AGENDA

Meeting:	**Cabinet**
Place:	**The Kennet Room - County Hall, Trowbridge BA14 8JN**
Date:	**Tuesday 6 February 2018**
Time:	**9.30 am**

Please direct any enquiries on this Agenda to Will Oulton, of Democratic Services, County Hall, Trowbridge, direct line 01225 713935 or email william.oulton@wiltshire.gov.uk

Press enquiries to Communications on direct lines (01225)713114/713115.

All public reports referred to on this agenda are available on the Council's website at www.wiltshire.gov.uk

Membership:

Cllr Baroness Scott of Bybrook OBE	Leader of Council
Cllr John Thomson	Deputy Leader, and Cabinet Member for Communications, Communities, Leisure and Libraries
Cllr Chuck Berry	Cabinet Member for Economic Development and Housing
Cllr Richard Clewer	Cabinet Member for Corporate Services, Heritage, Arts and Tourism
Cllr Laura Mayes	Cabinet Member for Children, Education and Skills
Cllr Toby Sturgis	Cabinet Member for Spatial Planning, Development Management and Property
Cllr Bridget Wayman	Cabinet Member for Highways, Transport and Waste
Cllr Philip Whitehead	Cabinet Member for Finance, Procurement, ICT and Operational Assets
Cllr Jerry Wickham	Cabinet Member for Adult Social Care, Public Health and Public Protection

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Public Participation

Please see the agenda list on following pages for details of deadlines for submission of questions and statements for this meeting.

The full constitution can be found at this link. Cabinet Procedure rules are found at Part 6.

For assistance on these and other matters please contact the officer named above for details

Part I

Items to be considered while the meeting is open to the public

Key Decisions Matters defined as 'Key' Decisions and included in the Council's Forward Work Plan are shown as

1 **Apologies**

2 **Minutes of the previous meeting**

To confirm and sign the minutes of the Cabinet meeting held on 30 January 2018, to follow.

3 **Declarations of Interest**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

4 **Leader's announcements**

5 **Public participation and Questions from Councillors**

The Council welcomes contributions from members of the public. This meeting is open to the public, who may ask a question or make a statement. Questions may also be asked by members of the Council. Written notice of questions or statements should be given to William Oulton of Democratic Services by 12.00 noon on Wednesday 31 January 2018. Anyone wishing to ask a question or make a statement should contact the officer named above.

6 **Revenue and Capital Monitoring Period 9 2017- 2018** *(Pages 5 - 38)*

Report by Dr Carlton Brand, Corporate Director

7 **Commercial policy and approach** *(Pages 39 - 70)*

Report by Alistair Cunningham, Corporate Director

8 **Treasury Management Strategy 2018/2019** *(Pages 71 - 100)*

Report by Dr Carlton Brand, Corporate Director

9 **Wiltshire Council's Financial Plan**

The Wiltshire Council Financial Plan Update 2018/19 has already been published and can be accessed on the following link:

https://cms.wiltshire.gov.uk/ieListDocuments.aspx?CId=1160&MId=12011&Ver=4

Please copy into your browser if necessary. If you have any trouble in accessing these documents, please contact Will Oulton, Senior Democratic Services Officer, 01225 713935.

The following additional documents will be made available with the Cabinet papers, once they have been published:

- Report of the Overview & Scrutiny Committee
- Minutes of the Overview & Scrutiny Committee 5 February 2018

10 **Urgent Items**

Any other items of business, which the Leader agrees to consider as a matter of urgency.

Our vision is to create stronger and more resilient communities. Our priorities are: To protect those who are most vulnerable; to boost the local economy - creating and safeguarding jobs; and to support and empower communities to do more themselves.

Wiltshire Council

Cabinet

6 February 2018

Subject: **Revenue and Capital Budget Monitoring Period 9 2017/2018**

Cabinet Member: **Cllr Philip Whitehead – Finance**

Key Decision: **No**

Executive Summary

This report advises members of the revenue and capital budget monitoring positions as at the end of Period 9 (end of December 2017) for the financial year 2017/2018 with recommended actions as appropriate.

