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Chief Executive

THE CIVIC MAYOR, CHAIR OF COUNCIL BUSINESS AND ALL MEMBERS OF THE COUNCIL

Steven Pleasant, Chief Executive
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Our Ref	rl/Council
Ask for	Robert Landon
Direct Line	**0161 342 2146**
Date	Date Not Specified

Dear Councillor,

You are hereby summoned to attend an **ORDINARY MEETING** of the Tameside Metropolitan Borough Council to be held on **Tuesday, 28th February, 2017 at 5.00 pm** in the Conference Room, Guardsman Tony Downes House, Droylsden when the undermentioned business is to be transacted.

Yours faithfully,

Steven Pleasant
Chief Executive

Item No.	AGENDA	Page No

1. CIVIC MAYOR'S ANNOUNCEMENTS

The Civic Mayor to make any appropriate announcements.

At this juncture the Civic Mayor will retire from the Chair and the Chair of Council Business shall assume the Chair for the remaining business.

2. MINUTES — 1 - 6

That the Minutes of the proceedings of the Meeting of Council held on 24 January 2017 be approved as a correct record and signed by the Chair of Council Business (or other person presiding) (Minutes attached).

3. DECLARATIONS OF INTEREST

To receive any declarations of interest from Members of the Council.

4. COMMUNICATIONS OR ANNOUNCEMENTS

To receive any announcements or communications from the Chair of Council Business, the Executive Leader, Members of the Executive Cabinet or the Chief Executive.

5. COUNCIL BIG CONVERSATION

To consider any questions submitted by Members of the public in accordance with Standing Orders 31.12 and 31.13.

6. JOINT MEETING OF EXECUTIVE CABINET AND OVERVIEW (AUDIT) PANEL — 7 - 14

To receive the minutes of the Meeting of Executive Cabinet and Overview (Audit) Panel held on 8 February 2017 and to agree the following recommendations:

Minute 50:

That Council be RECOMMENDED to approve that the Council participates in the sector led procurement of external auditors.

Minute 53:

That Council be RECOMMENDED, subject to any final amendments/clarifications from the Council's external auditors, to

(i) Make an advance payment equivalent to three years' contributions to the Greater Manchester Pension Fund;

(ii) The amount included in the employers' contribution rate for early retirement be reduced from 1% to 0.5%.

7. BUDGET 2017/2018 AND FUTURE YEARS — 15 - 80

To consider the attached report of the Assistant Executive Director (Finance).

For further information please contact Robert Landon on robert.landon@tameside.gov.uk or 0161 342 2146, or , or the officer named in the report.

8. TREASURY MANAGEMENT STRATEGY 81 - 102

To consider the attached report of the Assistant Executive Director (Finance).

9. MAYORALTY

To seek nominations for the position of the Civic Mayor and Deputy Mayor for 2017/2018.

10. ARRANGEMENTS FOR ANNUAL COUNCIL

To note that the Annual Meeting of Council (both Mayor Making and Business) will commence at 5.00pm on Tuesday 23 May 2017 and will take place at Dukinfield Town Hall.

11. CALENDAR OF MEETINGS 103 - 106

To consider the Calendar of Meetings for the Municipal Year 2017/2018.

12. MEMBERSHIP OF COUNCIL BODIES

To consider any changes to the membership of Council bodies.

13. APPOINTMENT OF RETURNING OFFICER FOR COMBINED AUTHORITY MAYORAL ELECTION

To agree the appointment of Steven Pleasant as the Returning Officer for Tameside at the 2017 Combined Authority Mayoral Elections.

14. QUESTIONS

To answer questions (if any) asked under Standing Order 17.2, for which due notice has been given by a Member of the Council.

15. URGENT ITEMS

To consider any other items which the Chair of Council Business (or other person presiding) is of the opinion shall be dealt with as a matter of urgency.

For further information please contact Robert Landon on robert.landon@tameside.gov.uk or 0161 342 2146, or , or the officer named in the report.

COUNCIL

Tuesday, 24 January 2017

Commenced: 5.00 pm **Terminated:** 6.55 pm

Present: Councillors Kitchen (Chair), P Fitzpatrick (Civic Mayor), Affleck, Bailey, Beeley, Bell, Bowden, Bowerman, Bray, Buckley, Buglass, Cartey, Cooney, Cooper, Dickinson, Drennan, Fairfoull, Feeley, J Fitzpatrick, Fowler, Glover, Gwynne, A Holland, B Holland, Homer, Jackson, D Lane, J Lane, McNally, Middleton, Newton, Patrick, Pearce, Peet, Piddington, K Quinn, S Quinn, Reid, Ricci, Robinson, Ryan, Sharif, Sidebottom, M Smith, T Smith, Sweeton, Taylor, F Travis, L Travis, Ward, Warrington, Whitehead, Wild and Wills

Apologies for Absence: Councillors Kinsey, K Welsh and R Welsh

Civic Mayor (Councillor P Fitzpatrick) in the Chair

56. CIVIC MAYOR'S ANNOUNCEMENTS

As this was the first Council meeting of the new Calendar year, the Civic Mayor took the opportunity to extend his best wishes to all for a very happy, healthy and prosperous New Year.

He was delighted to report on the success of two Tameside citizens who had been recognised in the 2017 New Year's Honours List. Mr Harry Twamley, Chairman of Curzon Ashton Football Club had been awarded the British Empire Medal for services to amateur football and Mrs Indu Popat, a Hindu Priest in Ashton-under-Lyne, had also been awarded the British Empire Medal for services to Asian women in the North West. In addition, Mr Ian Munro, Group Chief Executive of the New Charter Group and former Director of Housing at Tameside Council, had been awarded the OBE for services to Housing.

This was wonderful news for the borough and recognition that was fully deserved and sincere congratulations was extended to them all.

Councillor Kitchen, Chair of Council Business, in the Chair

57. MINUTES

RESOLVED:
That the Minutes of the proceedings of the meeting of the Council held on 29 November 2016 be approved as a correct record and signed by the Chair of Council Business.

58. DECLARATIONS OF INTEREST

There were no declarations of interest made by Members at this meeting of the Council.

59. COMMUNICATIONS OR ANNOUNCEMENTS

The Executive Leader provided an update on the recent Ofsted assessment of Children's Services in Tameside. He expressed his disappointment with the outcome but advised that Tameside was amongst almost 90% of the North West population who lived in an area judged under Ofsted's new tougher framework to need improvement in its children's service. Keeping vulnerable children safe was the Council's number one priority and new, innovative and financially sustainable ways to deliver better services would be found.

Improvement work, which had already been undertaken, had been acknowledged by Ofsted and informal feedback had been positive. Work had also begun on the response to Ofsted and planning had started on an improvement journey with advice sought from the Local Government Association and other Council's. An external independent Chair had been appointed to lead an improvement board, which would include senior leaders from across the public, community and voluntary sectors.

He further stated that additional resources had been provided to ensure the service had sufficient experienced staff and appropriate caseloads to deal with the increasing demand for services whilst making improvements to make the service more effective and sustainable. The workforce were engaged in the improvement process and open and positive dialogue was ongoing with staff to develop ideas. A more streamlined referral process with the Police had been agreed, care leavers were no longer in B&B accommodation and support to young people at risk of dropping out of education or training was having a very positive impact.

He concluded by advising that this improvement journey was happening in the context of reduced money whilst the demand for services continued to grow. The financial challenges facing public services in Tameside were unprecedented. Over the ten year period from 2010-2020 almost £200 million would have been taken out of Tameside Council's budget. By 2020 a £70 million funding gap was forecast in the Tameside and Glossop health and social care economy if major changes were not delivered. Partnerships between public services, partners, the community and families were key.

Members of the Chamber gave their support to the proposed way forward.

Councillor J Fitzpatrick, First Deputy (Performance and Finance), announced that there would be no change to the Council Tax Support Scheme for the forthcoming year.

Councillor L Travis, Executive Member (Lifelong Learning), was pleased to report on the latest validated figures for education achievement in the Borough. The 2016 GCSE results showed that 63.5% of pupils achieved grades A – C in English and Mathematics. This placed Tameside as the third highest local authority in Greater Manchester and ninth in the North West.

Councillor Cooney, Executive Member (Healthy and Working), invited Councillor F Travis to speak on a Royal British Legion campaign, 'Count Them In'. The campaign called for additional questions in the 2021 Census to help identify members of the Armed Forces Community. It was explained that the Legion's 2014 household survey showed that there were 2.8 million veterans living in the UK, with 2.1 million dependent adults and 1 million dependent children. Despite an estimated 1 in 10 people being either serving or ex-members of the armed forces, there was currently little information about where they lived or what their needs might be. If armed forces questions were to be incorporated in the census it would help local Councils and other organisations better plan support services for veterans. Councillor F Travis was pleased to announce that the Leader of the Council had signed a letter confirming the Council's full support for the campaign.

60. COUNCIL BIG CONVERSATION

The Chair reported that there were no questions submitted by members of the public in accordance with Standing Orders 31.12 and 31.13.

61. JOINT MEETING OF EXECUTIVE CABINET AND AUDIT PANEL

Consideration was given to the Minutes of the Joint Meeting of Executive Cabinet and Audit Panel held on 14 December 2016. It was moved by Councillor K Quinn, seconded by Councillor Taylor and -

RESOLVED:
That the Minutes of the joint meeting of Executive Cabinet and Audit Panel held on 14 December 2016 be received.

62. MEETING OF DEMOCRATIC PROCESSES WORKING GROUP

Consideration was given to the Minutes of the meeting of the Democratic Processes Working Group held on 12 December 2016. It was moved by Councillor Cooney, seconded by Councillor K. Quinn and -

RESOLVED:
That the Minutes of the meeting of the Democratic Processes Working Group held on 12 December 2016 be received.

63. AMENDMENT TO THE CONSTITUTION

It was moved by Councillor K Quinn and seconded by Councillor Taylor that an amendment to the Constitution as set out below be agreed.

RESOLVED:
That in order to facilitate the conduct of business the quorum for meetings of the Local Pensions Board be amended from the current 50% of members to four members, of which two must be member representatives and two must be employer representatives.

64. MEMBERSHIP OF COUNCIL BODIES

It was moved by Councillor K Quinn and seconded by Councillor Taylor, that the following changes to the membership of Council bodies be approved.

RESOLVED:
(i) That Councillor Frank Travis be appointed as substitute member on the Greater Manchester Statutory Functions Committee.
(ii) That Mark Tweedie, Chief Executive of Active Tameside; Paul Starling, Borough Commander GM Fire and Rescue Service; Chief Superintendent Neil Evans, Greater Manchester Police and Julie Price, Department for Work and Pensions be added to the additional membership of the Health and Wellbeing Board.

65. NOTICES OF MOTION

Motion A

Consideration was given to the following motion received in accordance with Standing Order 16.1, which was proposed by Councillor Warrington and seconded by Councillor Peet:-

That this Council notes:

- *That Health Secretary Jeremy Hunt has presided over declining standards and increased private sector involvement in the NHS since his appointment in 2012.*
- *That earlier this month Tameside Hospital was forced to issue a warning and advise patients to seek treatment elsewhere due to 'serious pressures' in our local A+E department.*
- *The extensive coverage in the press of the crisis in the National Health Service and Social Care nationally due to underfunding by the Conservative Government.*
- *The failure of the Chancellor Phillip Hammond MP to pledge any money, or even mention, health and social care in his Autumn Statement last November.*
- *The estimated funding gap for health and social care services in the UK is £3.8 billion.*
- *That the Government has already cut corporation tax from 28% to 20% since 2010, costing tax payers an estimated £10.8 billion every year.*
- *That the government plans to cut corporation tax further to 15% by 2020, less than the basic rate of income tax.*

In the light of the above Tameside Council calls on the government to scrap the planned cuts to corporation tax and instead use the money to ensure that the NHS and social care services have the money they require to cater for their patients.

Following consideration of the Motion it was -

RESOLVED:
That this Council notes:

- **That Health Secretary Jeremy Hunt has presided over declining standards and increased private sector involvement in the NHS since his appointment in 2012.**
- **That earlier this month Tameside Hospital was forced to issue a warning and advise patients to seek treatment elsewhere due to 'serious pressures' in our local A+E department.**
- **The extensive coverage in the press of the crisis in the National Health Service and Social Care nationally due to underfunding by the Conservative Government.**
- **The failure of the Chancellor Phillip Hammond MP to pledge any money, or even mention, health and social care in his Autumn Statement last November.**
- **The estimated funding gap for health and social care services in the UK is £3.8 billion.**
- **That the Government has already cut corporation tax from 28% to 20% since 2010, costing tax payers an estimated £10.8 billion every year.**
- **That the government plans to cut corporation tax further to 15% by 2020, less than the basic rate of income tax.**

That in the light of the above Tameside Council calls on the government to scrap the planned cuts to corporation tax and instead use the money to ensure that the NHS and social care services have the money they require to cater for their patients.

Motion B

Consideration was given to the following motion received in accordance with Standing Order 16.1, which was proposed by Councillor S Quinn and seconded by Councillor Ryan:-

This Council aims to treat staff members who receive a terminal ill health diagnosis with dignity, and to make adjustments to ensure that they are able to stay in work as long as they are able to.

However, this Council notes that terminally ill employees are not currently protected under national disability legislation and inevitably within the law can therefore be dismissed if they are no longer able to conduct their role with reasonable adjustments. This can mean that terminally ill people can be subjected to stressful assessments, subsequent dismissal and the loss of death in-service benefits - all following the diagnosis of a terminal illness.

This Council believes in the dignity of work, and that those receiving a terminal diagnosis should not be forced out of work.

That Tameside Council believes that there should be additional Government protection for terminally ill employees, from the point of diagnosis and calls on the government to put the necessary legal protections in place.

Following consideration of the Motion it was -

RESOLVED:

That this Council aims to treat staff members who receive a terminal ill health diagnosis with dignity, and to make adjustments to ensure that they are able to stay in work as long as they are able to.

However, this Council notes that terminally ill employees are not currently protected under national disability legislation and inevitably within the law can therefore be dismissed if they are no longer able to conduct their role with reasonable adjustments. This can mean that terminally ill people can be subjected to stressful assessments, subsequent dismissal and the loss of death in-service benefits - all following the diagnosis of a terminal illness.

This Council believes in the dignity of work, and that those receiving a terminal diagnosis should not be forced out of work.

That Tameside Council believes that there should be additional Government protection for terminally ill employees, from the point of diagnosis and calls on the government to put the necessary legal protections in place.

Motion C

Consideration was given to the following motion received in accordance with Standing Order 16.1, which was proposed by Councillor Jackson and seconded by Councillor B Holland:-

That this Council notes that:

The Government has recently changed the guidance to Building Regulations whereby they do not require the installation of Fire Suppression Systems to be fitted into new schools.

There has been no advanced notice of this change, which is opposed by The Fire Sector Federation, the Fire Protection Association and the Arson Prevention Bureau.

There were more than 600 fires in British schools last year.

This change only applies to England. New schools in Scotland and Wales remain required to have sprinkler systems.

Council believes that:

- This change of policy is a false economy. The money saved by not installing sprinklers will be offset by higher insurance premiums and the cost of repairing damage caused by fire.

Council resolves to:

- Call on the Government to scrap this change to building regulations and continue to require the installation of sprinkler systems in new schools.
- Join other local authorities in lobbying the government for the abandonment of this change.

Following consideration of the Motion it was -

RESOLVED:

That this Council notes that:

The Government has recently changed the guidance to Building Regulations whereby they do not require the installation of Fire Suppression Systems to be fitted into new schools.

There has been no advanced notice of this change, which is opposed by The Fire Sector Federation, the Fire Protection Association and the Arson Prevention Bureau.

There were more than 600 fires in British schools last year.

This change only applies to England. New schools in Scotland and Wales remain required to have sprinkler systems.

Council believes that:

- **This change of policy is a false economy. The money saved by not installing sprinklers will be offset by higher insurance premiums and the cost of repairing damage caused by fire.**

Council resolves to:

- **Call on the Government to scrap this change to building regulations and continue to require the installation of sprinkler systems in new schools.**
- **Join other local authorities in lobbying the government for the abandonment of this change.**

66. QUESTIONS

The Chair reported no questions had been received in accordance with Standing Order 17.2.

67. URGENT ITEMS

The Chair reported that there were no urgent items of business for consideration at this meeting.

CHAIR

JOINT MEETING OF EXECUTIVE CABINET AND OVERVIEW (AUDIT) PANEL

-

8 February 2017

Commenced: 2.00pm **Terminated: 3.10pm**

Present:	**Councillor Taylor (in the Chair)** **Councillors Bailey, Bell, Cooney, Fairfoull, J Fitzpatrick, Ricci, Ryan, L Travis and K Welsh**
Apologies for Absence:	**Councillors Gwynne, Kitchen, K Quinn, Robinson and Warrington**

45. DECLARATIONS OF INTEREST

There were no declarations of interest submitted for this meeting.

46. MINUTES

a) Joint Meeting of Executive Cabinet and Audit Panel

Consideration was given to the Minutes of the Joint Meeting of Executive Cabinet and Audit Panel held on 14 December 2016.

RESOLVED
That the Minutes of the Joint Meeting of Executive Cabinet and Audit Panel held on 14 December 2016 be taken as read and signed by the Chair as a correct record.

b) Single Commissioning Board

Consideration was given to the Minutes of the Single Commissioning Board held on 17 January 2017.

RESOLVED
That the Minutes of the Single Commissioning Board held on 17 January 2017 be received.

c) Carbon and Waste Reduction Panel

Consideration was given to the Minutes of the Carbon and Waste Reduction Panel held on 12 January 2017.

RESOLVED
That the Minutes of the Carbon and Waste Reduction Panel held on 12 January 2017 be received.

d) Enforcement Co-ordination Panel

Consideration was given to the Minutes of the Enforcement Co-ordination Panel held on 25 January 2017.

RESOLVED
That the Minutes of the Enforcement Co-ordination Panel held on 25 January 2017 be received.

e) AGMA Executive Board Meetings / Greater Manchester Combined Authority

Consideration was given to a report of the Executive Leader and Chief Executive, which informed Members of the issues considered at the Greater Manchester Combined Authority on 16 December 2016, the Joint Meeting of the Greater Manchester Combined Authority and AGMA Executive Board on 18 December 2016 and the Forward Plan of Strategic Decisions of the Greater Manchester Combined Authority and AGMA Executive Board.

RESOLVED
That the content of the report be noted.

47. BUDGET REPORT 2017/18

Consideration was given to a report of the First Deputy (Performance and Finance) and the Assistant Executive Director, Finance (Section 151 Officer), setting out the detailed revenue budget proposals covering 2017/18 – 2019/20 including the proposed council tax increases. The proposed budget was set in the context, once again, of cuts in Government funding to all councils. This would be the 8th year of reductions in funding with at least another two to follow. The report reflected the Council's provisional Grant Settlement from the Government, announced on 15 December 2016. It was noted that at the time of writing the report, the final settlement was still awaited and would be reported to Members before final budget decisions were made at the Full Council meeting on 28 February 2017.

The budget drew together the Council's many service plans and delivery strategies and set out an overall plan in financial terms. The budget also ensured that resources were used to deliver services to local people in line with the agreed priorities of the Council and its partners. By the end of 2016/17 the Council would have had to make efficiency savings of £144.5 million, due to a combination of reductions in funding and an increase in the cost of providing services. The Council had managed this difficult challenge by taking tough decisions, early, and would continue to do this. The Council was committed to growing Tameside as outlined in the Corporate Plan – to build houses, attracting businesses, creating jobs and promoting better health, skills and education for Tameside's communities and seeking to tackle the causes of service demand and so continue to reduce the overall costs of Council services.

There would be a step up in the partnership working with the NHS which would require a change in risk sharing in order to see transformational changes in service delivery in Health and Social Care. Funding of £23 million had been received from the GM Health and Social Care Partnership to assist with implementing some of these changes. The Council would continue to find new ways to deliver services that were sustainable and even more efficient.

The Council budget for 2017/18 had been prepared following an intense review of the resources required to support and deliver the services of the Council. It took account of the pressures that services were facing as well as increasing demographic demands to enable the Council to achieve its desired outcomes. The overall net budget proposed for 2017/18 was £177.396m taking into account the provisional Local Government Financial Settlement for 2017/18.

When the grant settlement was announced in December 2016, the Secretary of State had set out his guidelines on Council Tax and Table 10 in the report illustrated the effect of increases in Council Tax on the affordability of the Council's medium term plan. The budget for 2017/18 could be balanced with a 4.99% increase, being 1.99% in respect of general level council tax and 3% in respect of social care precept, but there remained a shortfall in future years even after a council tax increase.

It was reported that the Capital Programme consisted of 180 projects and the Council was estimated to spend £143 million on capital investment from 2016/17 to 2018/19. The resourcing of the current Capital Programme had been reviewed to maximise efficiencies on the revenue costs of capital. Minimum borrowing had been assumed to be carried out with the majority of the corporate funding now undertaken by using reserves and / or capital receipts. Details were also given of the following:-

- Risks and Uncertainties Facing the Council;
- Schools Funding;
- Pay Policy Statement; and
- Legal considerations.

It was further reported that in line with its statutory duty, the Council had consulted with businesses and other representatives of non-domestic ratepayers on its draft budget which ran for a period of two weeks between the 1 February and 16 February 2017.

In conclusion, the Section 151 Officer stated that the budget had been prepared in accordance with International Financial Reporting Standards and he was satisfied regarding the robustness of estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves.

RESOLVED
That the following recommendations outlined in Section 11 of the report be RECOMMENDED to Council for approval subject to any final minor changes to the final figures:

(i) Revenue Budget Recommendations
- **(a) That the budgeted net expenditure for the financial year 2017/18 as set out in Appendix 1 to the report be agreed at £177.396 million and that the level and usage of reserves and balances set out in the report be approved.**
- **(b) That the Medium Term Financial Strategy, as updated in the report, be approved and form the basis of future updates, reports and decisions taken by Cabinet to balance resources and expenditure in future years' budgets.**
- **(c) That Council Tax for 2017/18 be increased by 4.99%, being 1.99% in respect of general level council tax and 3% in respect of social care precept.**
- **(d) That the pay policy for 2017/2018 included at appendix 5 to the report be approved.**
- **(e) That the budget assurance statement process for service areas be noted.**

(ii) Capital Budget Recommendations
- **(a) That the position on the Capital Programme as set out in section 9.3 of the report be agreed and that specific proposals be considered in March 2017.**
- **(b) That the updated Minimum Revenue Provision statement as set out at 9.31 of the report be approved.**
- **(c) That the Prudential Limits set out in the report be approved with the Council to receive monitoring reports during the coming year to demonstrate compliance.**
- **(d) That the Prudential Indicators reported at Appendix 4 in the report be approved.**
- **(e) That authorised borrowing limits for 2017/18 for Tameside and for the Greater Manchester Metropolitan Debt Administration Fund be agreed as set out in Appendix 4 to the report.**

(iii) General Recommendations
- **(a) That the Council notes the difficult circumstances, and the expected challenges set out in the report over the medium term.**
- **(b) That the Council notes the significant good progress made over the last few years in meeting the financial challenges and continuing to operate in a financially robust manner.**
- **(c) That the Council retains a minimum level of General Fund balances of £17 million.**
- **(d) That the Council accepts the advice of the Section 151 Officer regarding the robustness of the estimates made for the purposes of the budget calculations**

and the adequacy of the proposed financial reserves. Following this, that the Council determines that the estimates are robust for the purpose of setting the budget and that the proposed financial reserves are adequate.

48. TREASURY MANAGEMENT STRATEGY

Consideration was given to a report of the First Deputy (Performance and Finance) and the Assistant Executive Director (Finance) setting out the Council's borrowing strategy for 2017/18 and the Annual Investment Strategy.

It was reported that as at 31 March 2016 the Council had £156m of investments which needed to be safeguarded and £120m of debt. The Council was also the lead authority responsible for the administration of the debt of the former Greater Manchester City Council on behalf of all ten Greater Manchester Authorities. As at 31 March 2016, this was a further £110m of debt. The significant size of these amounts required careful management to ensure that the Council met its balanced budget requirement under the Local Government Finance Act 1992.

The report included information on the following:

- Code of Practice;
- Need to borrow;
- Types and duration of loans;
- Sources of borrowing;
- Rescheduling;
- Current position 2016/17;
- Tameside's estimated position at 31 March 2017;
- 2017/18 borrowing requirement;
- Greater Manchester Metropolitan Debt Administration Fund requirement;
- Borrowing strategy;
- Interest rates;
- Investments and proposed changes; and
- Treasury Management advisors.

Particular reference was made to the Annual Investment Strategy detailed at **Appendix A** to the report and the estimated borrowing requirement for both Tameside and the Greater Manchester Metropolitan Debt Administration Fund and the strategy to be employed in managing the debt position. It was proposed that the following changes outlined in section 14 of the report were made to the Council's investment strategy:

- **Counterparty Limits** – The counterparty limit be changed to £50m for UK Government bodies (e.g. local authorities and other similar bodies). Any such investments would be highly secure due to the Government-backed nature of these entities.
- **Alternative Investments** – A new class of "alternative investments" be added to the available list of non-specified investment instruments. This would include asset backed pooled investment funds, which were secured against real assets such as green energy, timber or property.

RESOLVED
(i) That the report be noted and the proposed borrowing strategy be supported; and
(ii) That the Annual Investment Strategy, including the changes set out in section 14 of the report be RECOMMENDED for approval by Council.

49. PROPOSED INCREASE IN RECOVERY COSTS

Consideration was given to a report of the First Deputy (Performance and Finance) and the Assistant Executive Director (Exchequer Services) reviewing the cost of the recovery of monies in respect of council tax and business rates, considered current recovery activity and associated costs, events which had occurred since costs were last increased, and the position in terms of summons costs across the Greater Manchester area. The review proposed an uplift in summons costs to be approved by Magistrates in accordance with legislation.

