,902	0	0	7.00
National Insurance Single Contribution Rate	0	56,480	0	0.00
	431,422	96,990	0	8.00
<b><u>Temporary Other Service Pressures / Improvements</u></b>				
National Operational Guidance Programme	20,000	-20,000	0	0.00
Collaborative PPE Procurement Project	10,000	-10,000	0	0.00
Operational Over Establishment	200,330	275,130	-475,460	0.00
PPE Breathable Fire Tunic	87,750	-87,750	0	0.00
Council Tax District Administration Support	6,250	-6,250	0	0.00
	324,330	151,130	-475,460	0.00
<b>Total Growth</b>	755,752	248,120	-475,460	8.00
<b>Net Growth / Savings</b>	-911,333	-697,950	-590,710	-33.40

**CFA Draft Capital Programme 2015/16**

	REVISED 2014 - 15 £	2015 - 16 £
<b>Vehicles</b>		
Specialist Vehicles	646,893	0
<b>Property</b>		
New Castle Donington Day Crewing Plus (DCP) Fire Station	1,450,000	1,688,267
Major Premises Works and Estate Improvements	0	1,750,000
DCP New Builds / Refurbishments	1,431,746	0
Non DCP Works and Estate Improvements	427,390	0
<b>Other Requirements</b>		
Information Communications Technology (ICT) Technology Developments	82,251	50,000
SharePoint Infrastructure Architecture and Taxonomy	5,000	62,500
ICT Internal Phone (IP) Telephony Installation	0	90,000
ICT Gazetteer / Community Fire Risk Management Information System (CFRMIS) Integration	45,000	0
ICT Wide Area Network Improvements	56,502	127,498
Fire Control Project (Local and Regional)	1,250,578	0
Agresso upgrade to latest version (Milestone 4)	0	70,000
Procurement of Payroll System	0	70,000
Operational Equipment - Mid-Layer Fire Tunics	0	87,750
Operational Equipment - Breathing Apparatus (BA) Communication Units	0	35,200
Operational Equipment - Bluetooth enabled Radios	0	16,000
Operational Equipment - 2014/15	110,498	0
Capitalisation of Consortium Insurance Company	100,000	0
	<u>5,605,858</u>	<u>4,047,215</u>
<b>Funded by:</b>		
Department for Communities and Local Government (DCLG) Capital Grant	1,048,713	0
DCLG Fire Control Grant	1,166,691	0
Revenue Contribution to Capital Outlay (RCCO)	202,554	87,750
Earmarked Reserves	138,670	39,538
Capital Receipts	133,250	261,500
Prudential Borrowing	2,915,980	3,658,427
	<u>5,605,858</u>	<u>4,047,215</u>
<b>Prudential Borrowing</b>		
Finance Lease	646,893	0
Other prudential borrowing	2,269,087	3,658,427
	<u>2,915,980</u>	<u>3,658,427</u>
<b>Full Year Revenue implications:</b>		<b>2015 - 2016</b>
Finance lease		0
Interest		77,150
Minimum Revenue Provision		<u>111,220</u>
		188,370

CFA Budget 2015/16

	Proposed 2015/16 £
<b><u>Revenue Spending Power</u></b>	
Council Tax (Based on a 1.99% increase)	17,866,511
Revenue Support Grant	8,386,741
Redistributed Business Rates (Department for Communities and Local Government [DCLG] Estimate)	3,271,600
DCLG Business Rates Top Up	4,903,880
DCLG Section 31 Grant re Business Rate Adjustment	119,220
Council Tax Collection surplus	269,900
Fire Revenue Grant (New Dimensions)	896,890
Fire Revenue Grant (Firelink)	267,850
Combined Fire Authority Income	884,570
Use of unallocated general reserve	195,450
Reduction in general reserve	61,280
	<u>37,123,950</u>
<b><u>Gross Budget Requirement</u></b>	
Initial Gross Budget (Brought Forward from 2014/15)	38,349,670
Less 2013/14 & 2014/15 Temporary Growth	-41,750
Add 2014/15 Temporary Savings	159,950
2015/16 Inflation Assumptions	29,370
Pay Inflation at 1% 2015/16	276,680
Support Staff (April 2015) Increments	10,150
Ongoing Effects of 2014/15 Revised Estimate	-937,150
Revenue costs of 2014/15 Capital Programme	55,630
Introduction of Day Crewing Plus - Revenue Costs of 2014/15 Capital	132,740
<b>Volume Standstill Budget</b>	<u>38,035,290</u>
Identified Permanent Efficiency Savings (Detailed in <b>Appendix 3</b> )	-1,509,330
Temporary Savings (Detailed in <b>Appendix 3</b> )	-157,750
Permanent Growth (Detailed in <b>Appendix 3</b> )	431,420
Temporary Growth (Detailed in <b>Appendix 3</b> )	324,330
<b>Initial Budget Requirement</b>	<u>37,123,950</u>
Contribution to/(from) General Reserve	0
<b>Final Budget Requirement</b>	<u>37,123,950</u>
Budget Shortfall	0
5% General Reserve @ 1 April 2015	1,856,190
Council Tax Base	295,651.00
Band D Council Tax (Based on a 1.99% increase)	60.431