The forecast identifies that with action the revenue budget will be balanced by year end. If this is not the case then there will be a draw down from reserves. Therefore, every action will be taken to reduce spend.

This report also details changes to the capital budget made since the 2017/2018 budget was set in February 2017 and reflects the position of the 2017/2018 capital spend against budget as at Period 9 (as at 31 December 2017).

The year-end general fund reserve balance with no drawdown to fund overspends would be £12.534 million. This is in line with the Council's financial plan and recommendations by the Section 151 Officer.

Proposal

Cabinet is asked to note the outcome of the period 9 (end of December) budget monitoring and to approve all budget amendments outlined in the report.

To note the budget movements undertaken to the capital programme shown in appendices E and F and to also note the reprogramming of the capital £13.909 million between 2017/2018 and 2018/2019.

Reason for Proposal

To inform effective decision making and ensure a sound financial control environment.
To inform Cabinet of the position of the 2017/2018 capital programme as at Period 9 (31 December 2017), including highlighting any budget changes.

Michael Hudson, Director of Finance

Wiltshire Council

Cabinet

6 February 2018

Subject: **Revenue Budget Monitoring Period 9 2017/2018**

Cabinet Member: **Cllr Philip Whitehead – Finance**

Key Decision: **No**

Purpose of Report

1. To advise members of the revenue and capital budget monitoring position as at the end of period 9 (end of December 2017) for the financial year 2017/2018 with suggested actions as appropriate.

2. To inform Cabinet on the position of the 2017/2018 capital programme, as at Period 9 (31 December 2017), including highlighting budget changes.

Background

3. The Council set the 2017/2018 budget at its meeting on 21 February 2017. The report focuses on forecast exceptions to meeting the original budget and actions required to balance it. Comprehensive appendices showing the individual service headings are included in Appendix C. More details on any revisions to the original base budgets in year are also included in the report.

Revenue Summary

4. The projected year end position for the relevant accounts is set out as follows:

	Revised Budget Period 9 £ m	Profiled Budget to date £ m	Actual to date £ m	Projected Position for Year £ m	Projected Variance before further actions £ m	Variance reported at period 7 £ m	Movement since period 7 £ m
General Fund Total	**311.351**	**320.844**	**299.529**	**313.627**	**2.276**	**6.557**	**(4.281)**
Housing Revenue Account	**(0.592)**	**(10.681)**	**(10.287)**	**(0.592)**	**0**	**0**	**0**

5. Action has been identified to address the Period 9 forecast and it is expected that the budget will be delivered balanced by 31 March 2018.

6. Annual budget expenditure is not always spent in equal amounts each month. The profiled budget above shows the anticipated spend at the end of period 9. The main variance between the revised budget at period 9 and the profiled budget is due to a phasing of grant income due to be received by schools in period 12.

General Fund Monitoring Update

7. Accountancy continues to support budget managers to monitor their budgets, with a focus on the budgets assessed to be subject to a high risk due to factors such as changes in customer demand or expenditure or income assumptions. This has identified the areas where costs have risen quicker than forecast.

8. Budget monitoring is an ongoing process and budgets and expenditure are reviewed between budget managers and accountants regularly, on a risk based approach. As part of this review these reports exclude commitments in the actual spend column, to better show a consistent position. However, known commitments are taken into account in calculating the projected position for the year.

9. The period 9 report shows more detailed information and reports only the larger variances. Full details of service area figures are included in Appendix C. The figures in period 9 are current position after any approved recovery actions have been actioned.

10. As in previous reports, this report will target large variances and the managerial actions arising to ensure a balanced budget at year end.

Budget Movements in Period

11. There have been a number of budget movements during 2017/2018. These are due to budget virements, relating to factors such as structural changes or allocation of corporate savings targets since the report for budget setting in February 2017. A full trail is shown in appendix A. The overall net budget remains the same as agreed by Full Council in February 2017.