It was explained that each year the Council had to take action to recover council tax and business rates debts through the Magistrates Courts. From April 2016 to December 2017, in excess of 1,000 summonses had been issued with a total arrears value of £5.3m for business rates, and more than 16,000 with a value of £8.6m in respect of council tax for the same period. Arrears continued to be recovered until such time that the debt was repaid and which could take several years.

A charge was levied against any debtor who was summonsed to the Magistrates Court which was currently £75 for council tax and £94 for business rates. These costs had not increased despite the costs over a number of years.

Legislation made it clear that local authorities could recover reasonable costs of recovery by charging a cost for the issue of a summons. While many businesses rates and council tax payers paid their bill without delay, there were an increasing number of individuals who did not pay, repeatedly paid late or attempted to evade payment where possible. Recovery action was expensive in terms of administration costs including document production, equipment and IT system upgrades and also staff costs in liaising with enforcement agencies, employers, the Department of Work and Pensions and attendance at Court to seek liability orders.

Legislation stated that the local authority was entitled, under Council Tax (Administration and Enforcement) Regulations 1992 Regulation 34(8) and the Non-Domestic Rating Collection and Enforcement Local Lists Regulations 1989 Regulation 12(6)(b) seeking costs, which were a sum equal to the costs reasonably incurred by the applicant billing authority in obtaining the order.

Tameside had last increased summons' costs for both council tax and business rates in 2012 and currently had low costs when compared to other Greater Manchester authorities. A number of events had occurred, which had subsequently increased the number of summonses issued. A full review of recovery costs had taken place and the proposal was to increase the cost of a summons for both business rates and council tax debtors with effect from 1 April 2017.

RESOLVED
That it be RECOMMENDED to the Tameside Magistrates to set the following recoverable costs:
(i) a Council Tax summons to be £84 from 1 April 2017; and
(ii) a Business Rates summons to be £126 from 1 April 2017.

50. LOCAL AUDIT AND ACCOUNTABILITY ACT 2014 – OPTIONS FOR APPOINTMENT OF EXTERNAL AUDITORS

Consideration was given to a report of the First Deputy (Performance and Finance) and the Assistant Executive Director (Finance) summarising the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.

It was explained that in November 2016, the Audit Panel received a report on the Local Audit and Accountability Act 2014: Changes to arrangements for appointment of External Auditors. The report presented the options open to the Council, outlined the advantages / benefit, disadvantages

/ risks for each and concluded that there was support across Greater Manchester for a Greater Manchester level procurement and sought approval for this option to be pursued and the report provided an update on progress.

The three broad options open to the Council under the Local Audit and Accountability Act 2014 and a summary of each were provided in the report together with the advantages / benefit and disadvantages / risks:

- Option 1 – to make a stand-alone appointment;
- Option 2 – set up a Joint Auditor Panel / local joint procurement arrangements; and
- Option 3 – opt-in to a Sector Led Body.

It was reported that since the November 2016 Audit Panel Meeting, GM Treasurers had engaged in further discussions and meetings with Public Sector Audit Appointments Limited. It appeared likely at this stage that they would be unable to guarantee the same external auditor for all GM local authorities but could provide reasonable assurance that it would be feasible for the same firm to be appointed for the Greater Manchester Combined Authority, Transport for Greater Manchester and Greater Manchester Police.

The weighting to be afforded to social value in the procurement process had been clarified and GM Treasurers at their meeting on 20 January 2017 agreed that the sector led procurement potentially offered greater value for money.

The deadline to opt into the sector led approach was 9 March 2017 and was a decision that must be approved at Full Council.

RESOLVED
That it be RECOMMENDED to Council to approve that the Council participates in the Sector Led Procurement for External Auditors.

51. PRIMARY AND SECONDARY SCHOOL ADMISSION ARRANGEMENTS

Consideration was given to a report of the Executive Member (Lifelong Learning) and the Executive Director (People) detailing the outcomes of the consultation on admission arrangements and published admission numbers for Tameside community and voluntary controlled schools for admission in September 2018.

The consultation process followed a timetable determined by the Department for Education running for a minimum of six weeks between 1 October 2016 and 31 January 2017. Admission arrangements must be determined by 28 February 2017 and published by 15 March 2017.

For entry to school in September 2018, one change had been proposed to the admission arrangements for community or voluntary controlled primary, junior and secondary schools and that was to reduce the number of preferences from six back to three. There was a slight change proposed to the operation of waiting lists. The proposed changes relating to waiting lists would be reflected in the co-ordinated admissions scheme for 2018/19 and these would be published on the Council's website on 1 January 2018 as required by the School Admissions Code.

Particular reference was made to the consultation that had taken place with regard to the published admission number at four community secondary school to accommodate the increasing secondary population. The Council had a statutory duty to ensure sufficient places for all pupils residents in the borough but the ability to directly procure these places was limited to its community schools. Officers from the Council had been talking to head teachers at all schools in Tameside and the report outlined the nature of the proposals needed to accommodate the increases in four secondary schools including financial resources.

It was further reported that three out of the four schools were objecting to the increase in the published admission number and their concerns were summarised in the report and their written responses were appended to the report.

The Council had been proactive in tackling the issue of rising births over recent years. The published admission number had been increased at many primary schools but these primary pupils were now beginning to move through to secondary and more needed to be done to accommodate all pupils. Members were aware of a successful free school application for Tameside that had been proposed by the Laurus Trust, bringing an additional 180 places per year group from September 2018. It was stressed that even with the proposed increase in places from this consultation and the new free school opening, there was still a need for additional places in future years.

Details were provided which showed that the surge in births was not expected to be a permanent issue as it had begun to fall. Therefore, proposals needed to be a mix of permanent and temporary as these would become surplus in years to come.

The Chair made reference to further correspondence received prior to the meeting from the Head Teacher of Hyde Community College stating that whilst the Council's difficulties in accommodating an increase in student number in the Borough was understood, emphasised their opposition to the increase in the published admission number at Hyde Community College and included responses to the Directorate's individual comments within the report. In addition, the Executive Head Teacher at Mossley Hollins High School had sent further correspondence to the Head of Access and Inclusion advising that he was unhappy with the response provided by the Directorate in the report.

In reply, the Head of Access and Inclusion made reference to the responses from the schools summarised in the report and their detailed comments appended to the report. She outlined the position regarding PFI costs and stated that the number of pupils predicted to come into secondary schools over the next few years meant that there would be very little spare capacity, if any, and therefore budgets would increase for the schools contained in the proposals. The costs for the proposed capital works would be funded through the Basic Need capital funding of £12m for the two financial years 2016/17 to 2017/18 and allocated to support the delivery of projects necessary to increase the capacity of schools. She also responded to additional considerations of increased facilities management costs and the concerns raised regarding the potential impact on standards if a school had to increase its published admission number.

RESOLVED

(i) That the determination of Published Admission Numbers for all voluntary controlled and community schools for 2018/19 without change from those that applied for admission in 2017/18 other than the changes set out in Appendix 5 to the report, be approved.

(ii) That the determination of admission arrangements for all Tameside community and voluntary controlled schools for admission in 2018/19 as set out in Appendix 6 to the report, be approved.

52. REVIEW OF FOOD POVERTY

The Chair of the Statutory and External Partners Scrutiny Panel / Executive Member (Healthy and Working) presented a report on the scrutiny review of Food Poverty dated June 2016 and the recommendations made to support future services. It was explained that the aim of the review had been to examine the extent to which individuals and families were experiencing food poverty, the range of contributing factors and the changes that had been made to the way the Council and its partners supported residents during hardship.

Over the last five years the UK had witnessed a quick and considerable increase in the need for food aid. As a result, food inequality and food poverty had become key priorities for local authorities and health economies as evidenced in Tameside by the opening of 12 foodbanks since 2010. The Panel acknowledged the commitment of the organisations and many volunteers who helped to provide the service.

In conclusion, the Statutory and External Partners Scrutiny Panel was concerned to investigate the extent of food poverty and would strive to support the vulnerable residents and families in need.

The Executive Member (Health and Working) made reference to his response in support of the recommendations for future services.

RESOLVED
That the recommendations detailed in Section 8 of Appendix 2 to the report be noted.

53. ADVANCE PAYMENT OF EMPLOYER PENSION CONTRIBUTIONS

Consideration was given to a report of the First Deputy (Finance and Performance) and Assistant Executive Director (Finance) advising that the Council currently paid an employer's contribution to the Greater Manchester Pension Fund on a monthly basis for all members of staff who were active members of the Fund.

The opportunity had now arisen for the Council to pay its contribution in advance, by up to one, two or three years, in a single lump sum. In return, the Pension Fund would agree to a discount depending on how far in advance the payment was made. The recommendation was to pay three years in advance for which a discount of 10% would apply. Contribution rates were currently being assessed by the actuary for the next three financial years.

In light of past experience, the report also recommended a reduction in the amount paid to the Pension Fund each year to cover the pension strain cost of early retirements.

RESOLVED
That it be RECOMMENDED to Council subject to any final amendments / clarifications from the Council's external auditors to:

(i) Make an advance payment equivalent to three years' contributions to the Greater Manchester Pension Fund.
(ii) The amount included in the employer's contribution rate for early retirement be reduced from 1% to 0.5%

CHAIR

Report To:	**COUNCIL**
Date:	28 February 2017
Executive Member/Reporting Officer:	Councillor Kieran Quinn – Executive Leader Councillor Jim Fitzpatrick, First Deputy - Performance and Finance Ian Duncan Assistant Executive Director – Finance
Subject:	**COUNCIL BUDGET 2017/18**
Report Summary:	The report sets out the detailed revenue budget proposals covering 2017/18 - 2019/20 including the proposed council tax increases.
Recommendations:	That the recommendations set out in Section 11 of the report be approved.
Links to Community Strategy:	The Council Budget aligns with the priorities of the Corporate Plan.
Policy Implications:	The Council budget reflects the policy choices that the Council intends to pursue and feeds into the Medium Term Financial Strategy.
Financial Implications: (Authorised by the Section 151 Officer)	Subject of the report.
Legal Implications: (Authorised by the Borough Solicitor)	Legal considerations are set out in section 10 of the report. In particular it should be noticed that It will be necessary for all members of the Council to make the application for dispensation from having a conflict of interest in setting Council Tax because they are liable for Council tax to take part in the decision. This will be undertaken by signing a form. That the Council accepts the advice of the Section 151 Officer regarding the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves. Following this, that the Council determines that the estimates are robust for the purpose of setting the budget and that the proposed financial reserves are adequate.
Risk Management:	A risk assessed approach has been a major part of ensuring the adequacy of the budget. The report makes reference to a number of risks and the approach taken in framing the budget.
Access to Information:	For background information contact the report author: Ian Duncan – Assistant Executive Director - Finance Telephone:0161 342 3864 e-mail:ian.duncan@tameside.gov.uk

Tameside MBC

Budget Report

2017/18

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TABLES

CHARTS

1 INTRODUCTION

1.1 The purpose of this report is to set out and seek approval for the setting of the budget for the Council for the financial year 2017/18. This proposed budget is set in the context, once again, of cuts in Government funding to all councils. This will be the 8th year of reductions in funding with at least another two to follow.

1.2 This report reflects the Council's provisional Grant Settlement from the Government, announced on 15 December 2016. At the time of writing this report the final settlement is still awaited and will be reported to Members before final budget decisions are made on 28 February 2017.

1.3 The budget draws together the Council's many service plans and delivery strategies and sets out an overall plan in financial terms. The budget also ensures that we use our resources to deliver services to local people in line with the agreed priorities of the Council and its partners. Some key messages are:

- By the end of 2016/17 the Council will have had to make efficiency savings of £144.5 million, due to a combination of reductions in funding and an increase in the cost of providing services;

- The Council has managed this difficult challenge by taking tough decisions, early, and will continue to do this;

- The Council is committed to growing Tameside as outlined in the Corporate Plan – to building houses, attracting businesses, creating jobs and promoting better health, skills and education for our communities. By doing so we will seek to tackle the causes of service demand, and so continue to reduce the overall cost of Council services.

- The Council budget for 2017/18 has been prepared following an intense review of the resources required to support and deliver the services of the Council. It takes account of the pressures that services are facing as well as increasing demographic demands to enable the Council to achieve its desired outcomes;

- The Council continues to find new ways to deliver services that are sustainable and even more efficient;

- There will be step up in the partnership working with the NHS which will require a change in risk sharing in order to see transformational changes in service delivery in Health and Social Care. Funding of £23 million has been received from the GM Health and Social Care Partnership to assist with implementing some of these changes.

2 TAMESIDE'S CURRENT POSITION

Services the Council provides

2.1 When the budget is discussed and debated the focus can be on the inevitable savings that have to be made each year. However, what should not be overlooked are the important services that the budget pays for and what the Council will continue to provide next year. Some examples of the range of different services that the Council deliver include:

- Support 8,308 people outside of the adult social care system through provision of prevention based services;

- Support 3,000 people to live independently and remain in their own homes;
- 57.3% of pupils achieved 5 A*-C GCSEs including English and Maths.
- Support 479 looked after children (LAC), 344 on a child protection plan and a further 1,224 children in need;
- Collect approx. £92.5 million in Council Tax from over 100,000 housholds;
- Collect approx. £60 million in business rates from 7,374 businesses;
- Answer approximately 180,000 made to our call centre and receive nearly 33,000 visits to Customer Services;
- Maintain 8 libraries, 1 local studies and archive centre, 1 museum and 2 art galleries,
- Welfare Rights opened 3,252 cases last year, generating more than £3.5 million in extra benefits, tax credits and grants for Tameside residents and advised on more than £1.6 million of debt;
- Registration Services registered 2,591 births and 2,069 deaths. They conducted 400 civil ceremonies and 153 individuals attended a citizenship ceremony;
- 1,060 family events organised across the borough with 60,811 individuals attending;
- Dealt with 960 planning applications;
- Empty 75,000 domestic refuse bins and 150,000 recycling bins per week;
- Approximately 682 tonnes of waste recycled each week;
- Maintain 750km of roads across the borough;
- Helped over 1,700 people to stop smoking;
- Offered a health check to 4,078 people aged 40 to 74;
- Visited 2,627 new mothers to offer help and advice;
- Maintain 35 playgrounds, 23 play areas, 27 sports pitches and 26 parks;
- Maintain 25,779 street lights.

Financial Performance in 2016/17

2.2 The provisional forecast revenue position for Council services, reported during 2016/17 is shown below. The table shows that at December 2016, the Council's net expenditure was expected to be less than budget by £4.7 million by the end of March 2017. It is important, particularly in times of funding reductions, that a firm control is kept of expenditure so that no unplanned use of resources takes place and the following year's budgets can be built upon an existing solid foundation.

Table 1: Financial Performance Quarter 3 2016/17

Directorate	Service	2016/17 Budget £000	Outturn £000	Variation to Budget £000
People	Childrens Social Care	25,878	28,109	2,231
People	Education	3,313	3,185	(128)
People	Adult and Early Intervention Services	41,995	43,199	1,204
	Total Director of People	**71,186**	**74,493**	**3,307**
Place	Asset and Investment Partnership Management	5,012	5,849	837
Place	Environmental Services	46,999	45,482	(1,517)
Place	Development Growth and Investment	2,286	2,264	(22)
Place	Digital Tameside	1,817	1,707	(110)
Place	Stronger Communities	7,096	6,766	(330)
	Total Director of Place	**63,210**	**62,068**	**(1,142)**
Public Health	Director of Public Health	1,400	1,473	73
Governance and Resources	Director of Governance and Resources	9,979	7,265	(2,714)
	Total Service Position	**145,775**	**145,299**	**(476)**
Other	Corporate Costs, Capital and Financing and Other Cost Pressures	16,526	12,221	(4,305)
	Total Council Position	**162,301**	**157,520**	**(4,781)**

Budget Preparation

2.3 This budget report has been produced following an intense review of all budgets to accurately assess the requirement going forward for each service area, taking into account inflation, demographic, legislative and grant pressures.

2.4 Services have also been asked to identify efficiencies that can be made and to review how the service will look going forward based on the demand placed on them and new ways of working. Examples of this include the move from manned libraries to self-service, or reassessment of the demand pressures within Childrens service**.**

2.5 This budget reassessment is also influenced by local priorities, and consultation with local businesses, Government policies, performance information and external inspections. In the light of future financial constraints, it has become even more important that the Council continues to align limited revenue and capital resources with key policy priorities. This involves the Council focussing more clearly on core services and priorities, whilst making difficult decisions to reduce or cease activity in other areas.

2.6 The Council is committed to only doing what matters, by understanding what people need, designing services to meet this need and reducing any costs and duplications that may exist.

2.7 Individual service plans for each directorate area (**Appendix 3**) identify the current budget and any changes that are being recommended to produce their budget for 2017/18 and beyond. The changes include pressures, demographic demands, plans and priorities for that area and are linked with Corporate Plan priorities. Some issues worthy of note are set out below.

Forward planning and key challenges facing the Council

2.8 There are a number of key challenges facing the Council in 2017/18 and future years, these include:

- Continuing to review the delivery of sustainable services to local people from a much reduced level of resources; delivering the necessary further reduction in the overall size of the Council in the coming years and securing ongoing cost reductions in a timely manner. The report comments upon the scale of this challenge;

- The increasing number of people that need to access our adult social care services. We welcome the fact that people are living longer, and indeed, it is our ambition to for this improvement in health to continue. However, an increasing number of people living longer will mean the Council is exposed to additional financial demands on its constrained resources. Furthermore, the cost of care is increasing, in part as a result of the introduction of the New Living Wage, which adds to the pressure on the budget;

- There is increasing recognition nationally that the solution to many of the difficulties faced by the NHS is to invest more in social care. So far this has not resulted in any significant additional resources from the Government, although it is permitting some costs to be passed on to local council tax payers (comment on the grant settlement and council tax is made later in the report). Our response in Tameside has been to create a partnership approach operating under the banner of Care Together. This is commented on in section 2.10 below.

- Under Care Together, the three organisations will, for the first time, be taking shared financial risks which are seen as essential for the initiative to succeed. This will mean the Council being exposed to a greater degree of risk than it is currently;

- Demands on services are not restricted to Adults' Services. We are experiencing a surge in the number of children being referred to Children's services. This is commented upon later in the report (see section 5.12). The Council is responding to this demand by increasing significantly the budget for Children's care services so that vulnerable children are not put at risk;

- **Business Rates** are set nationally by the Government but collected locally by the Council. It is only since April 2013 councils have been able to share in any growth in business rates and whilst we support this move, it has meant at the same time that councils have had to share responsibility for losses in business rates. Tameside, like many others, has experienced losses arising from successful appeals against rateable values placed on properties. From April 2017 a completely new valuation list comes into force and the reaction of businesses is likely to be the start of a fresh round of appeals. This brings uncertainty into our financial planning and is likely to exist for a number of years.

- The Council has a significant capital investment programme over the medium term which can have a direct impact on residents, businesses and visitors to the borough. In the recent past spending performance has been disappointing and therefore improvements are needed in effective delivery of capital and infrastructure investment e.g. Vision Tameside.

Members and Officers must remain focused on these issues and key challenges if the Borough is to remain in a strong financial position at the end of the planning period. This budget report is a key document in ensuring that focus.

Current Initiatives

2.9 Details of some of the many initiatives being undertaken by the Council to improve outcomes and deliver vital services are included below:

2.10 **Care Together** is the transformational approach to significantly improving the health and wellbeing of the 250,000 residents of Tameside and Glossop. The programme comprises three key elements:

- Establishment of a Single Commissioning Function to ensure resources are aligned and distributed in a way that facilitates integration and most effectively meets need;

- Development of an Integrated Care Foundation Trust to ensure the traditional organisational silos and boundaries are eliminated;

- A new model of care to drive forward at pace and scale the changes to support the economy to achieve its ambitions in terms of improved outcomes for the population and also for a financially and clinically sustainable health and social care system.

2.11 In addition to delivering a sustainable health and social care economy, the programme has a significant expectation to improve the healthy life expectancy of the population. In doing this, the programme has three key ambitions which are wholly in line with both Greater Manchester and national policy:

- To support local people to remain well by tackling the causes of ill health, supporting behaviour and lifestyle change and maximising the role played by local communities.

- To ensure that those receiving support are equipped with the knowledge, skills and confidence to enable them to take greater control over their own care needs and the services they receive.

- When illness or crisis occurs, to provide high quality, integrated services designed around the needs of the individual and, where appropriate, provided as close to home as possible.

2.12 The programme comprises a series of interdependent transformation schemes that together will deliver a financially and clinically sustainable health and social care economy and improve the healthy life expectancy of the local population. The schemes focus on demand reduction and the absorption of growth and the reduction of acute and primary care activity.

2.13 The Tameside and Glossop health and social care economy has recently received approval of £23.2 million via the Greater Manchester Health & Social Care Partnership to support this transformation.

Greening Tameside – Increasing Recycling

2.14 Bin Swap has increased the amount of waste that is recycled, and decreased the amount of waste that is sent to landfill, it has already achieved significant savings. Disposal of none recyclable waste currently costs £350 per tonne in 2016/17, work is continuing to work on ways to reduce the amount of waste that isn't recycled and reduce the cost per tonne for processing the waste. To further improve the amount of waste diverted from landfill, (and the savings associated with this), the Council has to consider and deliver innovative ways of working using the resources we currently have.

2.15 The Waste Services team has spent its time since Bin Swap, reviewing the collection model and looking to find further improvements. The large shift in recycling tonnage presented means that we have had to review the collection rounds to ensure the work is balanced correctly throughout the week. (Bin Swap took us from a recycling rate of 42% to its current rate of 59%).

2.16 The Council has also taken the opportunity to increase the frequency of collection of paper and cardboard, as it has been fed back to us by service users as an improvement that would be welcomed. As with previous changes delivered by Waste Services, clear communication before the changes take place will be delivered to each home.

Improving Transport Infrastructure

2.17 The completion of the new-interchange in Ashton under Lyne will enable the realisation of the full transport and economic benefits of the Metrolink extension, and ongoing improvements to local rail services.

Vision Tameside

2.18 Tameside's economic success is dependent on a step change in the approach to tackling the skills position of the Borough and the transformation of the Borough as a place for businesses to invest. The delivery of the Vision Tameside project will deliver a new vitality to the town centre and improve the economic outlook for the Borough.

3 BUDGET CONSULTATION 2017/18

3.1 The Council has a statutory duty to consult with businesses and other representatives of non-domestic ratepayers on its annual spending proposals for 2017/18. The consultation with businesses and other representatives of non-domestic ratepayers on the Council's draft budget 2017/18 ran for two weeks between the 1 February and 16 February 2017. The Council utilised four channels for engaging with the target audience and these are detailed below:

- **Live Work Invest website**
  Tameside's 'Live Work Invest' website has been developed by Tameside Enterprise Board to facilitate the creation, development and growth of businesses in the area and is one of the Council's main routes for engaging with the business community. On the 18 January, a message was emailed to Live, Work and Invest members informing users them that the consultation on the Council's draft budget would begin on the 1 February.

- **Non-domestic ratepayers' database**
  Exchequer Services hold a database of non-domestic ratepayers email addresses. An email was sent on 18 January to all those listed on the database, informing them of the consultation on the Council's draft budget.

- **Business representative organisations**
  An email was sent on 18 January to all those listed on the database, informing them of the consultation on the Council's draft budget.

- **Town team chairs for onward distribution**
  An email was sent on 18 January to all those listed on the database, informing them of the consultation on the Council's draft budget.

Responses

3.2 Respondents were asked to send any comments to a dedicated email address at the council or to respond by post or to complete an on-line survey. By the deadline of 16 February 2017 3 businesses had provided a response via the open text comments box to the survey.

3.3 A summary of the responses are detailed below and the full comments can be found in **Appendix 6**.

- Reduce businesses rates on empty property.
- Difficult to find relevant information in the report.
- Further funding help for businesses which help people back into work.
- Funding for training to help people lead healthier lives, reducing the burden on the NHS and improving quality of life.

4 EXTERNAL RESOURCES AND FINANCIAL SETTLEMENT

The Finance Settlement

4.1 Whilst the current Government has eased back on the pace by which public expenditure has to come into balance with available resources it is still adopting a policy of spending constraints, no more so than in the support given to local government.

4.2 Last year the Government gave an offer of a fixed four year settlement on condition each authority published an efficiency plan for the period 2016-20. Our efficiency plan was published in October 2016, and we are now guaranteed our main financial settlement through to, and including, 2019-20. Altogether 97% of local authorities took up the offer of a fixed settlement and whilst it gives some certainty to help our planning it is still nevertheless a reduction in central government support.

4.3 On 15 December 2016, the Government set out the settlement for 2017/18. This is highlighted in the table below:

Table 2 – Fixed Settlement

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Revenue Support Grant	34,493	25,449	19,371	13,237
Business Rates Baseline	27,481	24,600	25,391	26,294
Business Rates Top-up Grant	24,043	27,975	28,876	29,903
Total Settlement Funding Assessment	**86,016**	**78,024**	**73,638**	**69,434**
Section 31 Grant*	1,960	1,960	1,960	1,960
Public Health Grant*	15,699	15,312	14,914	14,525
Total SFA and Public Health	**103,675**	**95,296**	**90,512**	**85,919**
Reduction in Year		**(8,379) 8.1%**	**(4,784) 5.0%**	**(4,593) 5.1%**
Cumulative Reduction				**(17,756) 17.1%**

*The section 31 and public health grants are not part of the four year fixed year settlement but have been presented to show a meaningful comparison with the table below.