# 1 INTRODUCTION

## 1.1 Background

The Combined Fire Authority (CFA) 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 CFA'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 CFA's capital plans. These capital plans provide a guide to the borrowing need of the CFA, essentially the longer term cash flow planning to ensure that the CFA 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 CFA risk or cost objectives.

The Chartered Institute of Public Finance and Accountancy (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 CFA is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

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

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an Investment Strategy (the parameters on how investments are to be managed).

**A mid year Treasury Management report** – This will update members of the CFA with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

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

### Scrutiny

The mid year and annual Treasury Management reports are required to be adequately scrutinised before being recommended to the CFA. This role is undertaken by the Overview and Scrutiny Committee.

### **1.3 Treasury Management Strategy for 2015/16**

The strategy for 2015/16 covers two main areas:

#### **Capital issues**

- the capital plans and the prudential indicators;
- the MRP policy.

#### **Treasury management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the CFA;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Department for Communities and Local Government (DCLG) MRP Guidance, the CIPFA Treasury Management Code and DCLG Investment Guidance.

### **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 responsible for scrutiny. Training was undertaken by members on the 11<sup>th</sup> December 2013 in order to support Members' scrutiny role and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed as part of their annual appraisals.

### **1.5 Treasury management consultants**

The CFA uses Capita Asset Services, Treasury solutions as its external treasury management advisors.

The CFA recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon 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 CFA 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 2015/16 – 2017/18

The CFA'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 CFA's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £000	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
<b>Total</b>	<b>6,874</b>	<b>4,959</b>	<b>4,047</b>	<b>800</b>	<b>800</b>

The above financing need excludes other long term liabilities, such as the Public Finance Initiative (PFI) and leasing arrangements which already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure £000	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
<b>Financed by:</b>					
Capital receipts	1,261	133	262	0	0
Capital grants	1,552	2,216	0	0	0
Capital reserves	0	0	0	0	0
Revenue	1,265	341	127	0	0
<b>Total financing</b>	<b>4,078</b>	<b>2,690</b>	<b>389</b>	<b>0</b>	<b>0</b>
<b>Net financing need for the year</b>	<b>2,796</b>	<b>2,269</b>	<b>3,658</b>	<b>800</b>	<b>800</b>
<b>TOTAL</b>	<b>6,874</b>	<b>4,959</b>	<b>4,047</b>	<b>800</b>	<b>800</b>

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

The second prudential indicator is the CFA'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 CFA's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the MRP is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes and finance leases). Whilst these increase the CFR, and therefore the CFA's borrowing requirement, these types of scheme include a borrowing facility and so the CFA is not required to separately borrow for these schemes. The CFA currently has £5.689m of finance leases within the CFR.

The CFA is asked to approve the CFR projections below:

£000	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
<b>Capital Financing Requirement</b>					
<b>Total CFR</b>	<b>22,595</b>	<b>23,053</b>	<b>24,107</b>	<b>22,253</b>	<b>21,288</b>
<b>Movement in CFR</b>	<b>2,796</b>	<b>458</b>	<b>1,054</b>	<b>(1,854)</b>	<b>(965)</b>

<b>Movement in CFR represented by:</b>					
Net financing need for the year (above)	2,796	2,269	3,659	800	800
Less MRP and finance lease movements	0	(1,811)	(2,605)	(2,654)	(1,765)
<b>Movement in CFR</b>	<b>2,796</b>	<b>458</b>	<b>1,054</b>	<b>(1,854)</b>	<b>(965)</b>

### 2.3 Minimum Revenue Provision (MRP) policy statement

The CFA is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP).