12. Further details of major virements in the period are included in appendix B. This includes a virement that has reallocated previous agreed corporate savings budget across all council services.

13. The Council has recently undertaken a review of its senior management team structure. This reports has recast the budget to report the Council within the new Council structure. This has resulted in some restructure changes highlighted within appendix B.

General Fund Monitoring Details

14. Overall the majority of service net spend is in line with budget profiles and forecasts. There are some services which have identified larger variances at this stage of the year than originally planned. Details of these areas are included below. Directors and Head of Service are identifying compensating actions to bring these back in line.

15. Overall the period 9 report identifies potential cost pressures of £2.276 million. Below are the comments on the main variances over £0.250 million.

Adults Social Care

16. Adult Social Care budgets are projecting a net overspend of £0.133 million for 2017/2018, a reduction of £0.717 million since period 7. (Adults 18+ £1.159 million over, Mental Health £1.097 million under, Learning Disabilities £0.767 million over and Adults Commissioning £ 0.696 million under). The main areas of overspend are:

    a. The Learning Disabilities Service where two of the savings proposals for 2017/2018 are yet to deliver any financial efficiencies totalling £1.300 million and the effects of re-procurement of placements following on from the cessation of three Learning Disability providers in the last 3 months. This overspend has been partially mitigated by an increase in client contributions across the whole of Adult Social Care and one-off funding from the Better Care Fund.

    b. Adults 18+ - In line with the new management structures, budgets have been re-aligned to reflect the changes, which has resulted in more detailed analysis of over and underspending areas, this together with a data cleansing exercise on information on care packages held on Carefirst has resulted in material variances between service areas.

17. Further work is being undertaken to reduce this underspend, however the effects of this work may not deliver savings until 2018/2019.

0-25 Service: Disabled Children & Adults

18. The 0-25 SEND Service is currently projected to overspend by £1.686 million, which is an improvement compared with period 7. As previously reported to Cabinet this reflects continued pressures across all budgets for children and young people with high needs particularly on packages of care for young people with disabilities and home to school transport for pupils with special educational needs (SEN).

19. SEN Transport budgets are currently projected to overspend by £0.776 million. Success in meeting the needs of young people in local college provision has had an impact on transport costs despite reducing overall spend on

education placements. Actions taken to mitigate transport costs include the implementation of travel training for young people, particularly those attending post 16 provision.

20. Spend on packages of care for young people with disabilities has also increased during the year. This primarily relates to the impact of changes to the legislation resulting in a greater number of young people aged 16-25 being supported through education, health and care plans (EHCPs). This impact is evident nationally as well as in Wiltshire.

Car Parking

21. Car Parking is currently projecting a net overspend of £0.250 million, due to the projected level of 2017/2018 income. Officers are working on proposals which, if approved, could mitigate this.

Environment

22. Environment is currently projecting a net overspend of £0.400 million, due to 0.100 million pressure from unachievable markets income and £0.300 million pressure on Fleet. Officers are working on proposals which, if approved, could mitigate this.

Libraries, Heritage & Arts

23. Libraries, Heritage & Arts is currently projecting a net overspend of £0.615 million. This is due to a combination of historic savings targets in relation to Salisbury City Hall income generation, Melksham Lunch Club, Communities and service restructure.

24. Plans are in development to improve income generation and deliver these savings however they will not be delivered in full in 2017/2018 but will be in future years.

Legal & Democratic

25. Legal & Democratic is currently projecting a net overspend of £0.350 million. £0.200 million is primarily due to pressures within the elections service that have arisen as a result of the Individual Electoral Registration requirements. The remaining £0.150 million is due to £0.062 million of agency costs incurred to cover long term unavoidable sickness absence within the legal team and £0.088 million due to a shortfall in projected income.

Capital Financing

26. During the year, the Accountancy Team has undertaken a full review of the Council’s Capital Financing expenditure. As a result, a full review of the Minimum Revenue Provision has been proposed. Further details are included within the Council’s Budget Setting papers elsewhere on this agenda. As such, it is proposed that this area will underspend by £3.000 million by the end of 2017/2018, against the original budget.