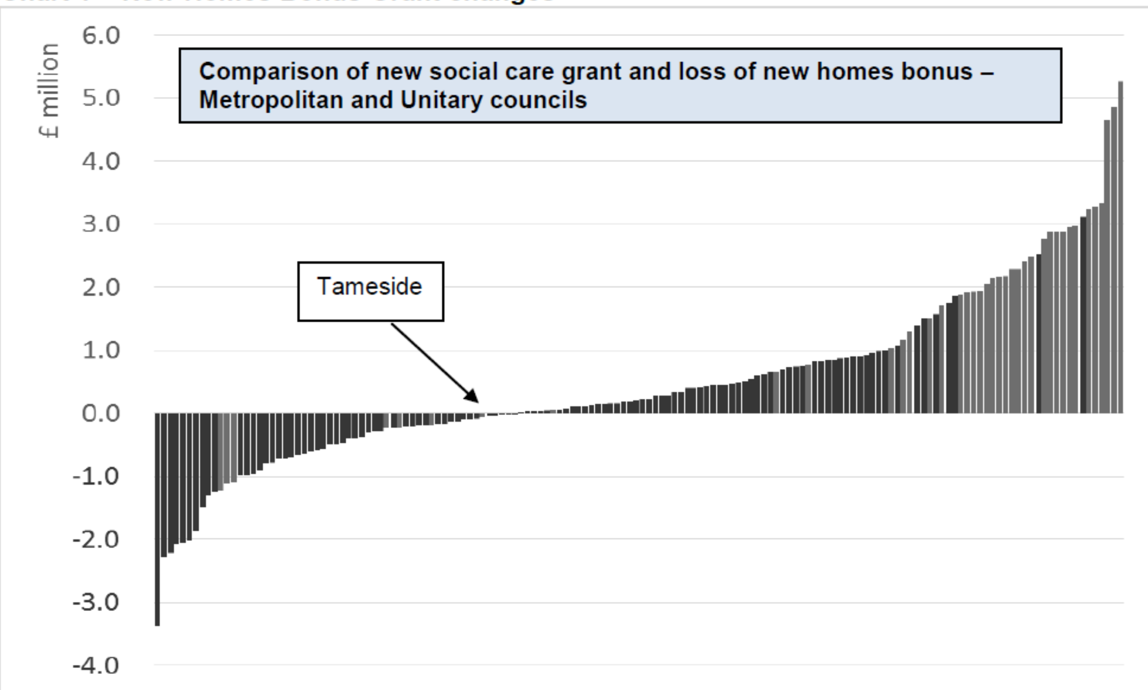
4.4 Greater Manchester (GM) is to participate in a pilot scheme to retain 100% of business rates, ahead of a national rollout of the scheme in 2020. Under the arrangement the 10 district councils in GM will no longer receive any revenue support grant or public health grant. This will be adjusted through the amount received in respect of business rates grants and therefore the settlement has been restated as follows:

Table 3 – Fixed Settlement (restated)

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Revenue Support Grant	34,493	0	0	0
Business Rates Baseline	27,481	47,701	49,285	51,094
Business Rates Top-up Grant	24,043	43,635	37,267	30,865
Total Settlement Funding Assessment	**86,016**	**91,336**	**86,552**	**81,959**
Section 31 Grant	1,960	3,960	3,960	3,960
Public Health Grant	15,699	0	0	0
Total SFA and Public Health	**103,675**	**95,296**	**90,512**	**85,919**
Reduction in Year		**(8,379) 8.1%**	**(4,784) 5.0%**	**(4,593) 5.1%**
Cumulative Reduction				**(17,756) 17.1%**

4.5 Another aspect of the grant settlement was the introduction of a new grant for adult social care worth £241 million across England. The grant will last for one year only and our share of this grant is £1.159 million. However, to pay for this the Government has reduced the amount paid to authorities in New Homes Bonus (NHB). Tameside will lose £1.165 million in NHB and as a result is marginally worse off and therefore does not receive any benefit from this change. The graph below shows how Metropolitan and Unitary councils have been affected by this change in grant arrangements:

Chart 1 – New Homes Bonus Grant changes



4.6 There were other changes relating to New Homes Bonus. The grant was introduced in 2011 and a bonus (grant) is paid for six years for every newly built home, conversion and long term empty property brought back into use. Following a consultation, this mechanism will be amended as follows:

- a move to 5 year payments for both existing and future Bonus allocations in 2017/18 and then to 4 years from 2018/19; and
- The introduction of a national baseline of 0.4% for 2017/18 below, which allocations will not be made.

4.7 The Government will continue to pay the funding as an un-ringfenced grant and also retains the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth. It will also revisit the case for withholding New Homes Bonus from 2018-19 from local authorities that are not planning effectively, making positive decisions on planning applications and delivering housing growth. To encourage more effective local planning the Government will also consider withholding payments for homes that are built following an appeal.

4.8 As part of the finance settlement an announcement was also made about council tax, including options concerning the adult social care precept. This is commented upon in section 6.5.

4.9 The Council also receives other grants which are not included in the fixed settlement. A list of those grants over £100k is shown in **Appendix 2**.

4.10 In summary the Council is faced with a reduction in funding support of £8.4million for its budget. This reduction will increase by a further £9.4 million over the two subsequent years. This is before any cost pressures are taking into account, which is commented upon in section 5. The Council's response to this challenge will be to focus on delivering our Corporate Plan vision in the most effective way given the resources available. Moreover, we will seek to ensure that those services generate the best possible return on every pound that we spend.

5 MEDIUM TERM FINANCIAL STRATEGY (MTFS)

Background

5.1 The MTFS supports the Council's medium term policy and financial planning processes. Fundamentally the strategy is designed to help provide a stable financial base to support service delivery. The strategy also fits within a wider system of corporate planning.

5.2 As well as supporting the Council's legal responsibility to set a balanced budget, the aims of the MTFS are to:

- ensure resources are allocated to the Council's priorities;
- improve value for money;
- maintain financial stability by anticipating future year funding changes and cost pressures, and taking appropriate action;
- manage significant financial risks;
- Establish and maintain an adequate level of reserves and balances.

5.3 The MTFS is underpinned by the following key principles:

- Prudent assessment of future resources;
- The future cost of services has been fully reviewed and assessed. Provision within the MTFS has been included to take account of forthcoming pressures and investment requirements;
- Maximisation of income generated across all areas of the Council and prompt collection of all amounts owed to the Council / minimisation of bad debts;
- Prudent assessment of provisions required to mitigate potential future liabilities;
- Risk-assessed level of reserves and balances held corporately to mitigate potential financial risks;
- Maximisation of capital receipts from assets surplus to requirements;
- Maximisation of external grant funding that meets our priorities;
- Full integration of revenue and capital financial decision-making processes to ensure the revenue implications of capital projects are accurately reflected in the MTFS;
- Assurance of the implementation of all savings and efficiencies proposals.

Key assumptions

5.4 In line with these key principles, the following specific assumptions have been made in the development of the 2017/18 MTFS:

a) Government support in accordance with the four year fixed funding agreement (section 4.2 above);

b) Pay awards - 1%;

c) Employer's pension contribution rate increase of 1.3% in 2017/18 and maintained thereafter;

d) Inflation on running expenses - 2% per annum. Increased allowance for adult services contract costs due to New Living Wage;

e) Fees and charges - average increase of 2.5% unless costs are not being recovered or market conditions require a higher or lower level;

f) Allowance for demographic change in children and adults' service;

g) Average investment return on cash deposits of 0.5%;

h) The Council will remain in an under-borrowed position. A limited amount of new borrowing to take place at an average interest rate of 2.70%;

i) Increase in levies per guidance issue by GM Combined Authority and GM Waste Disposal Authority;

j) Provision of loss on business rates of £0.5 million per annum.

5.5 Funding has been allocated to services on the basis that it has been assessed as adequate to enable Executive Directors to deliver their services as outlined in **Appendix 1.** Executive Directors and Assistant Executive Directors will be accountable for containing service spending within these amounts. Generally, underspends will be retained by the service area; overspending will also be retained and will become the first call on resources in the next financial year. The cumulative level of underspends and overspends will be kept under review.

Budget 2017/18

5.6 There has been a detailed review of all budgets in line with service priorities and in some areas additional budget has been provided to ensure that the budgets are sustainable. For other services, efficiencies have been identified and these budgets have been amended. These results in an overall position and then options can be considered in respect of how the gap can be closed and a balanced budget produced.

5.7 The increase in cost that has been assessed is summarised in table 4 below. Comment on each component is also provided.

Table 4: Summary of Cost Increases

Cost Increases	2017/18 £000	2018/19 £000	2019/20 £000
Inflation	3,606	4,570	4,344
Levies	150	270	550
Legislative & Grant Changes	1,459	2,343	(58)
Demographic	9,185	3,567	3,751
Other Costs	4,282	(970)	(1,330)
Total Cost Increases	**18,682**	**9,780**	**7,257**

5.8 Inflation has been assessed using the assumptions set out in section 5.4 above.

5.9 The two main levies payable by the Council are for Passenger Transport and Waste Disposal. The headline increase for Tameside for waste disposal in 2017/18 is 0.15% but Greater Manchester Waste Disposal Authority is considering how savings can be made over the medium term and from this requires a one-off revenue spend of £77 million. Therefore the levy is expected to increase by substantially in 2017/18 and to reduce in subsequent years this will be funded from reserves. We are awaiting confirmation this change will occur but at this stage the revised levy is not included in the draft budget. This will be updated for the Council meeting on the 28 February 2017.

5.10 To help pay for this increase the levy for Passenger Transport will be reduced by the temporary use of transport reserves. The reserves of GM Combined Authority will need to be replenished via subsequent increases in the transport levy. It is anticipated this will be assisted by reductions in the waste disposal levy. This is not yet reflected in the 2017/18 draft budget.

5.11 As mentioned earlier, the Council receives a number of grants in support of its services which can vary from year to year. Mention has already been made to the new social care grant and new homes bonus.

5.12 **Increased Demand for Services** – each year the Council anticipates increased demand for services, particularly for Children and Adults' care services. In 2016/17 the Council has seen an unprecedented increase in the number of children coming into the purview of its care services. This is clearly illustrated in the table below:

Table 5: Children Services Caseloads

Caseloads	Apr2014	Apr2015	Apr 2016	Jul 2016	Sep 2016	Dec 2016
Children In Need	888	840	732	681	971	1,224
Children Looked After	423	417	435	437	446	479
Child Protection Plans	167	212	223	261	259	344
Total	**1,478**	**1,469**	**1,390**	**1,379**	**1,676**	**2,047**

5.13 Such demand results in costs in two main ways. One is for the additional staffing costs, mainly social workers, to deal with increased caseload whilst also keeping children safe. The second is the cost in providing care that each child has been assessed as needing; this can vary widely depending whether at one end of the range the child can be cared for safely in a home environment which may involve only modest or no cost or needs, to the extreme of a child needing a secure permanently staffed external placement external placement.

5.14 The Council is already addressing the situation and is facing increased costs in 2016/17 which will be managed within the overall budget envelope. For 2017/18 a recurrent budget provision of £6 million is being made to cope with this demand. In addition a non-recurrent sum is included in the childrens services budget as outlined in Para 5.17. Spending at this level is not sustainable in the context of declining resources and therefore managers will need to identify over the medium term how expenditure can be brought within available resources. The impact of this increased demand in terms of outcomes for children and also financial sustainability will be monitored by an independently chaired Improvement Board and also by a panel of elected Members.

5.15 For Adults' services, the number of people coming into the service should be easier to predict and consequently have less volatility in this budget. Having said that the Council is having to care for an increased number of people with a learning disability and there can be a wide range of costs depending on what their assessed needs are; for elderly people there are more with dementia who need more support.

Table 6: Adult Services Caseloads

					Projected		
Caseloads	**Apr 16**	**Jul 16**	**Sep 16**	**Dec 16**	**2017-18**	**2018-19**	**2019-20**
People in Care Home placements	793	789	800	800	807	820	832
Homecare hours provided p/w	9,543	9,283	8,982	9,467	9,459	9,600	9,744
Homecare - number of clients	948	945	916	960	956	971	985
Extract of Number of people helped to live at home;							
Day Care	439	446	462	462	459	466	473

Supported Accommodation (incl Extra Care Housing)	400	399	411	411	411	417	424
Shared Lives	150	141	140	141	145	147	150

Please note that the above growth projections are based on POPPI & PANSI demographic growth assumptions the numbers do not include the impacts of activity deflections from Acute services into community based settings arising from implementation of new models of care through Care Together. The prevalence rates for Dementia are also increasing, the extract below demonstrates the projected local trend

Table 7: Levels of Dementia

Dementia - all people	2016	2017	2018	2019	2020
People aged 65-69 predicted to have dementia	161	153	147	141	136
People aged 70-74 predicted to have dementia	266	293	310	328	347
People aged 75-79 predicted to have dementia	428	433	445	457	470
People aged 80-84 predicted to have dementia	597	610	657	708	762
People aged 85-89 predicted to have dementia	583	622	622	622	622
People aged 90 and over predicted to have dementia	508	508	536	566	597
Total Tameside population aged 65 and over predicted to have dementia	**2,543**	**2,619**	**2,717**	**2,822**	**2,934**

5.16 There are **other costs** included in the draft budget which are commented on below;

5.17 Alongside the increased service demand within Childrens Services, there will be also additional investment required within the service for 2017/18 of £2.6million funded from reserves. This is for the current demand faced by childrens services which is anticipated to decline over the medium term plus a non-recurrent sum to facilitate service improvement initiatives following the recent Ofsted inspection. These improvements include a review of service provision pathways and the associated business processes and system infrastructure together with additional capacity to improve the development of the service workforce.

5.18 The largest asset owned by the Council is the highway network and in order to try to prevent a decline in its condition it is proposed to allocate a budget of £0.5 million for annual maintenance; in addition Members will be asked in March 2017 to consider an investment in highways as part of the capital investment programme (see section 9.5).

5.19 In a similar vein there are a number of buildings within the Council's ownership, including some of historical importance, which require regular upkeep. An increase in the budget of £0.65 million is included within the financial plans.

5.20 The Tameside Resettlement Scheme is an initiative to provide emergency support in the form of rent deposits and second hand furniture to vulnerable people in the Borough. This is currently funded on a non-recurrent basis from reserves. A permanent budget of £0.34million for this support is now included within the proposed budget.

5.21 In order to bring the budget into line with available resources it is necessary to review and identify opportunities for savings and efficiencies across all services. In order to help care services have sufficient time to deal with the changing demographic profile (sections 5.12 – 5.15 above) and for *Care Together* to deliver transformational savings the priority in 2017/18 has been to identify the majority of savings away from care services.

Savings and Efficiencies

The savings and efficiencies identified to assist in balancing the budget must be set in the context of what the Council has already achieved over the last few years. By the end of 2016/17, the Council has had to make efficiency savings of £144.5 million. For 2017/18 the main areas of savings can been placed in two main themes.

1. Maximising the benefit of the Council's financial resource base

5.22 A separate report will be considered by the Executive Cabinet to make an advance payment of pension contributions, which will allow the pension fund to make investments and thereby generate additional income. This is expected to produce a benefit of around £0.8 million per annum over the three year period. It is only the Council's strong cash position which allows the advance payment (of £45 million) to be made. In addition the allowance in the contribution rate for the cost of early retirements will be reduced saving a further £0.24 million.

5.23 The Council has provided an equity loan to Manchester Airports Group following a restructuring of the Group. The loan attracts a coupon of 12% return but by its nature it carries a higher risk. However given the trading position of MAG it is reasonable to release this income stream of £1.040 million into the medium term financial plans.

5.24 The Council is able to borrow for its capital investment programme so long as it is able to afford the cost of interest and loan repayments from its revenue budget. The Council's cash position has meant that it can delay the taking up of new borrowings, thereby avoiding interest costs, and instead using available cash. Currently the Council is under-borrowing by nearly £70 million as regularly reported in the treasury management updates to Executive Cabinet. The assumption in the medium term financial plan will be that some limited borrowing will take place but overall there will still be an under-borrowed position throughout the three year planning period. This will result in a saving to the revenue budget of £5.1 million and will be included in the budget.

5.25 In previous budgets the Council has been faced with volatile increases in the waste disposal levy. To provide a cushion against these movements the Council has gradually increased the budget provision to get to a level that was forecast some years ago. Since then there have been a number of changes such as savings made by Greater Manchester Waste Disposal Authority (GMWDA), the Council's bin swap and now the intention by GMWDA to identify further savings. As a result it is possible to release £5 million budget provision to support current the resource constraints being faced.

2. Service Efficiencies

5.26 Over the past seven years of austerity the Council has removed substantial sums from both back office and service costs. Costs are kept under review and new initiatives for savings are constantly sought. For 2017/18 services have again identified measures to make further savings:

- **People Directorate (£0.336 million)** - There have been a number of services reviews within Adult Social Care which will achieve a £0.336m recurrent saving from 2017-18 onwards. Areas reviewed include Sensory Services, Learning Disabilities Day Services and Respite Provision. Further work is ongoing to ascertain the suitability of the Reablement service and invest to save proposals are currently being evaluated to expand the community based model for people with sub-threshold needs to enable them to live independently.
- **Public Health (£0.436 million)** - The Directorate has reviewed and recommissioned a number of contracts to deliver recurrent savings of £0.436 million from 1 April 2017. Contracts where savings will be delivered include the provision of support for residents

with issues associated with drugs and alcohol and sexual health needs. Savings will also be realised within the contract for the provision of 0-19 public health services.

- **Place Directorate (£0.988milllion)** - These include staffing savings across environmental services following a whole service review.£0.531million, £0.200milioon from savings in street lighting energy as a result of the investment in LED lighting and various small efficiencies across the services.
- **Governance and Resources (£0.593 million)** - this will be achieved from a variety of initiatives included merging finance teams with Tameside and Glossop Clinical Commissioning Group, providing services to GM Pension Fund from within existing capacity and continued investment in digitisation to improve services.

5.27 Applying the total savings outlined, it still leaves a gap to be addressed of £8.1 million and £19.3 million in the following two years as shown below:

Table 8: Gap Analysis

Gap Analysis	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**
<u>Funding Changes</u>			
Grant Settlement	8,379	4,784	4,593
Use of Reserves 2017/18	(2,600)	2,600	0
Use of Reserves 2018/19	0	(1,600)	1,600
Use of Reserves 2019/20	0	0	(300)
Total Funding Changes	**5,779**	**5,784**	**5,893**
<u>Service Changes</u>			
Cost Increases	18,682	9,780	7,257
Savings:			
- Financial Resource Base	(13,007)	(107)	(330)
- Efficiencies	(2,353)	(125)	(725)
Pump Priming Costs	0	250	0
New Income (mainly Better Care Fund)	(974)	(4,476)	(3,877)
Total Service Changes	**2,348**	**5,322**	**2,325**
Remaining gap to be addressed	**8,127**	**11,106**	**8,218**

Overall Summary

5.28 After incorporating all of the above, table 9 shows the full budget and the resources available to pay for it before decisions are made on council tax.

Table 9: Medium Term Financial Strategy 2016-20

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Resources				
Revenue Support Grant	(34,493)	0	0	0
Business Rates Baseline	(27,480)	(47,701)	(49,285)	(51,094)
Business Rates Top-up Grant	(24,043)	(43,635)	(37,267)	(30,865)
Collection Fund Surplus	(1,000)	(1,000)	(1,000)	(1,000)
Amount to be funded from Council Tax	(74,333)	(74,333)	(74,333)	(74,333)
Use of Reserves and Balances	(952)	(2,600)	(1,600)	(300)
Total Resources	**(162,301)**	**(169,269)**	**(163,485)**	**(157,592)**
Spending Plans				
Director of People	71,186	83,117	80,998	79,343
Public Health	1,400	16,707	16,740	16,548
Director of Places	63,211	58,362	59,550	59,846
Director of Governance and Resources	9,979	9,652	9,725	9,824
Corporate Costs	16,525	9,558	15,705	19,482
Total Spending	**162,301**	**177,396**	**182,718**	**185,043**
Remaining Gap to be addressed	**0**	**8,127**	**19,233**	**27,451**

6 CLOSING THE GAP: COUNCIL TAX

6.1 The previous coalition government had a policy on Council Tax whereby it provided financial incentives for local authorities to freeze their tax levels. There has been a marked difference with the current Government where council tax increases are expected to take place and have built such increases into their financial models included in the annual grant settlement. Furthermore the idea of a 'precept' for adult social care was introduced in 2016/17. In the absence of Government funding to deal with such issues and the need to provide statutory services, local authorities have to consider council tax increases. For these reasons this Council has agreed that it will have to raise the level of Council Tax over the next three years.

6.2 Before raising the tax the Council has taken actions to ensure the amount raised from Council Tax is maximised. A review of the single person discounts was carried out in 2016 and resulted additional income of £300k was available for collection. In addition the Council's Tameside 500 is a policy to encourage 500 new homes to be built in the borough each year, which will increase the tax yield. Finally the Council is taking a firm approach on collection so that the maximum return can be achieved, which reduces the need to make reductions in services.

6.3 The main benefit of the increase in yield and collection rate increase to 96.5% is that a recurring sum of £2.3 million can be used to support the budget; this is before any increase in the level of Council Tax.

6.4 In addition there is a surplus on the Collection Fund which can be released to support the budget. A total of £3 million will be used to support the budget in 2017/18, which is £2 million more than planned. The amount available to support future years will be phased downwards to £1.5 million per year.

6.5 When the grant settlement was announced in December 2016 the Secretary of State set out his guidelines on Council Tax. He announced it would be permissible for the adult social care precept to be increased above the 2016/17 level of 2% (of the Council's tax level) as follows:

2017/18: maximum increase of 3%;
2018/19: maximum increase of 3%;
2019/20: maximum increase of 2%;

Over the three year period the maximum combined increase is 6%.

For general increases in Council Tax, the trigger point for a referendum to be called is 2% or more.

6.6 The table below illustrates the effect of increases in Council Tax on the affordability of the Council's medium term plan. The budget for 2017/18 can be balanced with a 4.99% increase but there remains a shortfall in future years even after a tax increase:

Table 10: Medium Term Financial Strategy 2017-20 (including council tax)

	2017/18 £000	**2018/19 £000**	**2019/20 £000**
<u>Resources</u>			
Revenue Support Grant	0	0	0
Business Rates Baseline	(47,701)	(49,285)	(51,094)
Business Rates Top-up Grant	(43,635)	(37,267)	(30,865)
Collection Fund Surplus	(1,000)	(1,000)	(1,000)
Amount to be funded from Council Tax	(74,333)	(74,333)	(74,333)
Use of Reserves and Balances	(2,600)	(1,600)	(300)
Total Resources	**(169,269)**	**(163,485)**	**(157,592)**
<u>Spending Plans</u>			
Director of People	83,117	80,998	79,343
Public Health	16,707	16,740	16,548
Director of Places	58,362	59,550	59,846
Director of Governance and Resources	9,652	9,725	9,824
Corporate Costs	9,558	15,705	19,482
Total Spending	**177,396**	**182,718**	**185,043**
<u>Council Tax Increases</u>			
Council Tax Increase - 4.99% (1.99% in 2019/20)	**(3,824)**	**(7,871)**	**(9,597)**
Revised Tax Base & Collection Rate	**(2,303)**	**(2,612)**	**(2,922)**
Additional Collection Fund Surplus	**(2,000)**	**(500)**	**(500)**
Remaining Gap to be addressed	**0**	**8,250**	**14,432**

6.7 On a like for like basis[1] the proposed budget represents a decrease of £6.7 million (3.72%).

[1] Adjusted for :public health grant of £15.699million no longer payable in 2017/18;
Section 31 grant increase of £2.000million in respect of 100% business rates devolution
Non-recurrent budget for Place directorate of £0.952 million

7 SCHOOLS FUNDING

Dedicated Schools Grant

7.1 The Dedicated Schools Grant (DSG) provides revenue funding for allocation to education providers. The grant is calculated largely based on information recorded on the pupil census in October of the previous year and includes the following categories of pupils**:**

- Schools (including Academies and Primary School Nurseries).
- Pupil Referral Units.
- Private, Voluntary and Independent (PVI) Nurseries.

7.2 In 2013/14 the Department for Education (DfE) implemented significant changes to the way that DSG funding can be allocated to schools. The DSG for 2017/18 is allocated by the Education Funding Agency (EFA) in three blocks.

Early Years – this block contains the DSG funding allocated by the EFA to support both the standard and extended entitlement to education for 3 and 4 year olds attending both school and PVI Nursery provision. It also contains funding allocated by the EFA to support 2 year olds attending PVI Nursery provision and the Early Years Pupil Premium.

High Needs - this block contains the DSG funding allocated by the EFA to support the education of children with High Needs which is sometimes referred to as Special Educational Needs or SEN. This includes the funding allocated for post 16 provision.

Schools – this block contains the remainder of the DSG funding allocated by the EFA which primarily supports Mainstream Schools. In 2017/18 this block now also contains funding to support some of the Council's retained duties in relation to Schools that was previously allocated through the Education Services Grant.

7.3 The value of the DSG is adjusted by the EFA throughout the financial year, but the Council expects to receive a gross DSG allocation of approximately £179.288m in 2016/17. This figure is inclusive of Schools Block funding for Academies and place funding for non-Maintained Special Schools, which the EFA will subsequently deduct from the DSG paid to the Council. The estimated 2017/18 gross DSG allocation notified by the DfE in late December 2016 is £187.809m. The increase of £8.521m is due to a combination off: new funding; an increase in pupil numbers and; amounts previously paid via other funding streams (i.e. not increased funding). An analysis of the changes are set out below:

- £2.283m relates to an increase in directly comparable Early Years grant funding caused by a significant increase in the hourly funding rate for Tameside providers

- £0.722m relates to an increase in the amount allocated for High Needs

- £3.410m relates to increased numbers of children in Tameside (this element is not comparable to 2016/17)

- £1.561m relates to new elements of Early Years grant funding for the Extended Entitlement for working Parents and the Disability Access Fund (this element is not comparable to 2016/17)

- £0.545m of the increase relates to Council Retained Duties funding that was previously allocated via the Education Services grant. (this element is not comparable to 2016/17)

Table 11: Summary of Dedicated Schools Grant Funding

DSG Funding Element	2016/17 Estimate £m	2017/18 Estimate £m	Change £m
Early Years Block	10.605	14.449	3.844
High Needs block	18.313	19.035	0.722
Schools Block	150.370	154.325	3.955
Total	**179.288**	**187.809**	**8.521**

7.4 The national changes to the formula in 2013/14 combined with significant reductions in pupil numbers, has meant that some schools receive considerably lower levels of DSG funding when compared to previous years. The Minimum Funding Guarantee (MFG) helps to protect funding that would otherwise be removed from schools allocations. However, as the MFG is applied on a per pupil basis, schools with significant pupil reductions will not receive any MFG protection for any associated reduction in pupil numbers. In order to fund the MFG protection, schools which benefit from the funding reforms have their gains reduced through the use of a cap.