DCLG regulations have been issued which require the full CFA to approve **an MRP Statement** in advance of each year. A variety of options are provided to CFA's, so long as there is a prudent provision. The CFA is recommended to approve the following MRP Statement:

For capital expenditure incurred before the 1<sup>st</sup> April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former DCLG regulations (option 1);

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

From the 1<sup>st</sup> April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations.

These options provide for a reduction in the borrowing need over approximately the asset's life.

Repayments included in annual PFI or finance leases are applied as MRP.

### 2.4 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.

<b>Year End Resources £000</b>	<b>2013/14 Actual</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
Fund balances / reserves	5,623	5,282	5,026	3,592	3,354
Provisions	100	100	100	100	100
<b>Total core funds</b>	<b>5,723</b>	<b>5,382</b>	<b>5,126</b>	<b>3,692</b>	<b>3,454</b>
Working capital*	(2,086)	(1,143)	0	0	0
(Under)/over borrowing	748	0	0	0	0
<b>Expected investments</b>	<b>4,385</b>	<b>4,239</b>	<b>5,126</b>	<b>3,692</b>	<b>3,454</b>

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

## 2.5 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 CFA's overall finances. The CFA is asked to approve the following indicators:

## 2.6 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.

<b>%</b>	<b>2013/14 Actual</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
Ratio	5.87	6.84	7.59	8.57	8.62

The estimates of financing costs include current commitments and the proposals in this budget report. The indicators for 2016/17 and future years are subject to review, depending upon the outcome of the Medium Term Financial Plan (MTFP) discussions to be held after this report is published.

## 2.7 Incremental impact of capital investment decisions on council tax

This indicator identifies the revenue costs associated with proposed changes to the capital programme recommended in this budget report compared to the CFA's existing approved commitments and current plans. The assumptions for 2015/16 are based on the budget, but 2016/17 onwards is subject to review, depending upon the outcome of the MTFP discussions to be held after this report is published and also estimates for items such as the level of Government support, which are not published over a three year period.

### Incremental impact of capital investment decisions on the Band D Council Tax

<b>£</b>	<b>2013/14 Actual</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
Council Tax - Band D	6.67	8.45	8.65	9.54	9.22

### 3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the CFA. The treasury management function ensures that the CFA's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

#### 3.1 Current portfolio position

The CFA's treasury portfolio position at the 31<sup>st</sup> March 2014, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the CFR), highlighting any over or under borrowing.

£000	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
<b>External Debt</b>					
Debt at the 1 <sup>st</sup> April	11,228	16,728	16,716	18,730	17,775
Expected change in Debt	5,500	(12)	2,014	(955)	(979)
Other Long-Term Liabilities (OLTL)	5,981	6,615	6,337	5,377	4,478
Expected change in OLTL	634	(278)	(960)	(899)	14
<b>Actual gross debt at the 31<sup>st</sup> March</b>	<b>23,343</b>	<b>23,053</b>	<b>24,107</b>	<b>22,253</b>	<b>21,288</b>
<b>The Capital Financing Requirement</b>	<b>22,595</b>	<b>23,053</b>	<b>24,107</b>	<b>22,253</b>	<b>21,288</b>
<b>Under / (over) borrowing</b>	<b>(748)</b>	<b>(127)</b>	<b>0</b>	<b>0</b>	<b>0</b>

Within the prudential indicators there are a number of key indicators to ensure that the CFA operates its activities within well-defined limits. One of these is that the CFA 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 2015/16 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 Director of Finance and Corporate Services reports that the CFA 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.