Restructure & Contingency

27. This heading includes a range of corporate and cross cutting savings and is currently projecting a net overspend of £3.572 million. This balance is largely due to the ongoing delivery of corporate savings for which plans are being developed and actioned, albeit slower than anticipated. Corporate Directors are reviewing actions to assess the ability to deliver alternative savings, however the General Fund Reserve does allow a contingency for prudence due to the difficult nature of these items. However, at this stage we do not plan to draw down.

General Government Grants

28. General Government Grants are forecasting an underspend of £2.000 million. This is due to greater than expected government grants received in the year.

Corporate Levys

29. This service is currently forecasting a £0.400 million underspend. This is due to a combination of lower than expected gross cost in terms of purchasing and surrendering allowances for the year as well as the commercial sale of a number of allowances to third parties by the Energy Team that has generated a profit.

Housing Revenue Account Summary

30. Budget figures on the Housing Revenue Account (HRA) have been reviewed as part of the regular budget monitoring process.

31. The HRA is currently projecting a balanced position.

Capital Summary

32. The original budget for 2017/2018 was approved by Council during budget setting on 21 February 2017. Since that date there have been a number of changes to the budget for 2017/2018, largely due to reprogramming of budget from 2016/2017 and to 2018/2019; but also to reflect additional funding being available. The changes to the budget since it was last amended in the Budget setting report are summarised in the table that follows, a fuller breakdown of the changes made at a scheme by scheme level is attached as Appendix D.

Breakdown of Budget Amendments from Period 7 Budget to Period 9 Budget (as at 31 December 2017)

	£m	Further information
Budget Period 7 2017/2018	**160.847**	**Appendix E**
Amendments to Capital Programme 2017/2018 Since Period 7 Budget		
Additional Budgets added to Programme	**2.995**	**Appendix E**
Reduced Budgets	**(12.992)**	**Appendix E**
Budgets Reprogrammed from 2017/2018 to 2018/2019	**(13.909)**	**Appendix E & F**
Current Budget 2017/2018	**136.941**	

33. The budget additions shown above largely reflect increases in funding being available and brought into the programme under the Chief Financial Officer delegated authority. They largely comprise additional grants from Central Government, Section 106 contributions and other contributions used to finance capital spend within the capital programme. Further information on the budget movements at an individual scheme level is shown in Appendix E and in further detail in Appendix F.

34. The budgets that have been reprogrammed into 2018/2019 are shown in further detail in Appendices E and F, with the higher value amounts also explained in the narrative for schemes in Appendix G.

Summary of Capital Position as at 31 December 2017

35. The current budget for the year 2017/2018 is £136.941 million. Actual spend on schemes as at 31 December 2017 was £76.341 million. A full breakdown of these figures is attached in Appendix A.

36. At present, there are no anticipated significantly overspending schemes. The capital financing revenue budget of £23.999 million as at Month 9, 31st December 2017 is expected to be online. Further information on the movements undertaken and the position of some of the larger schemes is set out in Appendix E, along with updates on the capital receipts received during 2017/2018.

Reserves

37. The table below provides the projected position for the year as at period 9 on the general fund balance held by the Council. The latest forecast on general fund balances currently stands at £12.534 million at 31 March 2018.

General Fund Reserve	£ million	£ million
Balance as at 1 April 2017		(12.534)
Projected overspend at period 9	2.276	
Service Recovery Plans	(2.276)	
Total Forecast movement		0.000
Forecast Balance 31 March 2018		**(12.534)**

38. At present it is assumed that all other areas currently overspending will be on line by the year end following management action. A review of the assessment of need has been undertaken by the Section 151 Officer to link all the General Fund balances to risk. The original assessment reported to Full Council does allow some provision for Corporate Items that have not yet been recognised as there is sufficient time to take alternative actions to deliver a balanced budget. Also the table above identifies that the Council has sufficient reserves to deliver a balanced budget at the year end, however the risk assessment for 2018/2019 would require this to be recovered in that year, as well as the savings made on a recurring basis, so action is needed now to avoid deferring the matter to 2018/2019. At this stage it is planned that these actions will be achieved.