7.5 The Council will continue to calculate school budget allocations for Academy schools within the Borough. The Council's gross DSG will be reduced by these Academy budget allocations as the associated funding will be paid directly to each Academy by the EFA. The Council still funds Academies for Early Years and elements of High Needs funding. The Table below summarises the allocation by block and includes a restatement of the split of funding between the High Needs and Schools blocks in 2016/17 which resulted from a re-baselining exercise carried out by the EFA.

Pupil Premium

7.6 Schools will continue to receive Pupil Premium funding in 2017/18 in addition to the DSG. The Government extended eligibility for the Pupil Premium in 2012/13 to include pupils who have been eligible for Free School Meals (FSM) at any point in the previous six years, as well as any pupils who have been Looked After Children (LAC) at any point in the previous 12 months.

7.7 Pupil Premium funding is provided to support children who are eligible for FSM because research has indicated that these children have lower educational attainment than children who have never been eligible for FSM.

7.8 The Pupil Premium grant funding allocated per child for Primary Aged FSM eligible children in 2017/18 will be £1,320 and the equivalent rate for Secondary Aged FSM eligible children will be £935. The rate for current and former Looked After Children will be £1,900 in 2017/18. These are the same rates of funding that were used in 2016/17.

7.9 In addition children with parents in the armed services will continue to be eligible for the service child premium. The rate per service child remains at £300 in 2017/18.

7.10 The DFE cannot release allocations of 2017/18 Pupil Premium funding at the time of writing this report, as they are in part based on the Spring School census process which is not yet completed. Therefore the current estimate is that the 2017/18 allocation including Academy schools will be at a similar level to the 2016/17 allocation of £13.594m. The actual 2017/18 allocation will be updated during the summer of 2017 following validation of the January 2017 pupil census by the DFE. The estimated value above includes Academies, but as with the DSG the majority of Pupil Premium grant is paid to Academies directly by the EFA.

7.11 The Pupil Premium must be used to support the improvement of educational outcomes for the children it is allocated for. Since September 2013 Schools are expected to publish details about how they have used their Pupil Premium funding allocations and OFSTED inspection processes have been amended to place greater scrutiny on the use of this grant. The DfE also include measures in performance tables to report the attainment of pupils who are eligible for the Pupil Premium.

National Funding Formula

7.12 The DFE carried out the first stage of a consultation during Easter 2016 in relation to arriving at a National Funding Formula to allocate the Dedicated Schools Grant. The DFE released the second stage of the consultation on 14 December with a closing date for responses of 22 March 2017. There is a proposed phased implementation of the associated changes that would start to take effect from 2018/19. The proposals affect all aspects of the grant other than the Early Years elements. The grant value descriptions shown throughout the consultation documents and in this section refer to:

- the 2016/17 funding amounts as a Baseline of what each local authority area receives now
- the Illustrative National Funding Formula (NFF) amounts as the target figures the DFE believe that each local authority area should receive in future
- the Illustrative NFF funding for the First Year amounts as the estimated grant values for 2018/19

7.13 The estimated total target funding to be allocated to Tameside at the end of the proposed changes is £172.242m. The estimated allocation of DSG funding for the first year of the National Funding Formula (NFF) of 2018/19 is £170.706m. The equivalent baseline value for the same elements of DSG funding in 2016/17 was £169.122m, which represents an estimated increase of £1.584m (0.94%) in the first year of the NFF and an increase of £3.120m (1.84%) being the ultimate target amount.

7.14 The Schools Block of the DSG is the area of funding that is intended to fund mainstream (non-special) Schools. The element of the total DSG figure within the consultation proposals that relates to the Schools Block is £149.472m for 2018/19, compared to the £148.328m baseline for 2016/17 which is an increase of £1.144m or 0.77%. This is a significant change from the Minimum Funding Levels exercise that the DFE conducted in 2014/15 which suggested that Tameside Schools were overfunded by approximately 3.52%. The above figures include the two recently opened academy schools Inspire and Discovery, but the figures below summarising the overall impact do not include their estimated budgets as the consultation did not provide the equivalent detail for those Schools. The proposals result in a net increase in funding through this block for the other mainstream Schools in Tameside of £ 1.174m which comprises**:**

- 43 Schools across Tameside will experience an estimated total reduction in funding of £0.658m per annum between them.
- 46 Schools will share an estimated increase in funding of £1.832m between them

7.15 The High Needs (often referred to as Special Education Needs (SEN)) element of the estimated DSG grant is £18.725m for 2018/19 under the new proposals, compared to £18.220m in the baseline year of 2016/17 which is an increase of £0.505m or 2.77%. The total potential gain in target funding in this area of £2.959m is based on the DFE’s revised assessment of needs in Tameside and should eventually result in a total of £21.179m of High Needs funding. However, the annual gains are capped at 3% per year initially and therefore it results in an increase of £0.5m in additional funding in the first year 2018/19.

8 RISKS AND UNCERTAINTIES FACING THE COUNCIL

8.1 A critical element of the Medium Term Financial Strategy and budget is to ensure that the financial consequences of risk are adequately reflected in the Council's finances.

8.2 A risk-based assessment of issues which could have a major impact on the Council's finances provides a flexible and responsive approach that reflects the continuously changing environment within which local government has to work. A risk assessment of the overall 2017/18 budget has been undertaken covering the following areas:

- Performance against the current year's budget.
- Realistic income targets.
- 'At risk' external funding.
- Reasonable estimates of cost pressures.
- One-off cost pressures identified.
- Robust arrangements for monitoring and reporting performance.
- Reasonable provision to cover the financial risks faced by the Council.

Our risk-based approach takes into account relevant external factors such as changes in Government policy, the state of the local economy and the impact of this on the demand for council services, and any potential changes to the underlying financial assumptions within the period of this Budget Report.

8.3 It is clear that there are a number of risks that could impact upon the plans put forward in this report; some of the more significant ones are set out below.

- *Uncertainty over future Government funding levels* – reductions in Government grant levels could be greater than anticipated. This risk has been considerably reduced by opting for the four year fixed settlement but there are still other funding streams that could be cut.

- *Delivery of savings/efficiencies* – there is a risk that the delivery of savings plans set out by some service areas will materialise later or lower than planned given the scale and complexity of the task. This risk is managed by close scrutiny of the efficiency proposals and inclusion only where it is considered highly likely that they will be achieved.

- *Unforeseen increases in service expenditure* – the Council's system of budgetary control places personal responsibility on Executive Directors, Senior Management Team and Service Unit Managers to control spending within budget. Key risks arise where the driver of a spending increase is outside Council control, such as due to inflationary or demographic impacts. Thorough review of all potential pressures within service areas has been carried out and budget provision has been provided to enable these pressures to be contained within the allocated budget for that service area. This can be seen within the movements for individual service budget, for example demographic pressures in adults. Any variances will be reported at an early stage as part of the budget monitoring process.

- *Maintaining an effective control environment* – financial, procurement and governance controls will be tested as the organisation continues to undergo a period of profound change.

- *Waste Disposal Levy* – the levy of the Waste Disposal Authority (WDA) may vary with the tonnage of waste disposed of. Current experience indicates that this budget will be sufficient but efforts must continue to reduce waste tonnages reaching landfill. A smoothing reserve will be maintained in case of unforeseen demands on the levy.

- *Claims on the Council of an insurable nature* – these can take the form of public and employer's liabilities or damage to the Council's assets. Adequate cover against such risks is provided through a combination of external insurance and internal insurance via the Council's own insurance fund. The Council's insurance fund is actuarially assessed periodically to ensure that it is adequate for the potential liabilities it covers.

- *Council Tax collection* – any fall in the collection of Council Tax income will have a financial impact on the Council. The Council aims to collect 100% of all income due but we prudently budget to receive 96.5%. Arrears are actively pursued and recovery will continue over a period of years if required.

- *Business Rates appeals* – successful Business Rates appeals have a direct financial impact on the Council. The number of appeals, as well as the status of current appeals and the outcome of appeals is continually monitored to assess the adequacy of the Council's provision to mitigate this risk. The risk is heightened in 2017/18 with the introduction of a completely new valuation list which will inevitably lead to a fresh round of appeals.

- *Capital receipt generation* – the current process of asset rationalisation requires that many Council properties are being disposed of. Care is taken to secure the best price possible at the time. There is also a risk that delays could require the Council to borrow more to fund investment.

- *Investment income* – budgets have been based on a prudent estimate of likely future interest rates and returns with security of investment being a priority.

- *Care Together* – the aims of Care Together are explained in section 2.10 of this report. The Council will be exposed to risks it has not had to encounter previously relating to financial performance in the NHS. The risk sharing arrangements are still to be agreed and thereafter will require close monitoring.

Risk summary

8.4 The setting of a budget and the adoption of a Medium Term Financial Strategy for the following years are part of the embedded process of managing many risks of different magnitudes. Tameside, in common with other councils, currently faces a large number of complex risks. Clear leadership from Members and Officers is a vital first step in addressing these. Further mitigation is achieved through a strong internal control environment and strong strategic planning. As a result, many risks in the budget are either dealt with via systems and policies currently in place, by adequate levels of reserves and balances, or by specific budgetary provision where the risk is perceived to be significant.

Budget Assurance Statements

8.5 Budget assurance statements have again been put in place this year. These outline how the Council is responsible for ensuring that its budgets are prepared robustly and in accordance with the law and proper standards, and that public money is safeguarded and used economically, efficiently and effectively. The statement goes on to explain that in discharging this accountability, Members and Chief Officers are responsible for putting in place proper processes and internal controls to ensure the proper stewardship of the resources at its disposal including budgetary estimates for the forthcoming financial year. These statements will be signed by members of the Executive Management Team, accepting their responsibility for delivering services within their allocated funding envelopes. The Internal Audit team will report back to members throughout the year on the adequacy of internal financial controls.

Robustness of estimates for the budget requirement

8.6 In the light of the risk assessment and the details of the budget as set out in this report, which are based on the best information available at the time, and the strength of the Council's Internal Control Systems (validated by External and Internal Audit), and of the assurance statements presented, it is the opinion of the Section 151 Officer as the Chief Finance Officer that the budget estimates for 2017/18 are robust. This statement is in compliance with Section 25 of the Local Government Act 2003. This is not a guarantee that spending will be within every budget line but it is reasonable to believe that the expenditure will be contained within the overall resource envelope agreed by the Council.

Operating reserves and future provisions

8.7 Operating reserves and provisions are a key element of the financial management arrangements for all councils.

They can be broadly categorised as three main types:

- A working balance which helps smooth cash flow operation and avoids the need to borrow temporarily (General Fund balances).
- A contingency to cushion the impact of unexpected events and emergencies (an element within the base revenue budget).
- A means of building up funds to meet expected requirements.

8.8 Section 26 of the Local Government Act 2003, places a duty on the Section 151 Officer to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget. This budget continues to assume a minimum level of General Fund balances of £17 million as being proportionate to the safe financial operation of the Council and to the risks it faces in the medium term.

8.9 The Council is in a strong financial position with regard to reserves which it has managed to accumulate over a period of time. An interim review of reserves has been carried out and will be finalised at the year end. The main change at this point is with regard to the capital investment programme: it had previously been assumed that a significant proportion of the programme would be financed via prudential borrowing but this is not consistent with the view of affordability on the Council's revenue account. In addition there are other priorities that need resource cover. Therefore a proportion of existing reserves will be reallocated to provide for the following:

Table 12: Use of Reserves

Purpose of Reserve	**Amount £m**
Capital Investment Programme Financing	80.000
Care Together Programme	15.000
Service Improvement – capacity	5.000
Children's Improvement programme	6.000
Waste Levy Smoothing	7.000
Total	**113.000**

8.10 It is a legal requirement that the Section 151 Officer is also satisfied that decisions taken on balances and reserves represent proper stewardship of public funds. The Government has previously criticised the level of reserves held by councils as being too high. However, the professional consensus is that reserves are more necessary in times of greater risk and uncertainty.

8.11 As the Council moves further to joint working and ownership of the overall health economy with our health partners the level of financial risk being faced by the Council continues to increase. Reserves provide a way for the Council to ensure that any unforeseen financial impacts can be absorbed without immediately impacting on frontline service delivery. Currently, potential impacts may arise from a number of sources, including:

- The further significant loss of Government funding.
- Significant changes to local government responsibilities
- Other cost pressures or national policy changes e.g. the impact of an ageing population and pressures within the local health economy.
- Delays in securing further, significant, ongoing savings targets.
- Volatility of the Business Rates base and 100% rates retention.
- Potential legal judgements and the confirmation of obligations that led the Council to recognise contingent liabilities in the Statement of Accounts.

8.12 The Section 151 Officer considers the level of reserves and balances to be a major asset to assist the Council to navigate the financial challenges faced on both revenue and capital accounts over the medium term. It should be noted that reserves will reduce considerably over the following three years but that is no cause for alarm when it is in accordance with the medium term financial plan.

9 CAPITAL: RESOURCES AND LOCAL INVESTMENT

9.11 The current Capital Programme consists of 180 projects and the Council estimates to spend £143m on capital investment from 2016/17 to 2018/19.

9.12 The table below shows those schemes in the current programme with a budget greater than £1m:

Table 13: Capital Programme

Capital Scheme	**Budget 2016/17 £000**	**Budget 2017/18 £000**	**Budget 2018/19 £000**	**Total £000**
Vision Tameside	11,000	27,071	-	38,071
Active Tameside – New Denton Facility	200	8,000	6,524	14,724
The Longdendale Integrated Transport Strategy	-	7,809	-	7,809
LED Street Lighting Investment	2,304	2,304	-	4,608
Purchase of 22 Refuse Collection Vehicles	-	3,060	-	3,060
Ashton Town Centre and Civic Square	3,052	-	-	3,052
DfT Bridges and Structures Challenge Fund	2,199	500	-	2,699
Ashton Public Realm	-	2,631	-	2,631
Procurement of 58 Fleet Vehicles	2,442	-	-	2,442
Aldwyn Primary Additional Accommodation	1,192	1,191	-	2,383
Active Tameside – Active Dukinfield Refurbishment	2,300	-	-	2,300
Fleet Replacement 17/18	-	2,256	-	2,256
Disabled Facilities Grants	1,547	700*	-	2,247
Active Tameside – Hyde Leisure Pool Extension	500	1,500	-	2,000
ICT - Vision Tameside	377	550	440	1,367
Denton Link Road	1,353	-	-	1,353
Other Schemes below £1m	28,840	17,171	5,000	49,068
Total	**57,306**	**74,043**	**11,964**	**143,313**

* resources re-profiled from 2016/17. Allocation for 2017/18 financial year still awaited

9.13 The resourcing of the current capital programme, as summarised below, has been reviewed to maximise efficiencies on the revenue costs of capital. Minimum borrowing has been assumed to be carried out with the majority of the corporate funding now undertaken by using reserves and/or capital receipts. A summary of the anticipated expenditure is included in the table below.

Table 14: Planned Capital Expenditure 2016/17 – 2018/19

Directorate	**Budget 2016/17 £000**	**Budget 2017/18 £000**	**Budget 2018/19 £000**
People	14,023	7,734	-
Place	35,732	51,676	440
Public Health	4,503	9,680	6,524
Governance & Resources	3,048	4,983	5,000
Total	**57,306**	**74,073**	**11,964**
Resources			
Grants & Contributions	22,376	18,703	-
Revenue Contributions	623	530	-
Corporate:			
Prudential Borrowing	6,945	14,996	6,524
Reserves / Capital Receipts	27,362	39,844	5,440
Total	**57,306**	**74,073**	**11,964**

Monitoring of programme

9.14 Executive Directors, Assistant Executive Directors and Project Managers should plan early in order to achieve the annual programme, both in physical and spend terms. There is also a need to monitor closely those major schemes in the Programme where there is a risk to the Council either in terms of spend or income, and partnership working will continue to be pursued wherever possible. Four monitoring reports on progress in achieving the planned Capital Programme will be presented during 2017/18.

Future Capital Investment

9.15 The principles of financial planning equally apply to the capital programme. The methodology and priorities set out in the capital strategy are adhered to in framing future years' capital programmes and prioritising schemes on a logical and reasoned basis. A review of future capital commitments and new investment is being undertaken and will be the subject of a future report. The resource envelope available for the totality of the capital investment programme for the four year period 2016/17 – 2019/20 is as follows:

Table 15: Proposed Funding

Source of Finance	**Amount 2016/17 – 2019/20 £m**
Grants and Contributions	41.079
Revenue	1.153
Prudential Borrowing	28.465
Reserves / Capital Receipts	120.000
Total	**190.697**

9.16 If the level of grants and contributions varies, up or down, then adjustments will be made to the programme. From the table above it can be seen that estimated resources are in excess of the current investment programme and therefore the Executive Cabinet will consider the composition of the capital programme in March 2017 within these parameters.

Prudential Borrowing Code

9.17 The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital plans of local authorities are affordable, prudent and sustainable and to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports these objectives.

9.18 To demonstrate that local authorities have fulfilled these objectives the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account. The Code does not include suggested indicative limits or ratios as these are for the local authority to set itself. The Prudential Indicators required by the Code are designed to support local decision making and are not comparative indicators.

9.19 This report recommends specific indicators for approval and an affordable borrowing limit for 2017/18. It also recommends an affordable borrowing limit for the Greater Manchester Metropolitan Debt Administration Fund.

9.20 Where appropriate the Council may undertake borrowing for external organisations, and this will be on the basis that the revenue costs are fully reimbursed. This will be done purely for policy reasons.

9.21 Prudential Indicators have been set with regards to: affordability, prudence, sustainability, value for money, stewardship of assets, service objectives and practicality.

9.22 Local authorities are required to encompass all aspects of the Prudential Code that relate to affordability, sustainability and prudence. When making a decision to invest in capital assets, the Council must ensure that it can meet both the immediate and long-term costs to ensure the long-term sustainability.

9.23 The Prudential Code requires local authorities to consider wider management processes i.e. option appraisal, asset management planning, strategic planning and achievability in accordance with good professional practice. The Strategic Planning and Capital Monitoring Panel together with the Asset Management Group are responsible for these areas.

Setting of Prudential Indicators

9.24 The Prudential Indicators for 2017/18 and the following two years must be set before the beginning of the forthcoming year and requires approval by Council as part of the budget approval process. The Section 151 Officer is responsible for ensuring that all matters required to be taken into account are reported to the Council for consideration.

9.25 The system requires a process for controlling prudential borrowing to ensure that all council borrowing remains affordable. The Section 151 Officer is responsible for this centralised control and has recommended approval of £30m of additional prudential borrowing in 2017/18 (being £6.945m relating to capital expenditure, and £23.055m against the existing under borrowed position), along with £14.996m in 2017/18 and £6.524m in 2018/19 in support of the capital programme. The actual timing of taking up new borrowing, in respect of the current under-borrowed position as well as the proposed capital investment plan, will be kept under review as part of normal treasury management operations.

9.26 The Prudential Borrowing proposal is provisional as the Council will review its available resources at the end of each financial year. An assessment of the capital grants, contributions and capital receipts at year end may provide a more cost effective method of financing the Council's capital expenditure. The Council will endeavour to keep Prudential Borrowing and the associated costs to a minimum by utilising other available resources.

Required indicators

9.27 The required Prudential Indicators are set out in **Appendix 4** together with the methodology used to calculate them. The Prudential Indicators have been based on the level of borrowing set out in section 9.15.

9.28 The monitoring frequency for each Prudential Indicator is determined individually. Some are monitored daily as treasury management transactions take place and others less frequently. For some indicators e.g. net external borrowing, trigger points will be set within the monitoring process to highlight when the indicator limits could be breached and allow corrective action to be taken

9.29 The Section 151 Officer will report to Members on the performance of all Prudential Indicators as part of the Capital Programme monitoring process. Some of the Prudential Indicators may need to be revised during the year and these will require approval by the Overview (Audit) Panel. The indicators will continually change due to factors other than the level of borrowing e.g. – capital expenditure will change when additional grant resources are received

Minimum Revenue Provision (MRP) Statement

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

9.31 Regulations require Full Council to approve an MRP Statement in advance of each year. The Council is recommended to approve the following MRP Statement (changes to the existing statement are highlighted):

Borrowing taken up prior to 1 April 2015 will be provided for using a straight-line method of calculating MRP. £185.215m will be provided for in equal instalments over 50 years, which will result in an annual charge of £3.704m. The debt will be extinguished in full by 31 March 2065. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.

For borrowing taken up on or after 1 April 2015, MRP is to be provided for based upon the average expected useful life of the assets funded by borrowing in the previous year. The debt will be repaid on a straight-line basis over the average useful life calculated, meaning the debt will be fully extinguished at the end of period. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.

For certain investment projects it may be deemed more prudent to use the asset life annuity method in order to calculate MRP. In this case the Council will use the annuity method, with the MRP based on the prevailing PWLB interest rate for a loan with a term equal to the estimated life of the project.

If the Council uses capital receipts to repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by the this amount. The level of capital receipts to be applied to redeem borrowing will be determined annually by the Section 151 Officer, taking into account forecasts for future expenditure and the generation of further receipts.

For any finance leases and any on-balance sheet Public Finance Initiative (PFI) schemes, the MRP charge will be equal to the principle repayment during the year, calculated in accordance with proper practices.

There will be no MRP charge for any cash backed Local Authority Mortgage Scheme (LAMS) that the Council operates. As for this type of scheme, any future debt liability would be met *from the capital receipt arising from the deposit maturing after a five year period. Any repossession losses for this type of scheme would be charged to a LAMS reserve.*

10. LEGAL CONSIDERATIONS

10.1 The obligation to make a lawful budget each year is shared equally by each individual Member. In discharging that obligation, Members owe a fiduciary duty to the Council Taxpayer. The budget must not include expenditure on items which would fall outside the Council's powers. Expenditure on lawful items must be prudent, and any forecasts or assumptions such as rates of interest or inflation must themselves be rational. Power to spend money must be exercised bona fide for the purpose for which they were conferred and any ulterior motives risk a finding of illegality. In determining the Council's overall budget requirement, Members are bound to have regard to the level of Council Tax necessary to sustain it. Essentially the interests of the Council Taxpayer must be balanced against those of the various service recipients.

10.2 Within this overall framework, there is of course considerable scope for discretion. Members will bear in mind that in making the budget; commitments are being entered which will have an impact on future years. Some such commitments are susceptible to change in future years, such as staff numbers which are capable of upward or downward adjustment at any time. Other commitments however impose upon the Council future obligations which are binding and cannot be adjusted, such as loan charges to pay for capital schemes. Only relevant and lawful factors may be taken into account and irrelevant factors must be ignored.

10.3 Under the Member Code of Conduct members are required when reaching decisions to have regard to relevant advice from the statutory Chief Finance Officer, and the Monitoring Officer. Section 114 of the Local Government Finance Act 1988 obliges the Chief Financial Officer to prepare a report (to full Council) if it appears that the expenditure the Authority proposes to incur in a financial year is likely to exceed its resources available to meet that expenditure.

10.4 Similarly, the Council's Monitoring Officer is required to report to Full Council if it appears that a decision has been or is about to be taken which is or would be unlawful or would be likely to lead to maladministration. Under section 25 of the Local Government Act 2003 the Chief Financial Officer is now required to report to the authority on the robustness of the estimates made for the purposes of the calculations required to be made by the Council.

10.5 Section 91 of the Local Government Act 2000 provides that an External Auditor may issue an "Advisory Notice" if s/he has reason to believe that an Authority is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency. This power is to be used where the matter is significant either in amount or in principle or both. A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular local authorities are required by section 32 of the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council faces various contingent liabilities set out in the main budget report. Furthermore the Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. In addition to advising on the robustness of the estimates as set out above, the Chief Financial Officer is also required to report on the robustness of the proposed financial reserves.

10.6 Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. In broad terms this means that the Council has a duty to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, gender, religion, etc. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations. In carrying out the work to identify proposals for

2013/15 officers will have due regard to how the equality duty can be fulfilled in relation to the proposals overall. Detailed consultation processes and equality impact assessments will be carried out for specific proposals prior to final decisions being made where required.

10.7 The Localism Act and the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 introduced "Disclosable Pecuniary Interests" and new rules on the grant of dispensations to allow Council Members to take part in or vote on matters in which they have a Disclosable Pecuniary Interest ("DPI"). Where a Member has a DPI, they cannot speak and/or vote on a matter in which they have such an interest, unless they have obtained a dispensation in accordance with the requirements of section 33 of the Localism Act. The grounds for the grant of a dispensation under section 33(2) of the Localism Act are, if, after having regard to all relevant circumstances, the Council considers that:

(a) Without the dispensation the number of Members prohibited from participating/voting in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business.

(b) Without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business.

(c) The grant of the dispensation would be in the interests of the inhabitants of the borough.

(d) Without the dispensation every Member of the Executive would have a DPI prohibiting them from participating/voting in any particular business to be transacted by the Executive.

(e) It is otherwise appropriate to grant the dispensation.

10.8 At its meeting on 18 September 2012, the Council delegated to the Monitoring Officer the power to grant dispensations. Any grant of a dispensation must specify how long it lasts for, up to a maximum period of four years. Previously, the old "national" model Code of Conduct for Members specifically stated that Members would not have a prejudicial interest in certain circumstances that potentially affected the majority or a large number of Members. These general exemptions included an interest in any business of the Council which related to setting Council Tax or a precept under the Local Government Finance Act 1992. The new arrangements on DPIs introduced by the Localism Act do not reproduce any of the "general exemptions".