<b>Operational boundary £000</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
Debt	18,216	20,230	19,275	18,296
Other long term liabilities	6,837	5,877	4,978	4,992
Total	25,053	26,107	24,253	23,288

**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 CFA. 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 determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all CFAs' plans, or those of a specific Authority, although this power has not yet been exercised.
2. The CFA is asked to approve the following authorised limit:

<b>Authorised limit £000</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
Debt	20,716	22,730	21,775	20,796
Other long term liabilities	7,337	6,377	5,478	5,492
Total	28,053	29,107	27,253	26,288

### 3.3 Prospects for interest rates

Part of the service provided by Capita Asset Services is to assist the CFA to formulate a view on interest rates. The following table gives their central view.

Annual Average %	Bank Rate %	Public Works Loans Board (PWLB) Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2015	0.50	2.20	3.40	3.40
Jun 2015	0.50	2.20	3.50	3.50
Sep 2015	0.50	2.30	3.70	3.70
Dec 2015	0.75	2.50	3.80	3.80
Mar 2016	0.75	2.60	4.00	4.00
Jun 2016	1.00	2.80	4.20	4.20
Sep 2016	1.00	2.90	4.30	4.30
Dec 2016	1.25	3.00	4.40	4.40
Mar 2017	1.25	3.20	4.50	4.50
Jun 2017	1.50	3.30	4.60	4.60
Sep 2017	1.75	3.40	4.70	4.70
Dec 2017	1.75	3.50	4.70	4.70
Mar 2018	2.00	3.60	4.80	4.80

United Kingdom (UK) Gross Domestic Product (GDP) growth surged during 2013 and the first half of 2014. Since then it appears to have subsided somewhat but still remains strong by UK standards and is expected to continue likewise into 2015 and 2016. There needs to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this recovery to become more firmly established. One drag on the economy has been that wage inflation has only recently started to exceed Consumer Price Index (CPI) inflation, so enabling disposable income and living standards to start improving. The plunge in the price of oil brought CPI inflation down to a low of 1.0% in November, the lowest rate since September 2002. Inflation is expected to stay around or below 1.0% for the best part of a year; this will help improve consumer disposable income and so underpin economic growth during 2015. However, labour productivity needs to improve substantially to enable wage rates to increase and further support consumer disposable income and economic growth. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen early in 2015.

The United States (US), the biggest world economy, has generated stunning growth rates of 4.6% (annualised) in Q2 2014 and 5.0% in Q3. This is hugely promising for the outlook for strong growth going forwards and it very much looks as if the US is now firmly on the path of full recovery from the financial crisis of 2008. Consequently, it is now confidently expected that the US will be the first major western economy to start on central rate increases by mid 2015.

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

- Greece: the general election on the 25<sup>th</sup> January 2015 brought a political party to power which is anti European Union (EU) and anti austerity. However, if this eventually results in Greece leaving the Euro, it is unlikely that this will directly

destabilise the Eurozone (EZ) as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to quantify;

- As for the Eurozone in general, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, the Middle East and Ebola, have led to a resurgence of those concerns as risks increase that it could be heading into deflation and prolonged very weak growth. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2015/16 and beyond;
- Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. The closing weeks of 2014 saw gilt yields dip to historically remarkably low levels after inflation plunged, a flight to quality from equities (especially in the oil sector), and from the debt and equities of oil producing emerging market countries, and an increase in the likelihood that the European Central Bank (ECB) will commence quantitative easing (purchase of EZ government debt) in early 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.

### 3.4 Borrowing strategy

The CFA is currently maintaining a slight under-borrowed position. This means that the capital borrowing need (the CFR), has not been fully funded with loan debt as cash supporting the CFA's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2015/16 treasury operations. The Treasurer 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 a greater than expected increase in the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.*

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

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

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

<b>%</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<b>Interest rate exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	100%	100%	100%
<b>Limits on variable interest rates based on net debt</b>	50%	50%	50%
<b>Maturity structure of fixed interest rate borrowing 2015/16</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months	0%	30%	
12 months to 2 years	0%	30%	
2 years to 5 years	0%	50%	
5 years to 10 years	0%	70%	
10 years to 20 years	0%	100%	
20 years to 30 years	0%	100%	
30 years to 40 years	0%	100%	
40 years to 50 years	0%	100%	

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

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



Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 75% of the expected increase in borrowing need (CFR) over the three year planning period; and
- Would not look to borrow more than 13 months in advance of need.