Overall Conclusions

39. This report has identified a shortfall if no further action is taken on the general fund budget of £2.276 million at period 9 due to cost pressures / shortfalls in income. Officers are currently taking action to address this and further monitoring reports will be brought to Cabinet throughout 2017/2018.

40. The early identification of potential issues is part of sound and prudent financial management. Action to address this year’s forecast should be taken where officers have the delegated powers to do so and this is underway.

Implications

41. This report informs member’s decision making.

Overview & Scrutiny Engagement

42. Regular reports are taken to Overview & Scrutiny relating to the Council’s financial position

Safeguarding Implications

43. Safeguarding remains a key priority for the Council and this report reflects the additional investment support the ongoing spend in looked after children and safeguarding.

Public Health Implications

44. None have been identified as arising directly from this report.

Procurement Implications

45. None have been identified as arising directly from this report.

Equalities and diversity impact of the proposals

46. None have been identified as arising directly from this report.

Environmental and Climate Change Considerations

47. None have been identified as arising directly from this report.

Risks Assessment

48. If the Council fails to take actions to address forecast shortfalls, overspends or increases in its costs it will need to draw on reserves. The level of reserves is limited and a one off resource that cannot thus be used as a long term sustainable strategy for financial stability. Budget monitoring and management, of which this report forms part of the control environment, is a mitigating process to ensure early identification and action is taken.

Financial implications

49. This is a report from the Chief Finance Officer and the financial implications are discussed in the detail of this report.

50. It is forecast that a balanced budget will be achieved by 31 March 2018 following mitigating management action.

51. The capital budget for 2017/2018, as detailed in this report, has been revised to £136.941 million. Within any capital programme there are a number of potential risks such as from cost overruns or lower than expected levels of capital receipts. Such issues will be highlighted as soon as they establish themselves through the quarterly reporting process. Members may wish to bear in mind that the capital programme has been set for four years and therefore risks will be appraised over the whole period.

Legal Implications

52. None have been identified as arising directly from this report.

Proposals

53. Cabinet is asked to note the outcome of the period 9 (end of December) budget monitoring and to approve all budget amendments outlined in the report.

54. To note the budget movements undertaken to the capital programme shown in appendices E and F and to also note the reprogramming of £13.909 million capital budget between 2017/2018 and 2018/2019.

Reasons for Proposals

55. To inform effective decision making and ensure a sound financial control environment.

Background Papers and Consultation

None

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Appendices:

Appendix A: Revenue Budget Movements 2017/2018
Appendix B: Major Virements between Service Areas from Original budget
Appendix C: Revenue Budget Monitoring Statements
Appendix D: Forecast Variance Movements
Appendix E: 2017/2018 Capital Programme Budget Movements and spend to 31 December 2017
Appendix F: Delegated authority for budget movements
Appendix G: Narrative on specific schemes