10.9 All Members are likely to have a pecuniary interest in relation to the setting of the Council Tax through their ownership / occupation of property in Tameside in common with any resident of the Borough or indeed anyone who stands as a Councillor. In the Monitoring Officer's opinion, the transaction of business relating to these matters would be impeded unless a dispensation was granted.

10.10 In these circumstances, the Monitoring Officer intends to grant dispensations to all members to allow members to participate in and vote on the setting of the Council Tax or a precept (and matters directly related to such decisions including the budget calculations). It will be necessary for all councillors to apply for dispensations to take part in the meeting at Full Council.

10.11 It is intended at paragraph 9.20 to use the annuity method for any new borrowing associated with investment/regeneration schemes. DCLG advise that the annuity method *"has the advantage of linking MRP to the flow of benefits from an asset where the benefits are expected to increase in later years. It may be particularly attractive in connection with projects promoting regeneration or administrative efficiencies or schemes where revenues will increase over time".*

10.12 The Council is looking at potential investment within the borough to make financial returns for the Council but the current MRP policy (straight line) causes problems at the start of the project when income flows are slow to pick up.

10.13 Therefore the Council is seeking some flexibility should it be needed: *If capital receipts have been used to repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by the amounts which have instead been repaid from capital receipts. The level of capital receipts to be applied to redeem borrowing will be determined annually by the section 151 Officer, taking into account forecasts for future expenditure and the generation of further receipts subject to an Executive decision on each occasion setting out the justification to use this discretion.*

10.14 The key factor is using the discretion would be a need for the Council to demonstrate and accept how this approach was prudent, against the background of only reducing an otherwise ongoing revenue expenditure in a financial year. For example, such action might be taken in order to provide the necessary amount of expenditure relief in anticipation of other savings to annual net expenditure liability that will be achievable by a subsequent financial year.

10.15 This approach to the use of a capital receipt is supported by the manner in which statute provides for the use of capital receipts.

10.16 Regulation 23(b) of The Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI No 3146) states that a capital receipt may be used "*to repay the principal of any amount borrowed."*

10.17 The repayment of the principal of an amount borrowed does not represent an item of expenditure that an authority must account for, whereas a capital receipt is a tangible monetary asset, which would normally be capable of use in connection with actual expenditure that would otherwise have to be accounted for. It follows, therefore, that if a local authority follows a statutory procedure which essentially conflicts with what may be viewed as normal accounting procedure, it must receive a benefit to reflect the loss of the spending power that would otherwise inherent to having the capital receipt.

10.18 Accordingly, there is justification for any decision that a capital receipt should be used in lieu of what would otherwise represent a prudent annual amount of MRP.

10.19 Nevertheless, in order to provide the necessary checks and balances any such use of the discretion will be undertaken by the S151 Officer in consultation with the First Deputy (Finance & Performance) and reported at the Strategic Planning and Capital Monitoring Panel and/or Cabinet as appropriate.

11. RECOMMENDATIONS

11.1 Revenue budget recommendations

a) That the budgeted net expenditure for the financial year 2017/18 as set out in **Appendix 1** be agreed at £177.396 million and that the level and usage of reserves and balances set out in this report be approved.

b) That the Medium Term Financial Strategy, as updated in this report, be approved and form the basis of future updates, reports and decisions taken by Cabinet to balance resources and expenditure in future years budgets.

c) That Council Tax for 2017/18 be increased by 4.99%, being 1.99% in respect of general level council tax and 3% in respect of social care precept.

d) That the Pay Policy for 2017/18 included at **Appendix 5** is approved.

e) That the budget assurance statement process for service areas is noted.

f) All fees and charges of the Council are raised by an average increase of 2.5% unless costs are not being recovered or market conditions require a higher or lower level.

11.2 Capital budget recommendations

a) That the position on the Capital Programme as set out in section 9.3 is agreed and that specific proposals are considered in a future report.

b) That the updated Minimum Revenue Provision statement as set out at section 9.31 be approved.

c) That the Prudential Limits set out in this report be approved with the Council to receive monitoring reports during the coming year to demonstrate compliance.

d) That the Prudential Indicators reported at **Appendix 4** are approved.

e) That authorised borrowing limits for 2017/18 for Tameside and for the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF) are agreed as set out in **Appendix 4**.

11.3 General recommendations

a) That the Council notes the difficult circumstances, and the expected challenges set out in this report over the medium term.

b) That the Council notes the significant good progress made over the last few years in meeting the financial challenges and continuing to operate in a financially robust manner.

c) That the Council retains a minimum level of General Fund balances of £17 million.

d) That the Council accepts the advice of the Section 151 Officer regarding the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves. Following this, that the Council determines that the estimates are robust for the purpose of setting the budget and that the proposed financial reserves are adequate.

APPENDIX 1:

Revenue Budget Summary 2017/18 – 2019/20

	2017/18 £000	2018/19 £000	2019/20 £000
Previous Year's Net Budget	**175,048**	**177,396**	**182,718**
Service Pressures			
Inflation	3,606	4,570	4,344
Levies	150	270	550
Legislative & Grant Changes	1,459	2,343	(58)
Demographic	9,185	3,567	3,751
Total Pressures	**14,400**	**10,750**	**8,587**
Other Costs	4,282	(970)	(1,330)
Total Pressures & Costs	**18,682**	**9,780**	**7,257**
Savings Programme			
Savings to be Delivered	(15,360)	(232)	(1055)
Pump priming costs	0	250	0
New Income	(974)	(4,476)	(3,877)
Total	**(16,334)**	**(4,458)**	**(4,932)**
Net Budgetary Effect of Service Proposals	**2,348**	**5,322**	**2,325**
Proposed Total Budget for Year (Previous Year's Budget + Net Effect of Proposals)	**177,396**	**182,718**	**185,043**
Resources			
Settlement Funding Assessment			
Revenue Support Grant	0	0	0
Business Rates baseline	(47,701)	(49,285)	(51,094)
Business Rates Top Up	(43,635)	(37,267)	(30,865)
Council Tax	(80,460)	(84,816)	(86,852)
CF Surplus	(3,000)	(1,500)	(1,500)
Reserves	(2,600)	(1,600)	(300)
Total Resources	**(177,396)**	**(174,468)**	**(170,611)**
Remaining Gap to be address (Cumulative)	**0**	**8,250**	**14,432**
Remaining Gap to be address (In Year)	**0**	**8,250**	**6,182**

APPENDIX 2:
Government Grants

	2016/17 £000	2017/18 £000
Funding		
Revenue Support Grant	(34,493)	0
Retained Business Rates	(28,695)	(47,701)
Business Rates Top Up	(24,043)	(43,635)
Section 31 Business Rates Grants	(1,960)	(3,960)
Public Health Grant	(15,699)	0
Budget Support		
Education Services Grant (2016/17- £2.538million)	*	tbc
New Homes Bonus	(4,357)	(3,182)
New Homes Bonus - returned funding	(117)	(127)
Adult Social Care Support Grant	0	(1,159)
Better Care Fund	(10,969)	(11,969)
Troubled Families Grant	(785)	(785)
Local reform and Community voices	(158)	0
Youth Justice	(457)	0
Music Hub	(344)	(344)
Housing and Council Tax Benefit Administration Grant	(1,096)	(998)
Discretionary Housing Payments (2016/17 - £0.479 million)	*	tbc
Private Finance Initiative (PFI) Grant	(14,196)	(14,196)
Localised Council Tax Support Admin Subsidy	(363)	(345)
Other		
Dedicated Schools Grant	(132,561)	(128,796)
Mandatory Rent Allowances: subsidy (2016/17 - £82.716million)	*	tbc
Mandatory Rent Rebates outside HRA: subsidy (2016/17 - £1.980million)	*	tbc
Universal Infant Free School Meals	(2,239)	(2,050)
Pupil Premium Grant	(9,218)	(8,700)
Primary PE & Sport Premium	(610)	(590)
Devolved formula capital	(473)	(450)
Total Grants	**(282,832)**	**(268,989)**

Directorate: People

Service	2016/17 Budget £000	Budget Changes (Net) £000	2017/18 Budget £000
Childrens Social Care	25,878	9,313	35,191
Education	3,313	73	3,386
Adults Social Care	41,995	2,545	44,540
Total People	**71,186**	**11,931**	**83,117**

General Narrative:
Adult Services delivers commissioning and provision function for people over 18 years. The service has a statutory duty to assess individuals who present, to determine their needs and how these might be met by the individual and their support network, delivering service to meet eligible needs that cannot be met any other way. A key focus on prevention and early intervention, working to support individuals to live as independently as possible, remaining in their home, with economic sustainability and playing an active role in their community
Adult Services has delivered significant savings over the past 5 years, while facing a range of pressures including increased demand and a challenged provider market, particularly for home care and care home provision. The Care Together programme is the system response to improving HLE and outcomes for local people, while meeting the significant financial challenge faced by the health and social care economy.

Key Issues and Achievements in 2016/17:

ACHIEVEMENTS
The service has managed to maintain service delivery with increased demand and restricted budget.
The implementation of the Care Act within current finances and teams.
Retention of Opt In service, albeit at a reduced service offer, having planned to cease operations. A result of consultation and service re-design with staff and people using the service.
Reduced the DoLS assessment waiting list from over 200 assessments to 34 by training a number of Best Interest Assessors – increased by 15 during the year.
Transferred management of Urgent Care services to ICFT to support the implementation of transformation programme.
Continued to develop working relationships with colleagues across the health and social care economy.
New home care contract commenced – working to develop stability and sustainability in the market.
Located LD/MH Supported Employment Service with Employment and Skills Service to strengthen the employment offer to vulnerable people in the borough following significant reductions in funding
Opt In Service re-designed to maintain service provision following 70% reduction in budget

ISSUES
BCF funding pressures - £1.3million funding redirected into wider economy.
Reduction in the level of ILF funding following the closure of the Fund has placed pressure on the budget.
Significant resource pressures – finance and staffing – to undertake DoLS and Court of protection assessments and authorisations.
Payment of the National Living Wage by providers – passported as a pressure to the Council.
Pressure from providers for funding to address the payment of an appropriate sleep in rate to ensure NLW paid

Challenge to how care home fees are calculated following the increase in FNC rates and general pressure on care home fees
Increased risk of provider failure and stability in the market, particularly in relation to home care and care homes
Ability to remain Care Act compliant with increased demand' increased demand and challenging financial position

EDUCATION
Education Services provide support for schools to work towards achieving the highest standards. We advocate for all pupils in the borough to ensure they receive their statutory entitlement and achieve their potential. The Service comprises of the School Standards and Performance Team, governor services who support governors in the borough, the school library service who offer support for school work through the provision of project materials, Tameside Music Service who provide tuition to over 3000 children. The Access and Inclusion Service comprises the School Admissions Team who allocate school places and administer school transfers, the Education Welfare Service who have a number of statutory duties to support attendance and safeguarding issues, the early years funding team who allocate the early years funding entitlement to private, voluntary and independent childcare providers, the SEND Team who ensure that pupils with SEND have their need identified and met and the Educational Psychology Team who help to assess the needs of children with SEND. Pupil Support Services offer a number of support services for schools including the Sensory Support Team who provide support to children and young people with visual and hearing impairments, the CLASS Team supporting pupils with social language and communication difficulties, the BLIS Team who support pupils with social, emotional and mental health difficulties, the advisory teachers who support pupils with specific learning difficulties and EMAT who support children and young people who have English as an additional language.
Key issues and achievements in 2016/17:

63% of pupils in Early Years achieve a good level of development. 54% of boys achieve a good level of development compared to 72% of girls.
77% of pupils reach the expected standard (EXS) in the year 1 phonics screening check
70% of pupils at KS1 are at the expected standard in reading, 63% of pupils are at EXS in writing and 70% are at EXS in maths.
55% of Tameside pupils and 42% of disadvantaged pupils are at the expected standard in reading, writing and maths at the end of Key Stage 2.
On average pupils in Tameside make progress from KS1 to KS2 in line with their peers nationally in each subject.
63.5% of all pupils and 45.4% of disadvantaged pupils achieve A*-C in English and maths.
A Tameside pupil at the end of Key Stage 4 has an average Attainment 8 score of 49.2 meaning across 8 subjects pupils in Tameside achieve slightly below a grade C.
Tameside pupils make slightly less progress than pupils nationally across the Progress 8 subjects.
31% of pupils entered the English Baccalaureate (EBacc) and of those 19% achieved it.
LAC GCSE results
Implementing the SEND reforms
Contributed to the development of a neurodevelopmental pathway for our children and young people
Developed a strategy for children communication issues
Increased the number of children accessing 30 hours of nursery education

Key issues and plans for 2017/18 and the medium term:

Contributing to the development of local area SEND vision and strategy
Working towards improving GCSE results
Increasing the aspirations of our teachers
Increasing independent motivated learners
Increasing the number of schools being good or outstanding
Increasing the number of children who are school ready
Increasing outcomes at Early Years, particularly for boys.

Increasing outcomes at Phonics.
Improving outcomes for SEN pupils.

CHILDRENS SERVICES

Children's services provide a wide range of statutory and non-statutory services to children and families across the Borough. This stretches from Troubled Families and Early Help who focus on prevention and intervention early in the life of a problem through to formal child protection services and the provision of care to those children most in need, including the responsibility to ensure care leavers outcomes are positive and our young people are able to lead successful independent lives.
The Fostering service actively recruits, assesses and supports foster carers who look after many of our children in care. In addition our children's homes care for adolescents who for whatever reason cannot live in a family environment.
For children who need a permanent alternative family our Adoption service recruits, assesses and provides post adoption support for our adoptive families and the children placed with them.
The Youth Offending team provides direct work with children and families where there is a risk of offending behaviour escalating, and provides a full service to the Youth Justice Board to ensure that when offences have occurred, the management of the offender is effectively conducted.
The ISCAN team is multi agency in make up and provides a full service to children with additional needs and disability across the borough.

Achievements 16/17
Low birth weight. 3.7%. Reduced from 6.5%.
School readiness. 63%. +10% since 2013/14. Closing the gap.
Free childcare entitlement. 89%. Up from 53%.
Obese children in reception decrease to below 10%.
Low birth weight. 3.7%. Reduced from 6.5%.
School readiness. 63%. +10% since 2013/14. Closing the gap.
Free childcare entitlement. 89%. Up from 53%.
Obese children in reception decrease to below 10%.
93% of care leavers in suitable accommodation – above national average (81%)
Children's homes: Boyds Walk – Outstanding. Clough Fold and Chester Avenue – Good
% children adopted from care. 20%. Above national average (16%)

Key Priorities 17/18

Responding to recommendations following Ofsted SIF inspection
To meet the challenge of the improvement journey and ensure consistent high quality services for children
To review and relaunch the Early Help offer, an updated strategy for Children in Our Care and YOT devolution agenda
Successful operation of 2 new children's homes
To develop and maintain a Stable and experienced workforce
To have an effective multi agency Childrens Front Door service
To move into the Regional Adoption Agency and develop other opportunities for shared services where appropriate
To ensure the Tameside Safeguarding Children's Board functions well
To ensure that children's services operate within a reasonable and agreed budget

Directorate: Public Health, Business Intelligence and Performance

Service	2016/17 Budget £000	Budget Changes (Net) £000	2017/18 Budget £000
Public Health	**17,099**	**(392)**	**16,707**

General Narrative:

The Council has a duty to take such steps as it considers appropriate for improving the health of the people in its area. The public health grant is provided to discharge public health responsibilities that are summarised as:

- Improve significantly the health and wellbeing of local populations;
- Carry out health protection and health improvement functions delegated from the Secretary of State ;
- Reduce health inequalities across the life-course, including within hard to reach groups
- Ensure the provision of population healthcare advice.

In addition to services commissioned via the public health grant the Directorate has responsibility for Business Intelligence and Performance across the Single Commissioning Function, commissioning and management of the Active Tameside management agreement and capital programme and Early Years provision across the Borough. From 1 April 2016 the public health Directorate budget was included within the single commissioning pooled fund and is therefore aligned and considered alongside the outcomes of the single commissioning strategy – Commissioning for Reform.

Key Issues and Achievements in 2016/17:

Service Achievements can be summarised below:

STARTING and DEVELOPING WELL

- Full roll out of the Early Years Delivery Model and improvements across many of the early years outcomes including Infant Mortality, Smoking in Pregnancy, 2 Year Old Nursery entitlement and School Readiness.
- Sustainability and increased investment supporting the further development , implementation and evaluation of the Children and Young People's 5-25 years Health and Wellbeing Programme, development of the Health and Wellbeing in Tameside School's Website and Online Health Check to over 70% schools and MECC across Educational Establishments Schools and the CYP Programme
- CAMHS transformation plan developed

LIVING and WORKING WELL

- Development and leadership of the Healthy Lives Business Proposition and system wide model of self-care which contributed to the Tameside & Glossop transformation bid and award of £23 M additional investment into the health economy over the next three years.
- Implementation of new Be Well Wellness Service into Tameside neighbourhood model.
- Agreement on new investment model and management agreement for Active Tameside including a £20 M capital programme seeing state of the art facilities in Dukinfield, Longdendale and an iconic Wellness Centre in Denton.
- Local adoption and implementation of the Public Health England One You campaign
- Instigated multiagency suicide prevention group. Examples of actions include: Introduction of safety plans for people at risk of suicide that come into contact with front line services such as A&E and mental health services; Established links, and subsequently shared data, with the local coroner; Co-ordinated suicide prevention campaigns such as World Suicide Prevention Day to raise awareness of support that is available locally.

- Substance misuse: One year review of progress generally very positive, noting a significant increase in service users, particularly young people and alcohol users, as well successful establishment of 'recovery' approach over previous emphasis on 'maintenance' and associated expansion of groups to support behaviour change. Stakeholder consultation event very positive about access and approach. Progress with re-design of shared care model with primary care has been slow, but pilot sites identified.
- Recommissioning of Sexual Health services via GM collaborative commissioning programme.
- Continued delivery of the CLeaR assessment plan by the Tameside Tobacco Alliance with an increase in the number of outdoor family events designated as smoke free.

AGEING AND DYING WELL

- Development of a co-ordinated post dementia diagnostic offer for local people and their carers, increase of diagnosis rate for dementia, and Increase in numbers of Dementia Friends and Champions across the borough, in support of the Leader's Pledge.
- Development of programme to promote social connectedness – in partnership with Camerata and via a network of third sector provider

Key Issues and Plans for 2017/18 and the medium term:

Starting and Developing Well

- Development of an integrated 0-25 pathway for children and families is being led by a work stream led by the single commissioning function, with the aim to develop a neighbourhood model and identify efficiencies. This include an integrated early years service bringing together Health Visiting, Family Nurse Partnership, Children's Centres and Early Years education providers into one multi agency and co-located team. Launch and implement EYDM GROW brand.
- Universal Delivery of the Mind Emotional Health and Wellbeing Programme and Resilience Training to all Tameside Schools and roll out of youth mental health first aid training for front line staff working with children and young people.

Living and Working Well

- Delivery of the 'Healthy Lives' transformation programmes
- Further Service development of BeWell Tameside within INTs.
- Continue to improve co-ordination of suicide prevention actions including development of suicide awareness training for front line staff working across Tameside agencies, e.g. New Charter Housing, Police etc.
- NHS Health Checks: Review of current model to accommodate requirements of National Diabetes Prevention Programme and local hypertension social marketing programme.
- Senior support and involvement in a food partnership that links public health, economic development, education and waste reduction; followed by an officer level food partnership
- Refresh of Physical Activity Strategy
- Local Authority Declaration of Healthy Weight

Ageing and Dying Well

- Refresh of the Tameside Dementia Action Alliance, which has a range of members across public, private and third sectors aiming to ensure their services and local environment are dementia friendly
- Implementation of a more integrated falls prevention pathway, stretching beyond the traditional acute setting to the wider ICO setting.
- Development of a multiagency loneliness plan to improve co-ordination of efforts amongst provider partners to identify those most at risk and vulnerable.

Capital Investment - Active Tameside

A total capital investment of £20.4 million in the Tameside Leisure Estate is currently in progress. Completion dates for individual sites are as follows;
Active Denton – September 2018 (Provisional)

Active Dukinfield – February 2017 (Provisional)
Active Hyde – March 2017 (Provisional)
Active Longdendale – September 2016

The total long term estimated cumulative savings (over a 25 year period) associated with this proposed programme will be a minimum of £15.333 million.

Any other salient aspects of the budget:
From April 2017 GM local authorities will retain 100% of business rates income locally and will carry a set of responsibilities, including public health, which are currently being refined by DCLG. Funding will go to individual localities, not the Combined Authority. The ring fence on the grant will be removed, as the focus is on improving outcomes. Mandation will remain. The funding trajectory will shadow the PSR settlement. It is expected that the BR income will reflect the allocation that local authorities would have received for public health. We expect to see the same financial reporting arrangements. The assurance process being developed builds into the STP process and is joined up with NHS/LG- creating a system that works for GM. GM will share the current governance process for the STP. In terms of next steps, the detailed discussion note will be used as the basis of a work plan and assurance process for the pilot. A discrete group is to be convened early in Jan 17 to work up an implementation plan.

Key Performance Indicators (2016/17 and Future Years):
The Public Health Directorate mainly delivers against the national Public Health Outcomes Framework, but also towards both the NHS and Adult Social Care Framework. A System Wide Outcomes Framework (SOF) is currently in development. The framework is split into three themes:

- Population Health – Describing the shift we need to make to realise ambitions around life expectancy and healthy life expectancy, including wider determinants of health;
- Empowering People and Communities – Describing the paradigm shift that needs to take place between the system and the public, the public and their own health and the role communities play in the health and wellbeing of the population;
- System Performance and Sustainability – Describing the changes that need to take place within the health and care system in order to have a clinically and financially sustainable health economy. This section of the framework will also create space to encapsulate indicators linked to both the GM Investment Agreement, National Must Dos and IAF indicators;

Directorate: Place

Service	2016/17 Budget £000	Budget Changes (Net) £000	2017/18 Budget £000
Asset and Investment Partnership Management	5,012	966	5,978
Environmental Services	46,999	(6,130)	40,869
Development, Growth & Investment	2,286	(56)	2,230
Digital Tameside	1,817	(55)	1,762
Stronger Communities	7,097	426	7,523
Total Place	**63,211**	**(4,849)**	**58,595**

The Place Directorate consists of the following Service areas:

ENVIRONMENTAL SERVICES

Bereavement Services, Emergency Planning, Pest Control and Dog Warden services, Waste Services, Engineering (Design, Highways and Transport), Public Protection, Environmental Development, Corporate Landlord, Primary School Catering

Key Issues and Achievements in 2016/17:

- Installation of new memorial facilities, giving additional choices to bereaved families
- Taken part in a Major Training Exercise with Cat 1 & Cat 2 partners (Exercise TRITON)
- Pest Control have relocated this year and are now based centrally enabling savings from a facilities management aspect and providing a securer location from where to run the service.
- Achieving a recycling rate of 58%
- A Reduction in the Waste Levy by £3m
- Successful delivery of the Ashton Market Square Phase 1 scheme, Denton Relief Road
- Completion of the redevelopment of Ashton Market whilst offering a fully open market and retaining traders and opening 2 new market offerings, Tameside Hospital Monthly Farmers Market and Tameside Christmas market.
- Achieved smooth transition of Primary School Catering to Carillion provided services from in house provision.
- Unification of Grounds Maintenance Service into one depot bringing all teams together to enable efficiency savings, consistency across the service and a reduction in necessary agency cover.
- Delivery of Highway Structural Maintenance Programme and achieved target for pothole repairs

Key Issues and Plans for 2017/18 and the medium term:

- Work closely with the Department of Health on how the implementation of the new Death Registration reforms will affect our processes, procedures, reporting structures and finances.
- Investment in new cremators at Dukinfield Crematorium and extend burial plots
- Introduce new emergency planning structure in order to increase resilience, have appropriate skilled people on call and reduce any health & safety issues.
- Work with Greater Manchester partners and GMWDA to change the Waste Disposal arrangements for a more affordable and future suitable model.
- Create a Single Operational Service with consideration of a single depot.
- Delivery of the Hattersley Public Realm projects
- Continued development and delivery of the Ashton Town Centre Public Realm Project.
- Improve intelligence and data in regard to our property portfolio
- Respond to the property management challenges in One Public Estate, Integrated Care Organisation and TMBC savings requirement.

- Integration of Neighbourhood Services within the Place Directorate. New ways of working will further assist the Council in reducing demand on high cost Services

STRONGER COMMUNITIES

Integrated Neighbourhood Services, Customer Services & Call Centre, Cultural Services, Libraries, Welfare Rights & Advice, Homelessness, Community Safety.

Key Issues and Achievements in 2016/17:

- We have made significant changes to our Neighbourhood Services as they have integrated with other public services including.
- Relocated the Call Centre in order to be in a position to expand and handle calls from other service areas under the digital by default project.
- Service reviews have significantly reduced Customer Services over the years and the service is now delivered from Clarence Arcade Ashton.
- A new vision for the library service utilising modern library management system, technology to allow a mix of staffed and unstaffed hours, self-service facilities for stock, PC booking and payments and an RFID stock security system.
- Attracting nationally recognised children's authors to the borough including; Lydia Monks, Curtis Jobling and Megan Rix. Over 700 children were inspired by these authors.
- Ashton Old Baths' restoration and re-configuration was celebrated on Saturday 19th March. New Beginnings involved over 200 local dancers and leveraged an additional £24,500 to deliver this high profile event.
- Arts Award continues to remain of strategic importance to Arts Council Funding objectives. 2016 saw the service reach 10,000 certificates issues to children and young people in Tameside.
- The welfare rights and debt advice service has opened 1679 cases since 1/4/16 and assisted residents to appeal and claim benefits and tax credits totalling over £1.7 million.
- Homelessness has been prevented in 96% of debt cases and we have had success in 67% of welfare benefit appeals.
- A new strategy for Domestic Abuse was agreed in June 2016.
- Set up and support of the Tameside Veterans Breakfast Club at Portland Basin monthly.
- Support for the leaders pledge in terms of the naming of Lance Corporal Andrew Breeze Way and agreement from the five other families of the fallen for further street naming.