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 CFA, at the earliest meeting following its action.

### **3.7 Municipal Bond Agency**

It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the PWLB. The CFA will consider making use of this new source of borrowing as and when appropriate.

## 4 ANNUAL INVESTMENT STRATEGY

### Introduction: changes to 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. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts". This process may commence during 2014/15 and / or 2015/16. The actual timing of the changes is still subject to discussion, but this does mean immediate changes to the credit methodology are required.

It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

Both Fitch and Moody's provide "standalone" credit ratings for financial institutions. For Fitch, it is the Viability Rating, while Moody's has the Financial Strength Rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective Long Term ratings. As such, there is no point monitoring both Long Term and these "standalone" ratings.

Furthermore, Fitch has already begun assessing its Support ratings, with a clear expectation that these will be lowered to 5, which is defined as "A bank for which there is a possibility of external support, but it cannot be relied upon." With all institutions likely to drop to these levels, there is little to no differentiation to be had by assessing Support ratings.

As a result of these rating agency changes, the credit element of Capita Asset Services' future methodology will focus solely on the Short and Long Term ratings of an institution. Rating Watch and Outlook information will continue to be assessed where it relates to these categories. This is the same process for Standard & Poor's that they have always taken, but a change to the use of Fitch and Moody's ratings. Furthermore, they will continue to utilise Credit Default Swap (CDS) prices as an overlay to ratings in their new methodology.

### 4.1 Investment policy

The CFA's investment policy has regard to the DCLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management (TM) in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The CFA's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the DCLG and CIPFA, and in order to minimise the risk to investments, the CFA 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.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This

change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the CFA 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 Annex 3 under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the CFA’s treasury management practices.

#### **4.2 Creditworthiness policy**

The CFA 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 CFA to determine the suggested duration for investments. The CFA will therefore use counterparties within the following durational bands:

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

	<b>Colour (and long term rating where applicable)</b>	<b>Money and/or % Limit</b>	<b>Time Limit</b>
<b>Banks – part nationalised</b>	<b>blue</b>	<b>£5m / 75%</b>	<b>1 year</b>
<b>Banks</b>	<b>red</b>	<b>£5m / 75%</b>	<b>6 months</b>
<b>Banks</b>	<b>green</b>	<b>£3m / 49%</b>	<b>100 days</b>
<b>Banks</b>	<b>No colour</b>	<b>Not to be used</b>	
<b>Limit 3 category – CFA’s banker (where not meeting colour criteria)</b>		<b>£5m / 75%</b>	<b>1 day</b>
<b>Other institutions limit</b>	<b>-</b>	<b>£1m / 49%</b>	<b>1yr</b>
<b>Debt Management Account Deposit Facility (DMADF)</b>	<b>AAA</b>	<b>unlimited</b>	<b>6 months</b>
<b>Local Authorities</b>	<b>n/a</b>	<b>£3m / 49%</b>	<b>1yr</b>
	<b>Fund rating</b>	<b>Money and/or % Limit</b>	<b>Time Limit</b>
<b>Money Market Funds</b>	<b>AAA</b>	<b>£1m / 49%</b>	<b>liquid</b>
<b>Enhanced Money Market Funds with a credit score of 1.25</b>	<b>Dark pink / AAA</b>	<b>£1m / 49%</b>	<b>liquid</b>
<b>Enhanced Money Market Funds with a credit score of 1.5</b>	<b>Light pink / AAA</b>	<b>£1m / 49%</b>	<b>liquid</b>

The 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 CFA uses will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of 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 CFA is alerted to changes to ratings of all three agencies through its use of the creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the CFA’s minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the CFA will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the CFA’s lending list.