Wiltshire Council Revenue Budget Movements 2017/2018

Service	Original Budget	Structural Changes	Revised Original Budget	In Year Virements to Period 4	Revised Budget Period 4	In Year Virements to Period 7	Revised Budget Period 7	In Year Virements and structural changes to Period 9	Revised Budget Period 9	Major Virements See Appendix B
	£m	£m	£m	£m						
ASC Operations - Access & Reablement										
Adults 18+	61.774	0.000	61.774	(0.600)	61.174	0.490	61.664	(9.487)	52.177	*
ASC Operations - Continued Support										
Mental Health	22.590	0.000	22.590	0.000	22.590	0.671	23.261	(4.827)	18.434	*
Learning Disabilities	42.188	0.000	42.188	0.118	42.306	1.918	44.224	0.708	44.932	*
Public Health & Protection										
Public Health Grant	0.000	0.000	0.000	(0.750)	(0.750)	0.000	(0.750)	0.000	(0.750)	
Other Public Health & Public Protection	2.314	0.000	2.314	0.000	2.314	0.000	2.314	0.055	2.369	
Commissioning										
Adults Commissioning	10.118	0.000	10.118	(0.038)	10.080	(3.066)	7.014	13.673	20.687	*
Childrens Commissioning	6.882	0.002	6.884	(0.856)	6.028	0.118	6.146	(0.676)	5.470	*
Family & Children Services										
Children's Social Care	36.063	1.398	37.461	0.010	37.471	0.944	38.415	0.844	39.259	*
0-25 Service: Disabled Children & Adults	16.707	0.000	16.707	(0.123)	16.584	0.129	16.713	(0.030)	16.683	
Early Help	1.734	0.000	1.734	(0.149)	1.585	(1.191)	0.394	0.049	0.443	
Education & Skills										
School Effectiveness	1.650	0.001	1.651	(0.231)	1.420	0.052	1.472	0.490	1.962	*
Funding Schools	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Safeguarding (now closed)	1.398	(1.400)	(0.002)	0.002	0.000	0.000	0.000	0.000	0.000	
Economic Development & Planning										
Economic Development & Planning	3.810	0.000	3.810	(0.247)	3.563	0.046	3.609	(0.499)	3.110	*
Highways & Transport										
Highways	17.511	0.000	17.511	(0.312)	17.199	0.797	17.996	0.000	17.996	
Transport	17.612	0.000	17.612	(0.057)	17.555	(0.240)	17.315	0.000	17.315	
Car Parking	(6.259)	0.000	(6.259)	0.012	(6.247)	(0.100)	(6.347)	0.000	(6.347)	
Waste & Environment										
Waste	32.055	0.000	32.055	(0.120)	31.935	0.317	32.252	0.000	32.252	
Environment Services	3.963	0.000	3.963	(0.070)	3.893	0.000	3.893	(0.009)	3.884	
Housing & Commercial Development										
Housing Services	4.201	0.000	4.201	(0.090)	4.111	0.051	4.162	0.000	4.162	
Strategic Asset & Facilities Management	11.533	0.000	11.533	(0.075)	11.458	0.440	11.898	0.062	11.960	
Communities & Communication										
Communications	1.175	0.000	1.175	0.013	1.188	(0.025)	1.163	(0.024)	1.139	
Libraries, Heritage & Arts	4.498	0.000	4.498	(0.298)	4.200	0.138	4.338	0.024	4.362	
Leisure	0.130	0.000	0.130	(0.005)	0.125	0.000	0.125	0.031	0.156	
Corporate Services & Digital										
Corporate Services	6.969	0.000	6.969	(0.361)	6.608	0.393	7.001	(1.889)	5.112	*
Information Services	9.563	0.000	9.563	(0.022)	9.541	0.147	9.688	0.109	9.797	
Finance & Procurement										
Finance & Procurement	3.175	0.000	3.175	(0.115)	3.060	(0.024)	3.036	2.986	6.022	*
Revenues & Benefits - Subsidy	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	
Legal & Democratic										
Legal & Democratic	2.835	0.000	2.835	0.557	3.392	0.180	3.572	0.508	4.080	*
Human Resources & Org Development										
Human Resources & Organisational Development	3.469	(0.001)	3.468	0.027	3.495	0.171	3.666	0.197	3.863	
Business Services (now closed)	1.637	0.000	1.637	(0.043)	1.594	0.000	1.594	(1.594)	0.000	*
Corporate Directors										
Corporate Directors	0.834	0.000	0.834	0.000	0.834	(0.116)	0.718	0.000	0.718	
Members	1.992	0.000	1.992	(0.001)	1.991	0.001	1.992	0.000	1.992	
Corporate										
Movement on Reserves	0.000	0.000	0.000	(0.796)	(0.796)	(6.148)	(6.944)	(0.191)	(7.135)	*
Capital Financing	23.999	0.000	23.999	0.000	23.999	0.025	24.024	0.000	24.024	
Restructure & Contingency	(10.424)	0.000	(10.424)	3.666	(6.758)	3.882	(2.876)	(0.510)	(3.386)	*
General Government Grants	(34.690)	0.000	(34.690)	0.954	(33.736)	0.000	(33.736)	0.000	(33.736)	
Corporate Levys	8.845	0.000	8.845	0.000	8.845	0.000	8.845	0.000	8.845	
2017/2018 Budget Requirement	**311.351**	**(0.000)**	**311.351**	**(0.000)**	**311.351**	**0.000**	**311.351**	**0.000**	**311.351**	
HRA Budget	(0.592)	0.000	(0.592)	0.000	(0.592)	0.000	(0.592)	0.000	(0.592)	
	310.759	**(0.000)**	**310.759**	**(0.000)**	**310.759**	**0.000**	**310.759**	**0.000**	**310.759**	