Key Issues and Plans for 2017/18 and the medium term:

- Increased investment from the wider Health and Social Care economy in community asset based work.
- A comprehensive Integrated Neighbourhood Service across the borough, including mental health provision, early help and partnership working from all partners including environmental services.
- Introduction of webchat into our Customer Service offer.
- The successful roll out of self-service and Open + Libraries. Plus the implementation of a new catalogue system.
- Consolidate cultural venues and assets
- Develop and grow the educational offer using cultural assets and ensuring sustainability of partnerships with the Arts Council and schools.
- The provision of a Personal Housing Plan for every person presenting as homeless and requirement to prevent homelessness 56 days before it happens.
- Ending of current leasing agreement with New Charter for THA building may increase costs.
- Renewal of the Community Safety Strategy for Tameside for the three year period 2017 – 2020

DIGITAL TAMESIDE

ICT underpins and supports the strategic objectives of the organisation and its partnerships. ICT is a vital to the everyday operations of services and has a fundamental role to play in improving efficiency, reducing cost across the organisation. It is also a crucial part of service evolution and transformation, providing the infrastructure to support shared services, underpinning transformational change programmes and most importantly, keeping pace with citizens' changing needs and expectations.

Key Issues and Achievements in 2016/17:
The Service has maintained its PSN accreditation which has meant upgrading and replacing over 80 systems and servers including a major upgrade to Microsoft Exchange. The new Council Website and Webchat have been made live and a new release of the Bin App which will communicate directly with the in-house developed in Cab-technology will be rolled out in January.
The Town Centre Wi-Fi project has seen Hot Spots created across each of the main Towns in Tameside and the "SWIFT" network will be officially launched in January. This is possible due to the continued investment and expansion of the dark fibre network which now connects over 20 councils and other public sector organisation together.

Key Issues and Plans for 2017/18 and the medium term:
Citizens and businesses are accustomed to levels of access and personalisation that they receive online from large private sector organisations. They expect to be able to access public services, in a personalised way, from multiple locations and in ways that suit them. We will continue to offer a choice in the way people access services; however we will encourage the use of more cost effective online self-service. Making the web the channel of choice for most citizens offers the opportunity to achieve significant savings for the organisation, while at the same time offering a better service.

The shape and size of the organisation is changing dramatically including mergers with several health partners meaning that organisational boundaries, as for as ICT are concerned, are blurred. A major focus continues to be ensuring health and social care services from different organisations have the right technology in place to deliver joined up citizen-focused services.

We will continue to monitor technology developments in order to identify where they can add value to services delivery across the Council. Digital Tameside will ensure, through proactive engagement with the Service Directorates, that the organisation maintains awareness of how technology can help deliver corporate priorities and innovative approaches to service delivery that support its business plans, service ambitions and the wider organisational review. Fast changing technologies lead to opportunities for service innovation and organisational design that might previously have been unimaginable.

We will continue with our programme of embracing agile and modern working practices, rationalising office accommodation, eliminating unnecessary administration, and sharing information more effectively across the organisation and with partners to drive efficiencies and modernise services.

Investing in our people is a key priority. We will continue to improve the ICT skills of our workforce equipping them with the skills they need to perform their job effectively and embrace modern working practices and new service delivery models.

The information we hold is a key asset which must be managed holistically across the whole organisation, we will continue to focus on improving the way we share, process and report on our information. We will continue with our investment in ICT enabled electronic workflow and storage to further streamline our business processes.

We place great emphasis on protecting our systems against threats and maintain constant vigilance to protect against any new threat. We will maintain our Public Sector Network (PSN) accreditation and other appropriate security standards to ensure that we protect information and information systems so that individuals and organisations have confidence in our ability to manage their personal information securely.

This year will see continued expansion of the Dark Fibre network into the main Towns around Tameside. This will not only support joint working in shared locations for Council and Health staff, but also the roll out of Town Centre Wi-Fi and the move to a new Wide Area Network supplier.

DEVELOPMENT AND INVESTMENT

Investment and Development, Strategic Housing & Infrastructure, Employment and Skills, Planning and Building control, Estates, Education Capital

Key Issues and Achievements in 2016/17:

- Completion of the Ashton Old Baths Project and its contribution to the Council of the Year Award
- Commencement of the Denton Link Road
- Continued delivery of the Vision Tameside programme
- Delivery of over 100 new apprentices for the borough
- Delivery of the new Discovery Academy - Hattersley Primary School
- Supporting the development of English Fine Cotton (over £3m grants and loans)

Key Issues and Plans for 2017/18 and the medium term:

- Supporting the ongoing delivery of the Greater Manchester Spatial Framework and the development of a housing supply for the borough through large scale strategic allocations.
- The co-location of the Adult Education Service in Stamford Chambers
- The development of a Property Investment Fund offers an excellent opportunity to help drive development and regeneration in the borough at the same time as helping the council create an investment portfolio that is both more cash generative and easier to manage.
- Working closely with Tameside College in relation to the Area Based Review and ensuring that we maximise the benefit to the borough.
- Supporting the ongoing work around the Health Estate through the Strategic Estates Group.
- The establishment of a Single Estates function across the Joint Commissioning Organisation and the ICO/Foundation Trust
- Delivery of the Tameside Interchange, Denton Wellness Centre, Vision Tameside
- Reform and professionalization of the planning service
- Deliver of the new Work and Health programme.

Directorate: Governance, Resources and Pensions

Service	2016/17 Budget £000	Budget Changes (Net) £000	2017/18 Budget £000
Director of Governance and Resources	9,979	(327)	9,652

Governance, Resources and Pensions
Responsibility for the council's corporate functions sits within the Governance, Resources and Pensions Directorate ensuring that all decisions made by the council are carried out in accordance with the council's governance framework. The directorate provides support and guidance to services within the council on finance, legal, human resources and policy and communications issues. This internal support to frontline service ensures that they are able to deliver the aims of the Council's Corporate Plan. The directorate is also providing the leadership for these core functions in the Clinical Commissioning Group (CCG) and the Single Commissioning Function as part of the Care Together Programme.

Exchequer and the Registration Service both provide customer facing services. Exchequer provides support to residents and businesses in relation to council tax, business rates, housing benefit and payment of invoices. Whilst the Registration Service registers all births and deaths within the borough, take notice of intended marriages and civil partnerships and conduct all civil marriages and partnerships that take place in the borough's registered venues.

The directorate has responsibility for running all local and national elections within the borough along with public votes on specific issues such as the EU Referendum ensuring that all are run correctly and in adherence with the law. Democratic Services and Executive Support provide support to 57 elected members and the senior management team within the council.

The Resources Unit are responsible for setting and monitoring the council's budget ensuring that the council delivers a balanced budget each year.

Tameside Council is the administering authority of the Greater Manchester Pension Fund. The fund is the largest Local Government Pension Scheme fund in the country with assets of over £20 billion. It holds the retirement savings of more than 300,000 members who work, or have worked, for more than 400 different employers in the region, including the 10 constituent Local Authorities of Greater Manchester.

The Greater Manchester Pension Fund has twin aims of financial return and social value. The latter of these has led to investments in green energy projects, such as a South Lanarkshire wind farm, and local infrastructure projects, such as airport city and affordable homes scheme Matrix Homes. The fund's success is regularly recognised in industry awards, most recently at the LAPFF awards where GMPF won 'LGPS Fund of the Decade' and the 'Infrastructure Project' award, jointly with the London Pension Fund Authority.

The last 12 months have continued to provide significant challenge in delivery of the key support functions, with reduced resources in terms of staffing and the need to achieve further savings. Changes to staffing levels have meant changes in the way some services are delivered. Despite the reductions in funding the directorate has continued to provide high quality support to its customers and key priority projects across the organisation.

Key Issues and Achievements in 2016/17:

- Local Government Chronicle (LGC) Awards: Council of the Year 2016 and the budget consultation was shortlisted in the Community Involvement category.
- Municipal Journal (MJ) Awards: Commended in reinventing public services category for Care Together, and in workforce transformation.

- Best Employee Engagement Initiative: Sponsored by ciphr at the CIPD (Chartered Institute of Personnel and Development) People Management Awards 2016: Tameside Council was shortlisted for our work around workforce engagement.
- Annual Customer Service Excellence (CSE) standard. Tameside continues to maintain 100 per cent compliance and the eight areas of compliance-plus it was awarded last year. In addition the council was awarded a compliance plus for consultation with customers.
- The council collaborated with more than 36 local, regional and national organisations in Operation Triton II – an exercise to test preparedness for an emergency situation.
- Big Conversation online consultation and engagement community was launched.
- Approximately 780 publicity campaign materials produced for services across the council and externally.
- Promotion of Vision Tameside through the dedicated website and twitter accounts, quarterly newsletter, hoardings and the Citizen.
- Increased social media followers across all platforms by 26.5%.
- Introduction of the E-News bulletin informing residents of the latest news and events in Tameside on a monthly basis.
- Produced a spring, summer and autumn Citizen which is distributed to all households and businesses in the borough.
- Steel signing ceremony took place to hail the start of the construction of the new Joint Public Service Centre and Advanced Skills Centre as part of the Vision Tameside programme.
- Provided ongoing support to Care Together and the CCG on equality impact assessments and consultation along with supporting the Patient Participation Groups.
- NAFN Data and Intelligence Service awarded a distinction when assessed by the Interception of Communications Commissioner's Office.
- Delivery of changes to terms and conditions of service equating to a cost reduction of approximately £750k.
- Launch and delivery of STRIVE leadership development programme.
- Supporting the organisational change and merger of the leadership team to the single commissioning function.
- Took over support for all CCG employment matters
- Supported a wide range of organisational change programmes – review of winter gritting process, service reviews
- Delivery of comprehensive member development programme
- Delivery of three elections during 2016/17, local, Parish and EU Referendum.
- Successful electoral registration canvass which has seen an increase of 2000 electors to the register, a total of 169,000 equating to a 94% response rate.
- Collected council tax from 101,500 properties with a net collectable debit of £92.5m in 16/17.
- Business rates collected from 7,200 properties with a net collectable debit of £58m.
- 30,000 Sundry debts invoices raised in respect of goods and services provided by the Council with a collectable debit of £50m.
- Over £13m will be paid out in respect of Council Tax Support in 2016/17.
- Auditors have determined that the Housing Benefit Service processed benefit with a 99.99% accuracy rate of the total £88.9m paid out in, subject to DWP verification.
- Single Commissioning Function established for the Care Together Programme bringing together Adult Social Care, Tameside Hospital and the Clinical Commissioning Group with a combined budget of £442milion.
- Agreement signed between Greater Manchester Health and Social Care Strategic Partnership and Tameside's Single Commissioning Function for grant funding of £23.2million to enable the Care Together programme to drive forward its' integration plan.
- Greater Manchester Pension Fund (GMPF) awarded an A in the Asset Owners' Disclosure Project (AODP) Global Climate Index. GMPF ranked 30th in the world, just squeezing into the A cut-off for relevant leadership group.
- GMPF becomes part of the airport city joint venture along with Manchester Airports Group, Carillion and Beijing Construction and Engineering Group.

- GMPF begins talks with West Yorkshire and Merseyside Pension Funds about creating a £35 billion multi asset pool.
- GMPF sold One St. Peter's Square for £164 million having redeveloped the site as part of a joint venture with Argent. GMPF originally bought the building which previously occupied the site, Elizabeth House, in 2003. The site was redeveloped with the construction of a new 228,000 sq. ft. office development which has been let to big names such as KPMG, Addleshaw Goddard and Fumo amongst others. The development kick-started the redevelopment of St. Peter's Square in its entirety including a new tram stop and significant public realm works.
- GMPF has taken over a portfolio of four real estate loans worth £30 million. The loans supported four employment use schemes in the North West of England, Media City, 1 Spinningfields, City Place Chester and Soapworks Salford. The proceeds from the sale of the loan book provides the North West Evergreen Fund with money to issue more loans and enable more developments in the North West of England.

Key Issues and Plans for 2017/18 and the medium term:

- Continued delivery of the STRIVE leadership programme to cohort 4, including leaders within the CCG
- Launch and delivery of the STRIVE aspiring managers programme
- Review of senior leadership structure
- Review of service unit managers
- Review of DBS (disclosure and barring scheme) and process to reduce costs
- Renewal of member development charter
- Reassessment for workplace wellbeing charter
- Support the organisational response to the Children's Ofsted inspection – including development of social work recruitment and retention strategy
- Provide support to Children's Services on producing and implementing an improvement plan following the Ofsted inspection.
- Review of a range of employment policies – disciplinary, grievance, capability, probation etc.
- Implementation of apprentice levy and associated workforce development and planning to ensure we maximise the return on our investment
- Support the recant strategy into the new building and movement of remaining staff into alternative accommodation
- Reduced funding from DWP to deliver Housing Benefit services and support the DWP in their delivery of Universal Credit. Funding has reduced by £104k overall however workload remains the same as that in previous years.
- A corporate print contract will be in place which will bring both bulk and hybrid mail printing. This means that individual letters from a PC will be printed and mailed remotely and will bring efficiencies.
- Continue to support and advise services on carrying out needs assessments, EIAs, and consultation.
- Continue to support the Vision Tameside and Care Together programmes.
- Continue to provide communication and media support to all services including design and print of publicity material.
- Carry out the annual canvas of electors and run the elections for the Greater Manchester
- Mayor within Tameside.

Any other salient aspects of the budget:

The Directorate will continue to seek ways to reduce costs whilst ensuring services deliver high quality support.

Schools are currently making decisions in relation to buying into the service level agreement for the next 2 years. It is likely that we will lose some of the schools business which will have an adverse impact on our funding, this would then lead a further review of the HR service and staffing levels.

Consideration needs to be given to the implications of the transfer of staff to the ICFT over the coming year and beyond; this will require further review of staffing levels within the directorate.

Key Performance Indicators (2016/17 and Future Years):

- Exchequer is on target to collect over 94% of all Council tax due in year. Any arrears will continue to be pursued in future years.
- Exchequer is on target to collect over 96% of all Business Rates due in year. Any arrears will continue to be pursued in future years.
- Over 95% of sundry debts are paid in the year in which the debt is raised. Any arrears will continue to be pursued in future years.
- Housing Benefit applications and change of circumstances forms are processed in 16 days on average.
- Council Tax Support applications and change of circumstances forms are processed in 18 days on average.
- 94% response rate in the local annual canvass for electoral registration.

APPENDIX 4:

Prudential Indicators and Limits

1. Ratio of Financing Costs to Net Revenue Stream

Limit/indicator	2017/18 %	2018/19 %	2019/20 %
Ratio of financing costs to net revenue stream	5.6	5.8	5.9

This ratio represents the total of all financing costs e.g. interest payable and minimum revenue provision (MRP) that are charged to the revenue budget as a percentage of the amount to be met from Government grants and taxpayers (net revenue stream).

This ratio has been calculated based on the future year's level of borrowing set out at 9.3.

2. Capital Financing Requirement (CFR)

Limit/indicator	2017/18 £000	2018/19 £000	2019/20 £000
Core Capital Financing Requirement	215,058	258,438	274,561
Other long term liabilities (e.g. PFI and finance leases)	107,797	104,919	102,170
Total Capital Financing Requirement	322,856	363,357	376,730

The Capital Financing Requirement is aimed to represent the underlying need to borrow for a capital purpose and is calculated from the aggregate of specified items on the balance sheet. The opening balance at the 01/04/17 has been estimated together with the movement in the Capital Financing Requirement for future years.

Following accounting changes the Capital Financing Requirement now includes any other long term liabilities (e.g. PFI schemes and finance leases) brought onto the balance sheet. Whilst this increases the Capital Financing Requirement, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

The CFR increases by the value of capital expenditure not immediately financed (i.e. borrowing) and is reduced by the annual MRP repayment. The estimated Capital Financing Requirement is based on the same borrowing assumptions set out at 9.3.

3. Capital Expenditure

Limit/indicator	2017/18 £000	2018/19 £000	2019/20 £000
Capital expenditure	74,043	11,964	0

This is the estimate of the total capital expenditure to be incurred (from all funding sources) for future years and recommended for approval.

This estimate will continue to be updated as part of the monitoring process as new resources are subsequently notified.

4. Incremental Impact of Capital Investment Decisions

Limit/indicator	2017/18 £	2018/19 £	2019/20 £
For the Band D Council Tax	8	24	28

This is the estimate of the net incremental impact of the capital investment decisions, based on the level of borrowing set out in the report at 9.3 and reflects the total cost of this additional borrowing (interest payments and minimum revenue provision), as a cost on Council Tax. The actual cost will depend on final funding.

5. Operational Boundary and Authorised Limit on External Debt and Other Long Term Liabilities

Limit/indicator	2017/18 £000	2018/19 £000	2019/20 £000
Operational Boundary for external debt	208,174	207,639	213,099
Authorised Limit for external debt	228,174	227,639	233,099

These limits include provision for borrowing in advance of our requirement for future capital expenditure. This may be carried out if it is thought to be financially advantageous to the Council.

The limits are made up as follows:

Limit/indicator	2017/18 £000	2018/19 £000	2019/20 £000
Estimated 31 March 2017	118,477		
Previous year Operational Boundary		208,174	207,639
Add debt maturing in year	6,466	320	333
Add borrowing for 2017/18 and previous years requirement not taken up	86,567		
Add borrowing in advance for 2018/19 and future years	736	10,000	10,000
Less already borrowed in advance for future years			
Less previous year maturing fall out		(6,466)	(320)
Less MRP	(4,071)	(4,390)	(4,553)
Operational Boundary – borrowing	**208,174**	**207,639**	**213,099**
Add allowances for cash flow etc.	20,000	20,000	20,000
Authorised Limit – borrowing	**228,174**	**227,639**	**233,099**

The allowance for cash flow is made up of 2 elements. (a). it is possible that a rescheduling exercise where we borrow prior to repayment could take place. We have allowed £10 million for this. (b). Normally the amount of investments that we currently hold would mean that there would be no need to borrow, however, an allowance of £10 million has been made for liquidity purposes.

We are also required to set operational boundaries and authorised limits for Other Long Term Liabilities (e.g. PFI schemes and finance leases), which are now shown on balance sheet, following recent accounting changes. The table below includes all current PFI schemes and finance leases in place, with an allowance of £1 million for any new agreements that may arise.

Limit/indicator	2017/18 £000	2018/19 £000	2019/20 £000
Operational Boundary for other long term liabilities	107,797	104,919	102,170
Add allowance for new agreements	1,000	1,000	1,000
Authorised Limit for other long term liabilities	108,797	105,919	103,170

The total authorised limit of £337 million (including both external borrowing and other long term liabilities should be set as the Council's affordable borrowing limit for 2017/18) as required under the provisions of the Local Government Act 2003.

6. Gross Debt and the Capital Financing Requirement.

Limit/indicator	2017/18 £000	2018/19 £000	2019/20 £000
Core capital financing requirement	215,058	258,438	274,561
Gross borrowing	215,058	258,438	274,561

To ensure that medium term debt will only be for a capital purposes, the Council will ensure that the gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement (CFR).

7. Upper and lower limits on Interest Rate Exposures

Limit/indicator	2017/18 £000	2018/19 £000	2019/20 £000
Upper limit for fixed interest rate exposure	215,058	258,438	274,561
Upper limit for variable interest rate exposure	71,686	86,146	91,520

These limits are in respect of our exposure to the effects of changes in interest rates.

The limits reflect the net amounts of fixed/variable rate debt (i.e. fixed/variable loans less fixed/variable investments).

8. Maturity Structure of Borrowing for the Forthcoming Financial Year

These limits set out the amount of projected borrowing that is fixed rate maturing in each period expressed as a percentage of total projected borrowing that is fixed rate.

		Upper %	Lower %
Upper/lower limit for maturity structure	Under 12 months	15	0
	12 months and within 24 months	15	0
	24 months and within 5 years	30	0
	5 years and within 10 years	40	0
	10 years and above	100	50

Future fixed rate borrowing will normally be for periods in excess of 10 years, although if longer term interest rates become excessive, shorter term borrowing may be used. Given the low current long term interest rates, we feel that it is acceptable to have a long maturity debt profile.

9. Limit for Total Principal Sums Invested for Periods Longer than 364 days

2017/18	2018/19	2019/20
30	20	10

At present we have no long term investments maturing in 2017/18 or beyond. Whilst we do not have any specific plans for more investments of this type, if interest rates and the security of the investment were favourable, it is possible that we might decide that maturities of greater than 1 year were prudent. However, it is felt that the amounts shown above should be the limits maturing in 2017/18, 2018/19 or 2019/20.

10. Borrowing Limits in Respect of GMMDAF

Operational Boundaries and authorised Limits must also be set for the Greater Manchester Debt Fund. The recommended limits are:

	2017/18 £000	**2018/19 £000**	**2019/20 £000**
Operational Boundary – borrowing	93,566	76,600	58,828
Authorised Limit – borrowing	108,566	91,600	73,828

The difference between the operational boundary and authorised limit allows for temporary cash flow shortages and debt rescheduling where loans are borrowed in advance. The authorised limit of £108.6 million should be set as the affordable borrowing limit for the GMMDAF for 2017/18 as required under the Local Government Act 2003.

The Code also requires compliance with the CIPFA Code of Practice for Treasury Management in the Public Services. The Council has adopted and adheres to this Code.

APPENDIX 5:

Pay Policy Statement for the Year 2017/18

The Pay Policy Statement sets out the Council's approach to pay policy in accordance within the requirements of Section 38 of the Localism Act 2011. The Pay Policy Statement has also been revised to take into account the Council's approach to approval by Full Council for severance payments in excess of £95K in line with guidance received from the Department for Communities and Local Government (DCLG). This pay policy applies for the year 2017/18 unless replaced or varied by Full Council.

It does not cover teaching staff whose salaries and terms and conditions of employment are set by the Secretary of State. Academy Schools are an entirely separate legal entity from the Council and are covered by Academies Act 2010 and as a separate employer are responsible for setting salaries for their employees.

The purpose of the Pay Policy Statement is to ensure transparency and accountability with regard to the Council's approach to setting pay. The Pay Policy Statement has been approved by Council and is publicised on the Council's website in accordance with the requirements of the Localism Act 2011 in March each year.

Underlying Principles

The Council is committed to and supports the principle of equal pay for all our employees. Equal pay between men and women is a legal right under both United Kingdom and European Law. The Equality Act 2010 requires employers not to discriminate on grounds of race and disability and similar rules apply to sexual orientation, religion and age.

The Council applies terms and conditions of employment that have been negotiated and agreed through appropriate collective bargaining mechanisms (national or local) or as a consequence of authority decisions, these are then incorporated into contracts of employment.

The Pay Policy Statement identifies:

- The method by which salaries and severance payment are determined.
- The detail and level of remuneration of the Council's most senior managers i.e. Chief Executive and Executive Leadership Team, which accords with the requirements of the Localism Act 2011.
- The process for ensuring that the Pay Policy Statement is applied consistently, including the Staffing Panel which has delegated powers in relation to senior manager pay and employment.
- The detail and level of remuneration for the lowest level of employee.
- The ratio of pay of the top earner and that of the median earner.

It should be noted that the Pay Policy Statement does not include information relating to the pay of Teachers or Support Staff in schools who are outside the scope of the Localism Act 2011.

This Statement complies with all statutory and legal requirements.

In this policy we use the term "Senior Manager" to mean the same as "chief officer" as described in the Localism Act 2011. The Council already separately publishes information about pay and average pay, which is also set out here.

Highest Pay (per annum)	£168,598.00 p.a. (fte)
Average Pay (per annum)	£24,308.02 p.a. (fte) (based on mean) £21,744.96 p.a. (fte) (based on median)
Pay difference (between average & highest pay)	£144,289.98 (based on mean) £146,853.04 (based on median)
Pay Multiple (ratio between the average and the highest pay)	6.9:1 (based on mean) 8.3:1 (based on median)
Pay Multiple (ratio between the lowest and the highest pay)	10.6:1

1. Policy on the remuneration of its Senior Managers

Chief Executive and Chief Officers conditions of service are in line with the Joint Negotiating Committees for Chief Executives and Chief Officers. The pay levels for the Chief Executive and Executive Directors are determined by the Council's Senior Staffing Panel on appointment, having regard to the Council's duty to ensure best value and after taking professional advice on pay levels, market conditions and other relevant employment factors.

For Assistant Executive Director pay this is determined by a job evaluation process, which was undertaken in 2011. The scheme used was one designed by the Local Authority Employers Organisation, which advises Councils at a national and regional level on employment and pay issues.

The level of remuneration is determined as set out above. Other than allowable out of pocket expenses, the Council does not make other payments to Senior Managers in addition to basic salary for undertaking their core role. Overtime is not payable to Senior Managers.

Any renumeration package in excess of £100K will be determined by Council.

2. Policy on the remuneration of its lowest paid employees

In this policy, we use the definition of lowest paid employee as being those paid on spinal column point 6 of the National Joint Council for Local Government Services plus the Living Wage supplement payment which was introduced within the Council pay structure in September 2016. We use this because it is the lowest substantive pay grade used for local authority employees.

Our policy is that an employee would normally only be paid at this rate if they were in the first year of appointment to a post which has been evaluated under the national scheme for evaluating local authority jobs. The Council uses the nationally agreed job evaluation scheme for employees of local authorities which is used by a large proportion of other local authorities.

Once someone has been in post a year they will, subject to satisfactory performance, move to the next increment in the pay scale. Increments are payable each year on 1 April, until the maximum point of the grade is reached.

The Council's pay structure is available on the website at:
http://www.tameside.gov.uk/paystructure

3. Policy on the relationship between -
(i) the remuneration of its Senior Managers, and
(ii) the remuneration of its employees who are not Senior Managers.