Sole reliance will not be placed on the use of this external service. In addition this CFA will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

### 4.3 Country limits

The CFA has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA1 from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex 4. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

### 4.4 Investment strategy

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

**Investment returns expectations.** The Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2015. Bank Rate forecasts for financial year ends (March) are:

- 2015/16 0.75%
- 2016/17 1.25%
- 2017/18 2.00%

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

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

- 2015/16 0.60%
- 2016/17 1.25%
- 2017/18 1.75%
- 2018/19 2.25%
- 2019/20 2.75%
- 2020/21 3.00%
- 2021/22 3.25%
- 2022/23 3.25%
- Later years 3.50%

**Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the CFA'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 CFA is asked to approve the treasury indicator and limit: -

<b>Maximum principal sums invested &gt; 364 days</b>			
<b>£000</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Principal sums invested > 364 days	£1m	£1m	£1m

#### **4.5 End of year investment report**

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

## **5 ANNEXES**

1. Interest rate forecasts
2. Economic background
3. Treasury management practice – credit and counterparty risk management
4. Approved countries for investments
5. Treasury management scheme of delegation
6. The treasury management role of the Section 112 officer

## ANNEX 1 : Interest Rate Forecasts 2015 - 2018

Capita Asset Services Interest Rate View													
	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
<b>Bank Rate View</b>	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.90%	1.10%	1.10%	1.30%	1.40%	1.50%	1.80%	1.90%	2.10%
6 Month LIBID	0.70%	0.70%	0.80%	1.00%	1.10%	1.20%	1.30%	1.50%	1.60%	1.70%	2.00%	2.10%	2.30%
12 Month LIBID	0.90%	1.00%	1.10%	1.30%	1.40%	1.50%	1.60%	1.80%	1.90%	2.00%	2.30%	2.40%	2.60%
5yr PW LB Rate	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
10yr PW LB Rate	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PW LB Rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
50yr PW LB Rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
<b>Bank Rate</b>													
Capita Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	-	-	-	-	-
<b>5yr PW LB Rate</b>													
Capita Asset Services	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
Capital Economics	2.20%	2.50%	2.70%	3.00%	3.10%	3.20%	3.30%	3.40%	-	-	-	-	-
<b>10yr PW LB Rate</b>													
Capita Asset Services	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
Capital Economics	2.80%	3.05%	3.30%	3.55%	3.60%	3.65%	3.70%	3.80%	-	-	-	-	-
<b>25yr PW LB Rate</b>													
Capita Asset Services	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Capital Economics	3.25%	3.45%	3.65%	3.85%	3.95%	4.05%	4.15%	4.25%	-	-	-	-	-
<b>50yr PW LB Rate</b>													
Capita Asset Services	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Capital Economics	3.30%	3.50%	3.70%	3.90%	4.00%	4.10%	4.20%	4.30%	-	-	-	-	-
Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012													



## **ANNEX 2 : Economic Background**

**UK.** After strong UK GDP growth in 2013 at an annual rate of 2.7%, and then in 2014 0.7% in Q1, 0.9% in Q2 2014 (annual rate 3.2% in Q2), Q3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The Monetary Policy Committee (MPC) is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back significantly above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November 2014, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.

**Eurozone (EZ).** The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In November 2014, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June and September 2014 to loosen monetary policy in order to promote growth. It now appears likely that the ECB will embark on full quantitative easing (purchase of EZ country sovereign debt) in early 2015.

Concern in financial markets for the Eurozone subsided considerably after the prolonged crisis during 2011-2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause of concern, especially as some of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are likely to continue to deteriorate. Any sharp downturn in

economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US.

**Greece:** the general election took place on the 25<sup>th</sup> January 2015 and brought a political party to power which is anti EU and anti-austerity. However, if this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti-austerity political parties throughout the EU is much more difficult to quantify. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries which have high unemployment rates. There are also major concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. These countries already have political parties with major electoral support for anti EU and anti-austerity policies. Any loss of market confidence in either of the two largest Eurozone economies after Germany would present a huge challenge to the resources of the ECB to defend their debt.

**USA.** The U.S. Federal Reserve (the Fed) ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward. It is therefore confidently forecast that the first increase in the Fed rate will occur by the middle of 2015.

**China.** Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has indicated a marginally lower outturn for 2014, which would be the lowest rate of growth for many years. There are also concerns that the Chinese leadership has only started to address an unbalanced economy which is heavily over dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehman's crisis.

**Japan.** Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth to the extent that it has slipped back into recession in Q2 and Q3. The Japanese government already has the highest debt to GDP ratio in the world.