More details are given of major virements in Appendix B. These areas are marked above with *

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Major Virements and Structural Changes between Services Areas from Period 8 to Period 9

APPENDIX B

Net virements over £250,000

	£m
Adults 18+	
Structural Change to Adults 18+ from Mental Health	1.368
Structural Change to Adults Commissioning from Adults 18+	(13.072)
Adults growth Budget realignment	2.739
Adults Budget realignment	(0.589)
Other miscellaneous virements	0.067
In Year Virements period 8-9	**(9.487)**
Mental Health	
Structural Change to Adults 18+ from Mental Health	(1.368)
Structural Change to Adults Commissioning from Mental Health	(3.275)
Adults growth Budget realignment	0.318
Adults Budget realignment	(0.279)
Other miscellaneous virements	(0.223)
In Year Virements period 8-9	**(4.827)**
Learning Disabilities	
Adults growth Budget realignment	0.842
Adults Budget realignment	(0.120)
Transport re-alignment	(0.014)
In Year Virements period 8-9	**0.708**
Adults Commissioning	
Structural Change to Adults Commissioning from Adults 18+	13.072
Structural Change to Adults Commissioning from Mental Health	3.275
Adults growth Budget realignment	(3.899)
Adults Budget realignment	0.988
Other miscellaneous virements	0.237
In Year Virements period 8-9	**13.673**
Childrens Commissioning	
Structural Change to Childrens Commissioning from School Effectiveness	0.112
Structural Change Performance Management to Childrens Social Care from Childrens Commissioning	(1.069)
Drawdown of SEN grant from Reserves	0.191
Other miscellaneous virements	0.090
In Year Virements period 8-9	**(0.676)**
Childrens Social Care	
Structural Change Performance Management to Childrens Social Care from Childrens Commissioning	1.069
Other miscellaneous virements	(0.225)
In Year Virements period 8-9	**0.844**
School Effectiveness	
Structural Change Employment & Skills from Economic Development to School Effectiveness	0.581
Structural Change to Childrens Commissioning from School Effectiveness	(0.112)
Other miscellaneous virements	0.021
In Year Virements period 8-9	**0.490**
Economic Development & Planning	
Structural Change Employment & Skills from Economic Development to School Effectiveness	(0.581)
Other miscellaneous virements	0.082
In Year Virements period 8-9	**(0.499)**
Corporate Services	
Structural Change Business Services to Corporate Services	1.622
Structural Change Procurement from Corporate Services to Finance	(1.346)
Structural Change Accounts Payable from Corporate Services to Finance	(1.653)
Structural Change Democratic Services to Legal & Governance	(0.555)
Other miscellaneous virements	0.043
In Year Virements period 8-9	**(1.889)**
Finance & Procurement	
Structural Change Procurement from Corporate Services to Finance	1.346
Structural Change Accounts Payable from Corporate Services to Finance	1.653
Other miscellaneous virements	(0.013)
In Year Virements period 8-9	**2.986**
Legal & Democratic	
Structural Change Democratic Services to Legal & Governance	0.555
Other miscellaneous virements	(0.047)
In Year Virements period 8-9	**0.508**
Business Services	
Structural Change Business Services to Corporate Services	(1.622)
Other miscellaneous virements	0.028
In Year Virements period 8-9	**(1.594)**
Restructure & Contingency	
Release of Redundancies	(0.510)
In Year Virements period 8-9	**(0.510)**