The Council has no formal policy on the relationship between the remuneration of Senior Managers. The Hutton review entitled Fair Pay in the Public Sector considered the multiple should be no greater than 20 to 1 (lower is better) and based on the current situation the Council falls well below this threshold. The authority does not have a policy on maintaining or reaching a specific 'pay multiple', however, the authority is conscious of the need to ensure that the salary of the highest paid employee is not excessive and is consistent with the needs of the authority. These pay rates may increase in accordance with any pay settlements which are reached through their respective national negotiating bodies.

At Tameside, the pay multiple between the Chief Executive's pay and the lowest paid employee in the organisation is 10.6:1 and is therefore well within this recommended range.

4. Policy relating to the remuneration of Senior Managers on recruitment

All posts are subject to the Council's recruitment and selection process for job appointments, including promotion. Appointments will normally be made at the minimum of the relevant pay scale for the grade, although this can be varied if it is necessary to secure the best candidate. When recruiting to all posts the Council will take full and proper account of all provisions of relevant local government, employment and equalities legislation.

On occasions, the Council may need to consider market forces supplements for employees, which might include Senior Management posts. Authorisation arrangements for market forces supplements would be subject to approval by the Senior Staffing Panel. No such supplements are currently in place.

The Council will ensure that before an offer of appointment is made, any salary package for any post that is in excess of £100,000 is considered by full Council.

5. Policy relating to increases and additions to remuneration for each Senior Manager

Senior Managers are paid at a spot rate salary. The majority of Council staff receive nationally agreed pay awards when they are applied. These do not apply to Senior Managers at Assistant Executive Director level and above. The Senior Staffing Panel make the determination as to whether and when there is to be an increase in the current spot rate salaries. Assistant Executive Director's and Executive Directors received a 1% pay increase to reflect the national pay award in 2016/17, and will receive a further 1% increase in 2017/18 again to reflect the national pay award. The Chief Executive has received a 1% pay award in 2016/17 and will receive a further 1% increase in 2017/18 to reflect the national pay award.

6. Policy relating to the use of performance related pay for Senior Managers

The Council does not pay performance related pay to Senior Managers or any other member of the workforce. The Council believes that it has sufficiently strong performance management arrangements in place to ensure high performance. Any areas of under- performance would be addressed through the capability/disciplinary procedure as appropriate.

7. Policy relating to the use of bonuses for Senior Managers

The Council does not pay bonuses to Senior Managers or any other member of the workforce and does not intend to introduce any bonus schemes.

8. The approach to the payment of Senior Managers on their ceasing to hold office under or to be employed by the Authority

The approach to payment of Senior Managers is the same as those which apply to all Council employees.

Currently, the Council operates a scheme where employees may apply for voluntary severance. Payments under the scheme are capped at a maximum of 30 weeks' pay (based on the rate of pay set in 2013) for all employees, including Senior Managers. Any applications within this scheme are subject to approval by Executive Director (Governance, Resources & Pensions). As indicated within the Voluntary Severance Scheme, the Executive Director (Governance, Resources & Pensions) is authorised to consider any exceptions where a robust business case exists to do so in the interests of the organisation.

Employees who take severance under the scheme are advised that they do so on the basis that the Council will not re-employ them and they contractually commit to returning any severance costs should they apply for any jobs with the Council, including any Community School or Voluntary Controlled School, within 12 months of their leaving date.

Compensation payments for loss of office are considered in situations where an employee's post becomes at risk and/or the employment relationship is no longer tenable. A maximum payment of 12 weeks applies to all employees, including Senior Managers.

The Council's approach is to treat each case on its individual merits, taking professional advice on the appropriateness, and ensuring that all payments represent value for money to the taxpayer.

Employees who are 'at risk', having been displaced from their role, currently have a 4 week period from the date they are notified to access the Voluntary Severance Scheme, with the additional loss of office payment in some circumstances. If an employee does not choose to access the Voluntary Severance Scheme they will be supported in securing alternative employment. If the secured employment is at a grade lower than their previous post they will be assimilated to the new grade at the top spinal column point and receive pay protection up to their previous salary rate for a maximum period of 6 months.

No severance package will be made in excess of £95K. The components of any such package will be clearly set out and will include pay in lieu of notice, redundancy payment, pension release costs, settlement payments, holiday pay and any fees or allowances paid.

9. Transparency

The Council meets its requirements under the Localism Act, the Code of Practice on Data Transparency and the Accounts and Audit Regulations in order to ensure that it is open and transparent regarding senior officer remuneration.

Senior Managers' pay is published on the Council's website each year.

The current pay rates for senior managers are available at: http://www.tameside.gov.uk/transparency

10. Commitment to The Living Wage

The Council is committed to becoming an accredited Living Wage Employer. The Living Wage is a rate of pay per hour, which is enough to make sure workers and their families can live free from poverty.

The Council implemented the Living Wage Foundation rate of pay in September 2016 for all employees (excluding apprentices, work placements and traineeships, which have been created to enable access to the work place training and job opportunities). This was subsequently increased further with the revised rate of pay on 1 November 2016. This is paid by means of a supplement to Council employees whose hourly rate of pay falls below the nationally set rate.

This rate will continue to be reviewed in line with the nationally negotiated NJC pay award.

The Council will encourage and promote all employers, both directly and through their subcontractors, to pay a Living Wage, and promote the Living Wage principles when there are opportunities to so do in the Borough.

The Council strives to make Tameside a better place and is of the view that payment of a Living Wage can have a positive impact on the delivery of services as well as economic and social benefits in the Borough.

The Council is committed to providing better quality value for money services and feels the payment of the Living Wage Foundation will contribute to this goal.

11. Pension Enhancement

The Council has agreed policies in place on how it will apply any discretionary powers it has under Pensions regulations. It is not Council policy to apply the available discretions to award additional pension to any members of the pension scheme (regulation 31).

12. Re-employment of Staff

The Council is under a statutory duty to appoint on merit and has to ensure that it complies with all appropriate employment and equalities legislation. The authority will always seek to appoint the best available candidate to a post who has the skills, knowledge, experience, abilities and qualities needed for the post.

In recent years significant numbers of individuals have left the Council voluntarily on enhanced exit payments owing to the significant reduction in its budget. These exit payments have helped unlock substantial reductions in staff costs in the medium to longer term and have helped in meeting the challenge of reducing the deficit. However, given the scale of the costs associated with exit payments it is vital that they offer value for money to the taxpayer who funds them.

As it would be reputationally damaging to the Council to use public funds for employees to receive exit payments and then quickly returned to public sector roles, the Council has a policy that any employee who returns to the Tameside public sector or on public sector contracts or agency work within 12 months of exit are required to repay their exit payment. This is in line with government guidance to ensure that the taxpayer is not unduly compensating an individual for loss of employment only for them to return to the public sector after a short period of time hence getting a windfall. Employees who have received an enhanced exit package can accept employment with the Council but where they do this within 12 months of signing a compromise agreement they are will be obliged to repay their exit package.

If a candidate is a former employee in receipt of an LGPS pension or a redundancy payment this will not rule them out from being re-employed by the Council. Clearly where a former employee left the authority on redundancy terms then the old post has been deleted and the individual cannot return to the post as it will not exist.

The Council will also apply the provisions of the Statutory Redundancy Payments Modification Order regarding the recovery of redundancy payments if this is relevant and appropriate. Pensions Regulations also have provisions to reduce pension payments in certain circumstances to those who return to work within the local government service.

The authority will apply the provisions of the Recovery of Public Sector exit payments in accordance with any regulations made under The Enterprise Act 2016 and any other applicable legislation and guidance.

13. Policy Amendment

The Council may seek to change elements within the pay policy as part of any necessary efficiency review or as other circumstances dictate.

This policy statement will be reviewed each year and will be presented to full Council each year for consideration in order to ensure that a policy is in place for the authority prior to the start of each financial year.

14. Pay Policy References

- Agency workers directive 2011
- Hutton Fair Pay in the Public Sector Final Report (March 2011)
- Joint Negotiating Committee for Local Authority Chief Executives
- Joint Negotiating Committee for Chief Officers of Local Authorities
- Local Government (Early Termination of Employment)(Discretionary Compensation)
- (England and Wales) Regulations 2006
- Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007
- Localism Act 2011
- National Joint Council for Local Government Services
- Tameside Borough Council Scheme of Delegation
- The Accounts and Audit (England) Regulations (2011)
- The Equality Act 2010
- The Secretary of State for CLG Code of Recommended Practice for Local Authorities on Data Transparency
- Local Government Transparency Code 2014
- HM Treasury Recovery of Public Sector exit payments consultation response

APPENDIX 6:

Question:

The budget report sets out the Council's budget proposals for the next financial year (2017/18). The report can be found by following this link and viewing item 4a.

http://tameside.moderngov.co.uk/ieListDocuments.aspx?CId=134&MId=1348&Ver=4

We are seeking your views on how we intend to use our resources. If you have any comments then please provide them in the box below.

We have been trying to sell the property for more than 2 years. It has been unoccupied with no income but we have to pay almost £20k per annum in business rates. That hardly seems reasonable.
Too long to read in detail and find relevant information
A training provider who deliver fitness qualifications; we basically help people back into work by delivering funded courses. The vast majority of people we help are NEET, some 2nd generation unemployed or hard to help people like single parents and ex-offenders. I've very proud to work for this organisation as they are really helping turn lives around. We have a training academy in Denton and right now we cannot help these people get qualified and into jobs as the funding we had has been exhausted, we have a waiting list of over 100 people. This academic year 58% of the students that did our 7 week Lev2&3 courses went directly into work. It's not just about helping these individuals into jobs, it's also about the way these people help other people in the community and support the Change4Life initiative by helping train and educate others in matters of healthy activities, well-being (positive impact on mental health), dietary habits which in turn leads to a healthier Tameside, less strain on NHS resources and a better quality of life for everyone. If we had access to more funding we could help more people, would this be something considered in this budget?

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Report To: COUNCIL

Date: 28 February 2017

Executive Member / Reporting Officer: Cllr Jim Fitzpatrick – First Deputy (Performance and Finance)

Ian Duncan – Assistant Executive Director (Finance)

Subject: **TREASURY MANAGEMENT STRATEGY 2017/18**

Report Summary: The report sets out the Council's borrowing strategy for 2017/18 and the Annual Investment Strategy.

Recommendations:

1. That the report be noted and the proposed borrowing strategy be supported.
2. That the Annual Investment Strategy, including the changes set out in section 14 of this report, be approved.

Links to Community Strategy: The Treasury Management function of the Council underpins the ability to finance the Council's priorities.

Policy Implications: In line with Council Policies.

Financial Implications:

(Authorised by the Section 151 Officer)

The achievement of savings on the cost of financing the Council's debt through repayment, conversion and rescheduling, together with interest earned by investing short term cash surpluses, is a crucial part of the Council's medium term financial strategy. This has to be carefully balanced against the level of risk incurred.

The financial implications are determined by:

- The value and timing of any borrowing undertaken (if any)
- The amount of cash available for investment and the return achieved on this investment

The Council actively reviews the opportunities to maximise the return on its investments. It is possible that improved returns may be obtained from asset backed securities, and a change to the Treasury Management Strategy is recommended in order to allow investment in such instruments.

Legal Implications:

(Authorised by the Borough Solicitor)

The report complies with the Council's financial regulation 17.3. The Council is required by statute to set and maintain a balanced budget, careful management of the finances allows the Council to achieve this and this report provides a means for Members to carefully monitor the situation.

Risk Management: Failure to properly manage and monitor the Council's loans and investments could lead to service failure and financial loss.

Access to Information: The background papers relating to this report can be inspected by contacting Beverley Stephens, Finance Business Partner, by:

phone: 0161 342 3887

e-mail: beverley.stephens@tameside.gov.uk

1. INTRODUCTION

1.1 The Treasury Management service is an important part of the overall financial management of the Council's affairs. At 31 March 2016 the Council had £156m of investments which need to be safeguarded, and £120m of debt. The Council is also the lead authority responsible for the administration of the debt of the former Greater Manchester County Council on behalf of all ten Greater Manchester Metropolitan Authorities. As at 31 March 2016, this was a further £110m of debt. The significant size of these amounts requires careful management to ensure that the Council meets its balanced budget requirement under the Local Government Finance Act 1992.

1.2 Under the Local Government Act 2003, the Department for Communities and Local Government issued in March 2010 revised "Guidance on Local Government Investments". The 2003 Act requires an authority "to have regard" to this guidance. Part of this guidance is that "A local authority shall, before the start of each financial year, draw up an Annual Investment Strategy for the following financial year, which may vary at any time. The strategy and any variations are to be approved by the full Council and are to be made available to the public." This strategy is set out in **Appendix A**.

1.3 A revised edition of the CIPFA Prudential Code and CIPFA Treasury Management Code of Practice was produced in November 2011. The guidance arising from this Code has been incorporated within this report.

1.4 This report also sets out the estimated borrowing requirement for both Tameside MBC and the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF), together with the strategy to be employed in managing the debt position.

1.5 The Local Government Act 2003 is the major legislation governing borrowing and investments by local authorities. Under the Act a Local Authority may borrow money:

(a) For any purpose relevant to its functions under any enactment; or

(b) For the purposes of the prudent management of its financial affairs.

1.6 However, an authority has a duty to ensure that its borrowing is affordable, and must set its own limits on how much it may borrow. The method of doing this is set out in the Prudential Code for Capital Finance in Local Authorities. This is covered in the Capital Strategy and Programme, and the limits imposed by the Council will be adhered to within the Treasury strategy.

1.7 The limits set by the Council are based on the possibility of borrowing in advance of our needs, should interest rates be such that it is advantageous to do so. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash balances have been used. This strategy is prudent as investment returns are low and interest rates are comparatively high, thus creating a high cost of carry for any borrowing taken up. The Council, along with its advisors, Capita, will closely monitor rates and take up borrowing at the most advantageous time possible.

1.8 Against this background and the continuing risks within the economic forecast, caution will be adopted with the 2017/18 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach in changing circumstances. Borrowing will be undertaken on an assessment of the situation at the time.

2. CODE OF PRACTICE

2.1 The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised November 2011). The Council has adopted the revised Code of Practice on Treasury Management.

2.2 Part of this code is for the Council to set out Treasury Management Practices (TMPs). These are in place and are being adhered to.

3. NEED TO BORROW

3.1 The Council's long term borrowing requirement in any year depends on the following factors:-

(a) Existing loans which are due to mature during the year. These will include external loans, and any reduction of internal resources that are temporarily being used to finance capital expenditure.

(b) The amount of capital expenditure that the Council has determined should be financed by borrowing. Under the Prudential Code on Borrowing the Council may determine its own levels of borrowing and is set by the Council as part of the main budget process. The Council is able to borrow in advance of its requirements, when it is considered beneficial to do so.

(c) The amount of outstanding debt required to be repaid during the year, including the "Minimum Revenue Provision" (MRP) and additional voluntary MRP to repay prudential borrowing.

3.2 The Council has some flexibility to borrow funds this year for use in future years. The Section 151 Officer may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints.

Any borrowing in advance undertaken 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

- Borrowing would not be undertaken more than 24 months in advance of need.

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

The Council may also borrow on a short term basis to finance temporary shortfalls in cash flow.

3.3 In addition to this, the Council will fund capital expenditure by using internal cash balances. Although we do not borrow to meet this expenditure, it has the effect of reducing our investments, and therefore changing the net interest payable.

4. TYPES AND DURATION OF LOANS

4.1 There are various types of loan available:-

(a) Short term fixed.
These are loans of less than one year duration where the interest rate is agreed at the start of the loan and remains the same until the loan matures. The duration may last from 1 day to 364 days.

(b) Short term variable.
Less than one year, but the interest rate may change during the life of the loan.

(c) Long term fixed
As (a), but greater than one year (may be up to 50 years).

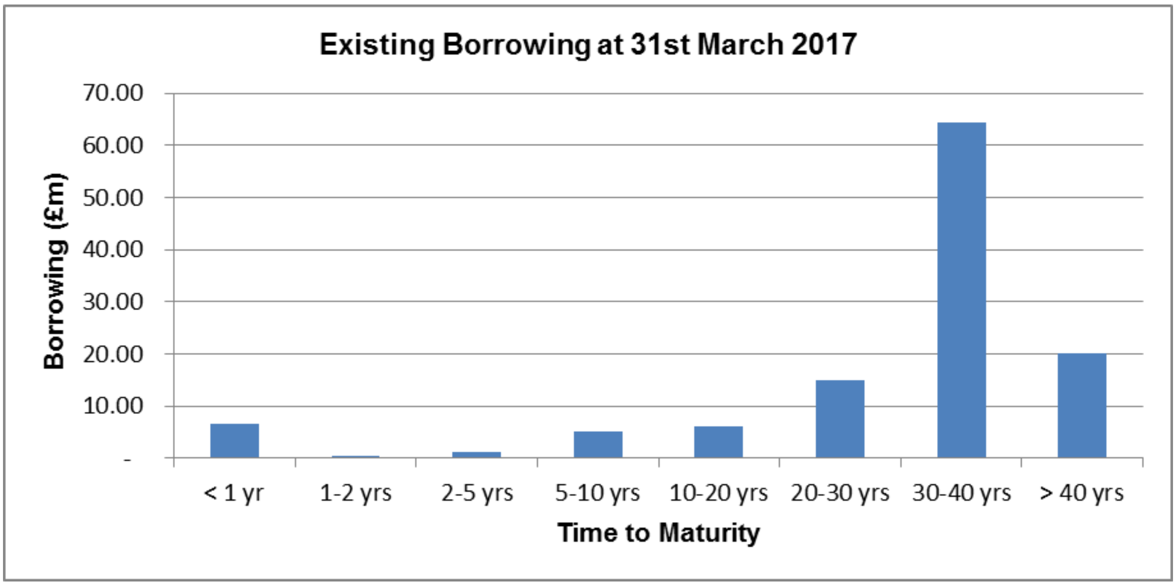
(d) Long term variable
As (b), but life normally between 1 and 10 years.

(e) LOBOs (Lender's Option Borrower's Option)
These are bank loans where the interest rate is fixed for a number of years (often with an automatic increase built in). At the end of this fixed rate period, the bank may (at pre set anniversaries) take up an option to increase the rate. The borrower (Tameside) then has the option to repay the loan if we do not want to pay the higher interest rate. We can only repay the loan prior to the maturity date without penalty if the lender has taken up their option.

4.2 Interest rates are continually changing and are determined by economic and market conditions. Short term variable rates tend to reflect the current Bank of England Minimum Lending Rate (Bank Rate), but can vary (sometimes by more than 1%) due to market conditions. The on-going uncertainty in the financial markets has caused considerable volatility.

4.3 Long term fixed rates are based on Government Gilts (Bonds issued by the Government which pay a fixed rate of interest) and reflect the future expectations of base rates, inflation and risks within the general economy. They may be markedly different from short term rates, and they may also be volatile. At present interest rates on longer term loans are higher than short term rates due to the relatively low Base Rate, implemented by the Monetary Policy Committee of the Bank of England. The programme of "quantitative easing" undertaken by the Bank of England and the "safe haven" status of the UK continues to restrict gilt interest rates.

4.4 Tameside's loan portfolio as at 31 March 2017 is estimated to contain £78m long term fixed loans from the PWLB, £10m long term fixed bank loans and £30m of LOBOs. The following graph outlines the maturity profile:



5. SOURCES OF BORROWING

5.1 Loans to fund the borrowing requirement may be raised from any source approved by the Local Government Act 2003.

The main sources currently available to Tameside are:-

a. The Public Works Loan Board (PWLB) (£78m at 31st March 2017)
b. European Investment Bank (EIB) (no current borrowing)
c. Banks, Building Societies and other financial institutions (£40m at 31st March 2017)
d. Internal cash funds and balances.

Of these, by far the greatest proportion is normally obtained from the PWLB.

5.2 The PWLB is, in effect, the Government, and loans raised from this source are generally the cheapest available for their type and duration. Although loans from the PWLB may be obtained at a variable rate of interest, they are normally borrowed at fixed rates.

5.3 In November 2016 the Government confirmed its plans to abolish the PWLB and transfer its functions for lending to local authorities to the Treasury, with operational responsibility delegated to the Debt Management Office (DMO). The proposals only affect the governance arrangements and do not change any of the policy or operational aspects of lending to local authorities. The Government is planning to lay a draft Order before Parliament to implement these changes, but there is no clear timescale on when the change will be implemented at this stage. For the purposes of this report, the term “PWLB” will continue to be used to refer to Government lending.

5.4 Whilst the Public Works Loan Board, part of HM Treasury, is the primary lender to local authorities, the European Investment Bank (EIB) will also provide support for funding infrastructure projects throughout the EU. This source of funding is priced in a similar way to the PWLB, but requires applications for specific projects. These projects must further EU policy requirements and be financially, technically and environmentally viable. They are particularly aimed at regional development issues. The Association of Greater Manchester Authorities (AGMA) has negotiated a borrowing facility with the EIB, which could be available to the council in due course if appropriate.

5.5 Borrowing for fixed periods means that the average rate payable is not subject to large year on year volatility which could occur if rates were linked to the base rate of interest.

5.6 Internal funds, such as the Insurance Fund, are paid interest in line with short term rates.

5.7 Traditionally the strategy employed by Tameside and most other Local Authorities is to borrow long term at fixed rates of interest.

5.8 Where appropriate the Council may undertake borrowing for external organisations for policy reasons, and this will be on the basis that the revenue costs are fully reimbursed.

6. RESCHEDULING

6.1 Rescheduling involves the early repayment and re-borrowing of longer term PWLB loans, or converting fixed rate loans to variable and vice versa. This can involve paying a premium or receiving a discount, but is intended to reduce the overall interest burden, since the replacement loan (or reduction of investment) is normally borrowed at a lower interest rate.

6.2 The use of rescheduling is a valuable tool for the Council, but its success depends on the frequent movement of interest rates, and therefore it cannot be estimated for. It will continue to be used when suitable opportunities arise, in consultation with our treasury management advisors, although such opportunities may not occur.

6.3 The changes made by the PWLB in 2010 to introduce separate rates for the premature repayment of debt and the increase in the cost of new PWLB borrowing by approximately 1%, has significantly reduced the ability to re-schedule debt. No re-scheduling has been undertaken by the Council since these changes occurred.

6.4 However, the PWLB has continued a scheme to allow a 0.20% reduction on the published borrowing rates, known as the “certainty rate”, for Councils that provide indicative borrowing requirements for the next 3 years. The Council has provided this information and has therefore protected its eligibility for the certainty rate. This does not however commit the Council to a particular course of action.

6.5 With the current yield curve, debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the Section 151 Officer and our treasury management advisors will monitor prevailing rates for any opportunities during the year.

6.6 Although a pro-active approach is taken to identify opportunities to re-schedule debt, no such an opportunities have arisen so far in 2016/17.

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

7. CURRENT POSITION – 2016/17

7.1 The original estimate of interest payable for the current year was £8.881m. Of this £8.778m will be paid externally and the remainder will be paid to various Council funds such as the Insurance Fund. It is anticipated that the outturn position for the year will be in line with this budget.

8. TAMESIDE MBC'S ESTIMATED POSITION AT 31 MARCH 2017

8.1 Following transactions and activity expected prior to the financial year end it is anticipated that at the end of the current financial year, the Council's net borrowing position will be:-

	£m
PWLB	78.477
Market Loans (incl. LOBOs)	40.000
Less Sports Trust debt*[1]	-2.259
Less Airport Terminal 2 debt*[2]	-1.622
Net Tameside Long term loans	114.596
Trust Funds, Contractor Deposits etc	0.145
Total external borrowing	114.741
Internal cash balances	185.932
Less Investments	-160.205
Net Creditor position	0.292
Net Debt outstanding	140.760

*[1]*see paragraph 8.4*
*[2]*see paragraph 8.3*

8.2 The estimated position assumes the Council will not take up any borrowing during 2016/17, to meet the forecast outstanding borrowing requirement as at 31 March 2017 (£73.086m) and no advanced borrowing for 2017/18 or future years. By postponing borrowing and utilising cash balances, the Council reduces counterparty risk and the financial impact of the current low level of investment returns.

8.3 The PWLB figure includes an outstanding amount of £1.622m, of an original amount of £10.02m taken over from Manchester Airport on 31st March 1994 to facilitate Terminal 2. The Airport fully reimbursed the Council with both the principal and interest repayments in respect of these loans until 9 February 2010, when it re-negotiated the terms of this agreement with the 10 Greater Manchester Districts. The Airport now pays the Council an annual fixed interest of 12% on the outstanding balance at 9 February 2010 (£7.295m) and agreed to repay the loan by 2055.

8.4 Prudential borrowing of £4.280m was taken up on 25 July 2008 from the PWLB on behalf of the Tameside Sports Trust, to enable facility improvements. The costs related to this borrowing are met by reducing the annual Council's grant paid to the Sports Trust by an equal amount. The outstanding amount at 31 March 2016 will be £2.259m.

8.5 The total amount of the Council's gross external debt (excluding Airport and Sports Trust debt) is £140.760m.

9. 2017/18 BORROWING REQUIREMENT

9.1 As stated earlier the authorised limits for debt under the Prudential Code allow for borrowing in advance. This will only be done if interest rates for longer term loans are advantageous to the Council and the counterparty risk to the Council on investments is acceptable, or such borrowing will afford an opportunity for debt rescheduling.

9.2 During 2017/18 it is estimated that the following requirement will be needed in respect of the general fund:-

	£m
Capital expenditure (financed by loan)	12.740
Loans maturing	6.466
	19.206
Less Debt repayments	-4.071
Total potential borrowing requirement	15.135

9.3 Therefore the additional outstanding capital borrowing need of the Council will be £15.135m (capital expenditure less debt repayments) during 2017/18.

9.4 The budget for 2017/18 shows that loans and investments outstanding during the year will generate estimated net interest charges of £4.349m, of this £4.175m will be paid externally and the remainder will be paid to various Council funds. Under current Local Government accountancy rules no interest is payable in respect of the Councils capital receipts and revenue balances. This has no net effect on the overall finances of the Council.