## **CAPITA ASSET SERVICES FORWARD VIEW**

Economic forecasting remains difficult with so many external influences weighing on the UK. Capita Asset Services' Bank Rate forecasts, (and also MPC decisions); will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing 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 evenly balanced. 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.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis. There is an increased risk that Greece could end up leaving the Euro but if this happens, the EZ now has sufficient fire walls in place that a Greek exit would have little immediate direct impact on the rest of the EZ and the Euro. It is therefore expected that there will be an overall managed, albeit painful and tortuous, resolution of any EZ debt crisis that may occur where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be weak at best for the next couple of years with some EZ countries experiencing low or negative growth, which will, over that time period, see an increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the larger countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

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

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK strong economic growth is weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- 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 to 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: -

- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government
- ECB either failing to carry through on recent statements that it will soon start quantitative easing (purchase of government debt) or severely disappointing financial markets with embarking on only a token programme of minimal

purchases which are unlikely to have much impact, if any, on stimulating growth in the EZ.

- The commencement by the US Federal Reserve of increases in the central rate in 2015 causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities, leading to a sudden flight from bonds to equities.
- A surge in investor confidence that a return to robust world economic growth is imminent, causing a flow of funds out of bonds into 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.

### ANNEX 3: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

**SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' quality criteria where applicable.

**NON-SPECIFIED INVESTMENTS:** These are any investments which do not meet the specified investment criteria. A maximum of 35% will be held in aggregate in non-specified investment

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	100%	1 years
UK Government Treasury bills	UK sovereign rating	100%	1 years
Bonds issued by multilateral development banks	AAA	100%	6 months
Money Market Funds	AAA	49%	Liquid
Enhanced Money Market Funds with a credit score of 1.25	AAA	49%	Liquid
Enhanced Money Market Funds with a credit score of 1.5	AAA	49%	Liquid
Local Authorities	N/A	49%	1 years
Term deposits with banks and building societies	Blue Orange Red Green No Colour	£5m or 75% <sup>(1)</sup> £5m or 75% <sup>(1)</sup> £3m or 49% <sup>(1)</sup> £3m or 49% <sup>(1)</sup> Nil	Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use

Certificates of Deposit (CD's) or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£5m or 75% <sup>(1)</sup> £5m or 75% <sup>(1)</sup> £3m or 49% <sup>(1)</sup> £3m or 49% <sup>(1)</sup> Nil	Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
Corporate bond funds		£1m	

<sup>(1)</sup> A limit of total investments of 49% per banking group should be adhered to unless total balances over all groups are under £5 million in which case the maximum per bank or group will be amended to 75%. The will aid liquidity of available cash for day-to-day cash flow without undue risk.

**Accounting treatment of investments.** The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this CFA. To ensure that the CFA is protected from any adverse revenue impact, which may arise from these differences, the Finance Section will review the accounting implications of new transactions before they are undertaken.

## **ANNEX 4: Approved countries for investments**

### AAA

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

### AA+

- Finland
- Hong Kong
- Netherlands
- U.K.
- U.S.A.

### AA

- Abu Dhabi (UAE)
- France
- Qatar

### AA-

- Belgium
- Saudi Arabia

## **ANNEX 5: Treasury management scheme of delegation**

### **(i) CFA**

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

### **(ii) Overview and Scrutiny Committee/CFA**

- 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) Overview and Scrutiny Committee**