9.5 During 2018/19 it is estimated that the following requirement will be needed in respect of the general fund:-

	£m
Capital expenditure (financed by loan)	6.524
Loans maturing	0.320
	6.844
Less Debt repayments	-4.390
Total potential borrowing requirement	2.454

9.6 Therefore it is estimated that there will be an additional borrowing requirement during 2017/18 of £2.454m

10. GREATER MANCHESTER METROPOLITAN DEBT ADMINISTRATION FUND (GMMDAF) REQUIREMENT

10.1 Unlike Tameside MBC the GMMDAF incurs no capital expenditure, and therefore the total debt outstanding reduces annually by the amount of debt repaid by the constituent authorities. However, loans are raised to replace those maturing during the year and also for cash-flow purposes.

10.2 At 31 March 2017 it is expected that the fund will have the following outstanding debt:

	£m
PWLB	67.962
Transferred Debt	0.197
Temporary Borrowing	24.098
Creditors	1.178
Total Debt	93.435

10.3 The fund's borrowing requirement for 2017/18 is estimated to be:

Long term debt maturing	**£m**
PWLB	3.000
Other	0.041
	3.041

Less principal repayments	-16.996
Surplus	-13.925

10.4 During 2017/18 it is estimated that the total interest payments will be £5.622m at an average interest rate of 4.90%. This compares with 5.73% in 2014/15, 5.30% in 2015/16 and a revised estimate of 5.09% in 2016/17.

10.5 Further loans may be taken up for either re-scheduling or borrowing early for future years, if prevailing rates are considered attractive.

10.6 During 2009/10, Manchester Airport re-negotiated the terms of its loan arrangement with the 10 Greater Manchester Districts, as a result of this agreement the 10 Districts have taken responsibility to service the former Manchester Airport share of the GMMDAF. The Airport has agreed to pay the Districts an annual fixed interest of 12% on the outstanding balance at 9 February 2010, and repay the loan in 2055. Previously, this element of GMMDAF debt was serviced by the Airport itself.

11. BORROWING STRATEGY

11.1 The Council has the following anticipated borrowing requirement:-

	Annual Requirement (£m)	**Total Required (£m)**	**Estimated Annual Cost* (£m)**
Prior years		68.931	1.551
Estimate 2016/17	4.155	73.086	3.195
Estimate 2017/18	15.135	88.221	5.269
Estimate 2018/19	2.454	90.675	7.581

*calculated as annual interest charge on total requirement if borrowing taken up at estimated 50 year PWLB rate, less current interest rate on investments. This would only be incurred if all borrowing was taken up.

The GMMDAF has a borrowing requirement of £15.922m for 2016/17 and an estimated surplus of £13.925m for 2017/18. This surplus will be offset against the borrowing requirement.

11.2 As shown above, the Council is currently maintaining an under-borrowed position estimated to be £72.621m at 31st March 2017. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash has been used. This strategy is prudent as investment returns are low and counterparty risk is high. The Council continues to have a high level of investments, and it is expected that these will continue during the next financial year. The Council will seek to maintain levels of external debt as low as possible, consistent with a consideration of wider risks and benefits.

11.3 The uncertainty over future interest rates and concerns over counterparty credit worthiness increases the risks associated with treasury activity. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach in changing circumstances. PWLB loans may be borrowed in order to reschedule debt or meet the outstanding borrowing need as is felt to be appropriate. The possibility of deferring borrowing until later years to reduce our level of investments and associated counterparty risk will be considered.

11.4 As a result the Council will take a cautious approach to its borrowing strategy and all opportunities explored in conjunction with our treasury management advisors. Borrowing decisions will be based on the circumstances prevailing at the time.

11.5 Long-term fixed interest rates are at risk of being higher over the medium term, and short term rates are expected to rise, although more modestly. The Section 151 Officer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks outlined above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short/medium term.

11.6 The borrowing rules for the PWLB mean that we are able to borrow our full requirement from them. However, if interest rates in respect of LOBOs are sufficiently attractive, these may be used for Tameside. The length of loans required for LOBOs mean they are unsuitable for the GMMDAF.

11.7 It is likely that the Municipal Bond Agency 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 Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

12. INTEREST RATES

12.1 The borrowing and investment strategy outlined in the report is based on the following central view forecast, provided by our treasury management advisors (Capita), showing the movement in longer term interest rates for borrowing and movement in shorter term interest rates for investments.

Capita Asset Services Interest Rate View													
	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
3m LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%
6m LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
12m LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%
5yr PWLB	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

12.2 The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

12.3 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

12.4 The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

12.5 PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

12.6 The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

12.7 Investment returns are likely to remain low during 2017/18 and beyond. Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a ‘hard Brexit’, the fall in the value of sterling, and an increase in inflation expectations. 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 capital expenditure and/or to refinance maturing debt;

12.8 There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

13. INVESTMENTS

13.1 The primary objectives of the Council’s investment strategy are safeguarding the re-payment of the principal and interest of its investments on time, then ensuring adequate liquidity, with the investment rate of return being the final consideration. The current investment climate continues to have one over-riding risk, counterparty risk. As a result of these underlying concerns officers are implementing a risk averse operational investment strategy.

13.2 The 2011 revised CIPFA Treasury Management Code and the CLG Investment Guidance requires the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are a requirement to Member reporting, although the application of these is more subjective in nature. Additional background on the approach taken is attached at **Appendix C**.

13.3 These benchmarks are simple targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported, with supporting reasons in the Annual Report.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.03% historic risk of default when compared to the whole portfolio.

Liquidity – In respect of this area the Council seeks to maintain:

- Bank overdraft - £1.60m
- Liquid short term deposits of at least £5m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.25 years, with a maximum of 0.625 years

Yield - Local measures of yield benchmark is:

- Investments – Internal returns above the 7 day LIBID rate
- And in addition that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	0.067%	0.189%	0.356%	0.551%	0.775%

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

13.4 Normally when the Council has surplus cash, this is invested to try to ensure that interest earned is optimised with minimal risk of capital loss. Higher interest rates are earned by investing any large amounts on the London money markets, rather than by leaving such sums with the Council's own bank. The Investment Strategy sets out the type of institutions with which the Council may deposit funds for this purpose. The list has been compiled to reflect the creditworthiness of these banks and building societies, rather than the rates of interest payable, as the safety of the asset is the most important consideration. Nonetheless, the interest received from these institutions is competitive.

13.5 The ongoing financial uncertainty has reinforced the need for the Council to ensure it adopts a security based approach to investment strategy.

13.6 Due to concerns over the risk of counterparties in the financial markets, the Council has acted to ensure investments are only placed for durations of up to one year. By keeping to a short duration the Council is reducing the risk that it holds an investment with a bank that no longer meets its minimum credit rating criteria and ensuring that the security of the investment is the Council's highest priority.

13.7 If market conditions significantly improve, we could make strategic investments up to £30m for more than 12 months, as reported in the Budget Report 2017/18 - Prudential Indicators and Limits (**Appendix 4**).

13.8 In recent years the Council has had a high level of investments and therefore the investment strategy has been aligned with our debt strategy. The strategy for repayment of debt has been dependent on the movement of long term interest rates, and in favourable circumstances this could mean the repayment of tranches of debt. Investments have therefore been managed in-house in order to finance any repayments if necessary. It is expected that this strategy will continue.

13.9 As established in the Mid-Year Treasury Management Activities Report, the Council applies the creditworthiness service provided by its advisors, 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.

13.10 The Council also holds investments in Money Market Funds which are AAA rated and act, in a similar way to unit trusts, to spread the risk of default across a number of underlying institutions. This type of fund is tightly regulated and viewed as a relatively safer investment.

13.11 The Council has a deposit account with the Government Debt Management Office (DMO). As this facility is underwritten by the government, the rates of interest offered by the DMO are substantially below the current market rates. This facility has not been used in 2016/17.

13.12 If concerns over counterparty risk reduce and market conditions are judged suitable, long term borrowing may be taken up by the Council in advance of when it is required for capital purposes. In these circumstances the excess cash will be invested in line with the Council's prudent investment objectives, with security of the asset the highest priority. However, the Council is not allowed to borrow for the express purpose of reinvesting this cash to make a return.

13.13 Although security and liquidity are both given priority over yield, the Council still manages to achieve a higher rate of return than the 7 day LIBID benchmark. In 2015/16 the Council achieved a return of 0.47% versus a LIBID of 0.37%. This equated to £742k of interest, against £571k at LIBID, a difference of £171k.

14 INVESTMENTS – PROPOSED CHANGES

It is proposed that the following changes are made to the Council's investment strategy:

Counterparty Limits

14.1 It is proposed that the counterparty limit is changed to £50m for UK Government bodies (e.g. local authorities and other similar bodies). Any such investments will be highly secure due to the Government-backed nature of these entities.

In line with this it is proposed that the limit for total investments for more than 12 months is increased from £30m to £50m and that the limit for investments in non-specified investments is increased from 25% to 50%.

Alternative Investments

14.2 A new class of "alternative investments" is added to the available list of non-specified investment instruments. These instruments offer increased returns in the current low interest rate environment whilst still meeting the DCLG requirements for security, liquidity and yield

This would include asset backed securities and asset backed pooled investment funds, which are secured against real assets such as green energy, timber or property.

Any proposed investment of this nature would be the subject of a further report.

15 TREASURY MANAGEMENT ADVISORS

15.1 The Council uses Capita as its treasury management advisors. Capita provides a range of services which include:

- Technical support on treasury matters and capital finance issues;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments; and
- Credit ratings/market information service comprising the three main credit rating agencies.

15.2 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice, the final decision on treasury matters remains with the Council. This service is subject to regular review.

15.3 Tameside MBC and Capita recently agreed a new 4 year contract which runs to September 2019.

16. RECOMMENDATIONS

16.1 As set out on the front of the report.

APPENDIX A

ANNUAL INVESTMENT STRATEGY: FINANCIAL YEAR 2017-18

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 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 the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

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 Objectives:

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

All investments will be in sterling. The general policy objective for this Council is the prudent investment of its treasury balances. This includes monies borrowed for the purposes of expenditure in the reasonably near future (i.e. borrowed 12-18 months in advance of need). The Council's investment priorities are

(a) the **security** of capital and
(b) **liquidity** of its investments.
(c) **optimum return** on its investments commensurate with (a) and (b).

The former ODPM regulations stated that the borrowing of monies purely to invest or on-lend and make a return is unlawful, and therefore this Council will not engage in such activity.

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:

- Yellow 5 years (UK Government debt or equivalent.
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

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

Typically the minimum credit ratings criteria the Council use 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 regularly. 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 it 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 any external support for banks to help support its decision making process.

All institutions which meet the criteria **may** be included on our lending list at the discretion of the Section 151 Officer, although meeting the criteria does not guarantee this.

The criteria may only be changed by the Executive Cabinet.

Monitoring of credit ratings and other market information:

All credit ratings will be monitored regularly. The Council is alerted to changes to ratings of all three agencies through its use of Capita's creditworthiness service.

If a counterparty or investment scheme's rating is downgraded with the result that it no longer meets the Council's minimum criteria or other market information leads the concerns over the credit quality of that entity, then the further use of that counterparty/investment scheme as a new investment will be withdrawn immediately (however, existing fixed investments must remain in place until they mature).

If a counterparty is upgraded so that it fulfils the Council's criteria, its inclusion may be considered by the Section 151 Officer for approval.

Institutional Limits for Investments:
The Council has previously set limits on investments with individual institutions. These have been set for the Council and the Pension Fund combined. These limits (which will remain in force unless changed by the Executive Cabinet) are:

Currently the overall limit invested by Tameside, the GM Pension Fund and the GMMDAF in one institution should not exceed a combined amount of £70m. Of this £70m, a maximum of £50m may be invested by the Pension Fund, £15m by Tameside and £5m by the GMMDAF.

At any time the maximum should not exceed 20% of the total amount available for investment (at the time of the investment - individually for the Council and the Pension Fund), or the above limits, whichever is less. However, where total investments are less than £100m for the Pension Fund and £25m for Tameside, the upper limits will be £20m and £5m respectively.

It is proposed that these limits are amended and the counterparty limit for UK Government bodies (e.g. local authorities and other similar bodies) is increased to £50m. Any such investment would still be highly secure due to the Government-backed nature of these entities.

Investments defined as capital expenditure:
The acquisition of share capital in any body corporate is defined as capital expenditure under Section 16(2) of the Local Government Act 2003. Such investments will have to be funded out of capital or revenue resources and will be classified as 'non-specified investments'. The acquisition of loan capital in a body corporate has recently been relaxed so that it is not treated as capital expenditure and can be used for treasury management activities.

A loan or grant by this Council to another body for capital expenditure by that body is also deemed by regulation to be capital expenditure by this Council. It is therefore important for this Council to clearly identify if the loan has made for policy reasons (e.g. to a registered social landlord for the construction/improvement of dwellings) or an investment for treasury management purposes. The latter will be governed by the framework set by the Council for 'specified' and 'non-specified' investments.

The Council provided a loan of £4.280m (funded by Prudential Borrowing) to the Tameside Sports Trust in 2008/09, to invest in the refurbishment of three existing Leisure Centres within the Borough. This loan was for policy reasons and not for treasury management purposes. The Council also has an investment in Manchester Airport shares of £10.215m. These investments were not part of the Treasury Management strategy.

During 2009/10, Manchester Airport re-negotiated the terms of its loan arrangement with the 10 Greater Manchester Districts; as a result of this agreement the 10 Districts have taken responsibility to service the former Manchester Airport share of the GMMDAF and Terminal 2 Loan Debt. The Airport pays the Districts an annual fixed interest of 12% on the outstanding balance at 9 February 2010. The Airport has agreed to repay the loan to the Council by the end of the agreement in 2055. The re-negotiated loan arrangement was not for treasury management purposes.

The Council participates in the Local Authority Mortgage Scheme. Under this scheme the Council is required to place funds of £1m, with Lloyds Banking Group for a period of 5 years. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the specified / non specified investment categories.

Manchester Airport
Tameside MBC holds a 3.22% equity share in Manchester Airports Group (MAG). The fair value of the Council's 3.22% shareholding at 31 March 2016 has been estimated at £39.8m (£41.0m as at 31 March 2015).

Dividends of £4m were received in 2016/17 from the Council's investment in MAG. This revenue is included in the Council's Medium Term Financial Strategy as a key item of income.

Provisions for Credit-related losses
If any of the Council's investments appeared at risk of loss due to default (i.e. a credit-related loss, and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

Investment Strategy to be followed:
Based on its cash flow forecasts, the Council anticipates its fund balances in 2016/17 to range between £90m and £210m.

Use of investments for rescheduling purposes, or deferring borrowing could substantially reduce these holdings, whereas borrowing earlier than required could increase them.

The minimum percentage of its overall investments that the Council will hold in short-term investments is 75%.

The current financial climate provides operational difficulties. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty creditworthiness suggest shorter dated investments would provide better security.

The money market interest rates will be constantly monitored, and with the advice of our treasury advisors, the length of investments will be determined in accordance with our own views of future rate movements. In this way we would hope to optimise our investment returns.

Use of Specified and Non-Specified Investments during the Financial Year

There are a number of types of investments which the Council could use. These are outlined in the following tables

Specified investments:
All such investments shall be in sterling with a maximum maturity of 1 year with institutions of high credit quality.

	Minimum Credit Criteria
Term Deposits (including bank cancellable deposits and certificates of deposit) with credit – rated deposit takers (banks and building societies) *	Per Capita Asset Services
Term Deposits with the UK Government including Treasury Bills or other Local Authorities	N/A
Money Market Funds	AAA
Debt Management Agency Deposit Facility	N/A

*If forward deposits are made, these will be for a maximum of 1 year from the date of the deal.

Bank cancellable deposits cover a variety of bank deposits where the bank holding the deposit, has the option of repaying at pre-specified times. Such investments normally attract a higher original interest rate.

Non – Specified Investments:
A maximum of 25% (at the time the investments are made) will be held in aggregate in non – specified investments The only types of non-specified investments, with high credit quality, that the Council may use during 2017/18 are:

	Minimum Credit Criteria
Term Deposits exceeding 1 year (including bank cancellable deposits) with credit – rated deposit takers (banks and building societies)	Per Capita Asset Services
Term Deposits with the UK Government or other Local Authorities exceeding 1 year	N/A
UK nationalised and part nationalised banks (currently Lloyds Banking Group and Royal Bank of Scotland Group) – investments will be limited to a maximum period of 12 months	N/A
The Council's own bankers if they fail to meet the basic credit criteria.	N/A

Investments of this nature will only be made with the approval of the Section 151 Officer and in line with our treasury management advisors' investment recommendations.

Alternative Investments

It is proposed that a new class of "alternative investments" be added to the Council's list of non-specified investment instruments.

The motivation for this is increased diversification from the current concentration of credit risk on financial institutions, along with the potential for increased returns in the current low interest rate environment whilst still meeting the DCLG requirements regarding security, liquidity, and yield.

A variety of products are available that are secured against real assets such as green energy, timber, leisure, commercial property and private real estate. Thorough due diligence will need to be undertaken on any such products before any investment is made.

The available products fall within two categories; asset backed securities and asset backed pooled investment funds.

Asset backed securities are typically bespoke structures and can be unrated. This increases the need for due diligence, which will likely involve legal advice and also that of external auditors. Asset backed pooled investment funds involve the purchase of shares in a pooled fund or "fund of funds". These are less bespoke and require less due diligence.

APPENDIX B

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 or exceeding one year, as outlined in the body of the report. A maximum of 25% 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. maturity period**
DMADF – UK Government	N/A	**6 months**
UK Government gilts	UK sovereign rating	12 months
UK Government Treasury bills	UK sovereign rating	12 months
Bonds issued by multilateral development banks	AAA	6 months
Money market funds	AAA	Liquid
Enhanced money market funds with a credit score of 1.25	AAA	Liquid
Enhanced money market funds with a credit score of 1.5	AAA	Liquid
Local authorities	N/A	12 months
Term deposits with banks and building societies	Blue Orange Red Green No Colour	12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	

APPENDIX C

Security, Liquidity and Yield Benchmarking

These benchmarks are targets and so may be breached from time to time. Any breach will be reported, with supporting reasons in the Annual Treasury Report.

Yield – This benchmarks is currently widely used to assess investment performance.

- Investments – Internal returns above the 7 day LIBID rate

Security and liquidity benchmarks are already intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators.

Liquidity – This is defined as "having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice). In respect of this area the Council seeks to maintain:

- Bank overdraft - £1.600m
- Liquid short term deposits of at least £5m available with a week's notice.

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – shorter WAL would generally embody less risk.

- WAL benchmark is expected to be 0.25 years, with a maximum of 0.625 years.

Security of the investments – In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poors). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch/Moody's Standard and Poor's long term rating category within each year according to the maturity of the investment.

Years	1	2	3	4	5
AAA	0.04%	0.10%	0.18%	0.27%	0.37%
AA	0.01%	0.02%	0.08%	0.16%	0.23%
A	0.07%	0.19%	0.36%	0.55%	0.77%

As set out earlier, the Council's minimum long term rating will typically be "A-" meaning the average expectation of default for a one year investment in a counterparty with a "A" long term rating would be 0.07% of the total investment (e.g. for a £1m investment the average loss would be £700). This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio.

The Council's maximum security risk benchmark for the whole portfolio, when compared to these historic default tables, is:

- 0.03% historic risk of default when compared to the whole portfolio.

And in addition that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	0.067%	0.189%	0.356%	0.551%	0.775%

These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members in the Investment Annual Report. As this data is collated, trends and analysis will be collected and reported.

Report To:	**COUNCIL**
Date:	**23 MAY 2017**
Executive Member / Reporting Officer:	Cllr Kieran Quinn, Executive Leader Steven Pleasant, Chief Executive
Subject:	**CALENDAR OF MEETINGS 2017/2018**
Report Summary:	Attached is a draft of the Calendar of Meetings for 2017/2018 Municipal Year.
Recommendations:	That Members agree the Calendar of Meetings for the 2017/2018 Municipal Year.
Links to Community Strategy:	The Constitution and democratic framework provides an effective framework for implementing the Community Strategy.
Policy Implications:	There are no policy implications.
Financial Implications: (Authorised by the Section 151 Officer)	There are no budgetary implications.
Legal Implications: (Authorised by the Borough Solicitor)	Achieves compliance with Procedural Standing Orders.
Risk Management:	Publication of the Meetings Calendar allows for transparent and inclusive decision-making and complies with the Freedom of Information Act 2000.
Access to Information	The background papers relating to this report can be inspected by contacting Robert Landon, Head of Democratic Services by: phone: 0161 342 2146 e-mail: robert.landon@tameside.gov.uk

MEETINGS	DATE/TIME						
Council	**Tuesday 5.00pm**	23 May 2017	25 July 2017	10 October 2017	28 November 2017		27 February 2018
Executive Cabinet	**Wednesday 2.00pm**	28 June 2017	30 August 2017	18 October 2017	13 December 2017 (Jt meeting with Audit Panel)	7 February 2018 (Jt meeting with Overview (Audit) Panel)	21 March 2018
Board	**Wednesday 10.00am**	7 June 2016	12 July 2017		23 August 2017	13 September 2017	11 October 2017
		8 November 2017	Tuesday 5 December 2017	10 January 2018	21 February 2018	14 March 2018	18 April 2018
Overview (Audit) Panel	**Monday 2.00pm**	31 July 2017		11 September 2017	20 November 2017	7 February 2018 (Jt meeting with Executive Cabinet)	
Audit Panel	**Tuesday 2.00pm**	30 May 2017		24 October 2017	13 December 2017 (Jt meeting with Executive Cabinet)	6 March 2018	
Speakers Panel (Planning)	**Wednesday 10.00am**	24 May 2017	21 June 2017	26 July 2017	6 September 2017	4 October 2017	15 November 2017
		13 December 2017	17 January 2018	14 February 2018	21 March 2018	25 April 2018	
Speakers Panel (Liquor Licensing)	**Monday 10.00am**		3 July 2017	4 September 2017	6 November 2017	15 January 2018	12 March 2018
Speakers Panel (Licensing)	**Tuesday 10.00am**	20 June 2017	1 August 2017	19 September 2017	21 November 2017	23 January 2018	20 March 2018
Scrutiny Panels:							
Place and External Relations	**Tuesday at 6.00pm**	13 June 2017	1 August 2017	12 September 2017	7 November 2017	9 January 2018	13 March 2018
Integrated Care and Wellbeing	**Thursday at 6.00pm**	15 June 2017	27 July 2017	14 September 2017	9 November 2017	11 January 2018	15 March 2018
Pension Fund and Working Groups:							
Pension Fund	**Friday 10.00am**	21 July 2017	22 September 2017 (AGM)		17 November 2017		23 March 2018
Policy and Development	**Thursday 2.30pm**	30 May 2017 Tues - 9.00am	5 October 2017			1 February 2018	22 March 2018 at 10.00am
Pension Administration	**Friday 9.00am**	14 July 2017	13 October 2017			19 January 2018	6 April 2018
Investment Monitoring and ESG	**Friday 10.00am**	14 July 2017	13 October 2017			19 January 2018	6 April 2018
Alternative Investments	**Friday 9.30am**	20 July 2017 at 9.00am	20 October 2017			26 January 2018	13 April 2018
Property	**Friday 9.00am**	28 July 2017	27 October 2017			2 February 2018	20 April 2018
Employer Funding Viability	**Friday 10.30am**	28 July 2017	27 October 2017			2 February 2018	20 April 2018
Local Pensions Board	**Thursday 3.00pm**	24 July 2017 Mon – 2.00pm	19 October 2017		14 December 2017		29 March 2018

Other Panels and Working Groups:							
Standards Committee	**Tuesday 4.00pm**		5 September 2017		7 November 2017		3 April 2018
Strategic Planning and Capital Monitoring Panel	**Monday 2.00pm**	24 April 2017	10 July 2017	4 September 2017	27 November 2017		12 March 2018
Enforcement Co-ordination Panel	**Wednesday 10.30am**	26 July 2017		25 October 2017		24 January 2018	28 March 2018
Democratic Processes Working Group	**Monday 4.00pm**	17 July 2017		9 October 2017	11 December 2017	26 February 2018	
Carbon and Waste Reduction Panel	**Thursday 10.00am**	29 June 2017		7 September 2017	30 November 2017		15 March 2018
Health and Wellbeing Board	**Thursday at 10.00am**	29 June 2017		21 September 2017	16 November 2017	25 January 2018	8 March 2018
Single Commissioning Board	**Tuesday 2.00pm**	30 May 2017	20 June 2017	11 July 2017	15 August 2017	19 September 2017	31 October 2017
		14 November 2017	19 December 2017	30 January 2018	20 February 2018	20 March 2018	17 April 2018
Education Attainment Board	**Tuesday at 3.30pm**	27 June 2016		24 October 2016		16 January 2018	27 March 2018
Children In Care Council	**Tuesday at 5.00pm**	18 July 2017					6 March 2018
Town Councils:							
Ashton	**Tuesday at 6.30pm**	30 May 2017		26 September 2017	21 November 2017		20 February 2018
Audenshaw	**Tuesday at 6.00pm**	16 May 2017		12 September 2017	7 November 2017		6 February 2018
Denton	**Thursday at 5.00pm**	1 June 2017		5 October 2017	7 December 2017		1 March 2018
Droylsden	**Thursday at 6.30pm**	18 May 2017		14 September 2017	16 November 2017		15 February 2018
Dukinfield	**Thursday at 2.00pm**	1 June 2017		7 September 2017	9 November 2017		8 February 2018
Hyde	**Monday at 7.00pm**	5 June 2017		4 September 2017	6 November 2017		5 March 2018
Longdendale	**Tuesday at 6.30pm**	13 June 2017		19 September 2017	12 December 2017		13 March 2018
Mossley	**Wednesday at 7.00pm**	19 July 2017		13 September 2017	6 December 2017		21 February 2018
Stalybridge	**Wednesday at 6.30pm**	14 June 2017		4 October 2017	6 December 2017		7 March 2018

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