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



## **ANNEX 6: The treasury management role of the Section 112 officer**

### **The S112 (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.

**SPECIFIED AMOUNTS 2015/16**

	<b>Current Amount</b>	<b>Proposed Amount</b>
<b>Section B – Limits on Delegation to the Chief Fire and Rescue Officer</b>		
Para 3.1 a) – power to incur expenditure	£53,140	£54,360
Para 3.1 b) – extension to the power to incur expenditure subject to consultation	£53,141 - £66,840	£54,361 - £68,380
Para 3.1 c) – expenditure outside of approved budgets	£66,840	£68,380
Para 3.2 – land transactions	£201,980	£206,630
Para 3.3 - leases	£66,840	£68,380
Para 3.4 – conferences and courses	£4,630	£4,740
Para 3.5 – casual or sessional hirings	£2,060	£2,110
<b>Financial Procedure Rules</b>		
Rule 11.1 – exceeding capital programme approval	£66,840	£68,380
Rule 11.1 – exceeding capital programme approval -minimum	£20,570	£21,040
Rule 11.2 - overspendings	£66,840	£68,380
Rule 17.2 – virements by the Treasurer	Up to £27,140	Up to £27,760
Rule 17.3 – virements by the Treasurer in consultation with the Chairman and Group Leaders	£27,141 - £66,840	£27,761 - £68,380
Rule 17.4 – virements by the Policy Committee	£66,841 - £306,400	£68,381 - £313,450
Rule 17.5 – virements by the CFA	£306,401+	£313,451+
Rule 24.2 – additions or variations to accepted tender	£66,840	£68,380
Rule 34.3 – book value	£1,980	£2,030
Rule 34.4 – book value	£2,060	£2,110
Rule 35.1 - inventory	£380	£390
Rule 35.1 – inventory – minimum for portables	£89	£91
Rule 35.5 – book value	£1,980	£2,030
Rule 37.1 – write offs	£2,060	£2,110
<b>Contract Procedure Rules</b>		
Rule 3.3 b) – value of contract	£92,570	£94,700
Rule 3.3 c) – estimated potential risk	£92,570	£94,700

Rule 3.5 – Framework Agreements – lower threshold	£92,570	£94,700
Rule 5.1 – competition requirement below threshold	£92,570	£94,700
Rule 5.1 b) – 1 verbal quotation required	Up to £10,000	Up to £10,000
Rule 5.1 b) – 2 verbal quotations required	£10,001 - £14,330	£10,001 - £14,660
Rule 5.1 b) – 3 written quotations required	£14,331 - £30,860	£14,661 - £31,570
Rule 5.1 b) – 3 written quotations in response to a Request for Quotation Document with simplified terms and conditions required	£30,861 - £92,569	£31,571 - £94,700
Rule 6.1 – competition requirement above threshold	£92,570	£94,700
Rule 9.2 – open tendering threshold	£408,540	£417,940
Rule 14.2 – limit of authority to accept tenders	£1,377,520	£1,409,200
Rule 15 – form and contents of contract special provisions threshold	£92,570	£94,700

**LEICESTERSHIRE FIRE AND RESCUE SERVICE  
SPECIAL SERVICE CHARGES FROM THE 1<sup>ST</sup> APRIL 2015**

- (i) A charge for the time of personnel employed calculated at the rate of £39.50 per hour or part of an hour, irrespective of role, the charge to be based on the total person hours rounded up to the next completed hour, e.g. two people for 4 and a half hours each to be charged 9 hours.
- (ii) A charge at the rate of £205.20 for each interview with Service personnel.
- (iii) A charge for the vehicles and appliances as follows:-
  - a) Under 2 tons - £62.60 per hour or part thereof;
  - b) Over 2 tons - £82.55 per hour or part thereof;
  - c) Aerial appliance £175.15 for each hour or part of an hour
- (iv) A charge at the commercial rate per litre of fuel used to cover the cost of fuel and oil, this price to be subject to variation in the event of fluctuation in the cost of fuel.
- (v) Loan of salvage sheet per day or part thereof (after the first 5 days) £9.40
- (vi) Copy Plans (per copy) £19.60  
Copy Plans (on CD) £138.90
- (vii) Copy of Fire Reports \* £62.60
- (viii) Copy of Fire Investigation Report \* £369.30  
Major Incidents £579.00
- (ix) Court Attendance (per hour) £57.00
- (x) Fire Precautions/Fire Safety of Sport £18.40  
Sports Grounds Act – Copy of Register
- (xi) Environment and Safety Information Act 1988 (copy notice) £14.00
- (xii) File searches £55.75
- (xiii) Lead Authority Partnership Annual Maintenance Cost £2,138.10

Any other work shall be charged for on a net cost basis which shall include a charge for the time of personnel engaged calculated in accordance with (i) above plus the cost of any materials used.

An administrative charge of 10% on the above items (except those marked \*).

A charge for Value Added Tax at current rates where applicable.

Any person or persons asking for assistance by way of a special service under this schedule shall be required to give a written undertaking to pay the appropriate charges, such undertaking wherever practical, being witnessed by a member of the Service.