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Wiltshire Council Revenue Budget Monitoring Statement: Period 9

ASC Operations - Access & Reablement	
Adults 18+	Gross Costs
	Income
	Net
ASC Operations - Continued Support	
Mental Health	Gross Costs
	Income
	Net
Learning Disabilities	Gross Costs
	Income
	Net
Public Health & Protection	
Public Health Grant	Gross Costs
	Income
	Net
Other Public Health & Public Protection	Gross Costs
	Income
	Net
Commissioning	
Adults Commissioning	Gross Costs
	Income
	Net
Childrens Commissioning	Gross Costs
	Income
	Net
Family & Children Services	
Children's Social Care	Gross Costs
	Income
	Net
0-25 Service: Disabled Children & Adults	Gross Costs
	Income
	Net
Early Help	Gross Costs
	Income
	Net
Education & Skills	
School Effectiveness	Gross Costs
	Income
	Net
Funding Schools	Gross Costs
	Income

	Net
Safeguarding (now closed)	Gross Costs
	Income
	Net
Economic Development & Planning	
Economic Development & Planning	Gross Costs
	Income
	Net
Highways & Transport	
Highways	Gross Costs
	Income
	Net
Transport	Gross Costs
	Income
	Net
Car Parking	Gross Costs
	Income
	Net
Waste & Environment	
Waste	Gross Costs
	Income
	Net
Environment Services	Gross Costs
	Income
	Net
Housing & Commercial Development	
Housing Services	Gross Costs
	Income
	Net
Strategic Asset & Facilities Management	Gross Costs
	Income
	Net
Communities & Communications	
Communications	Gross Costs
	Income
	Net
Libraries, Heritage & Arts	Gross Costs
	Income
	Net
Leisure	Gross Costs
	Income
	Net
Corporate Services & Digital	
Corporate Services	Gross Costs
	Income
	Net
Information Services	Gross Costs
	Income

	Net
Finance & Procurement	
Finance & Procurement	Gross Costs
	Income
	Net
Revenues & Benefits - Subsidy	Gross Costs
	Income
	Net
Legal & Democratic	
Legal & Democratic	Gross Costs
	Income
	Net
Human Resources & Organisational Development	
Human Resources & Organisational Development	Gross Costs
	Income
	Net
Corporate Directors & Members	Gross Costs
	Income
	Net
Members	Gross Costs
	Income
	Net
Corporate	
Movement on Reserves	
Capital Financing	
Restructure & Contingency	
General Government Grants	
Corporate Levys	
	Net
Wiltshire Council General Fund Total	**Gross Costs**
	Income
	Net
Housing Revenue Account (HRA)	Gross Costs
	Income
	Net
Total Including HRA	**Gross Costs**
	Income
	Net

Original Budget *£m*	*Revised Budget Period 9* *£m*	*Profiled Budget to Period 9* *£m*	*Actual to date* *£m*	*Projected Position for Year* *£m*	*Projected Variation for Year: Overspend / (Underspend)* *£m*
79.648	63.987	47.864	50.353	65.146	1.159
(17.874)	(11.810)	(9.346)	(13.588)	(11.810)	-
61.774	**52.177**	**38.518**	**36.765**	**53.336**	**1.159**
26.007	21.461	17.203	14.902	20.364	(1.097)
(3.417)	(3.027)	(2.379)	(2.152)	(3.027)	-
22.590	**18.434**	**14.824**	**12.750**	**17.337**	**(1.097)**
45.500	48.365	37.092	38.012	49.132	0.767
(3.312)	(3.433)	(2.441)	(2.409)	(3.433)	-
42.188	**44.932**	**34.651**	**35.603**	**45.699**	**0.767**
17.819	16.183	9.347	7.802	16.183	-
(17.819)	(16.933)	(13.364)	(13.512)	(16.933)	-
-	**(0.750)**	**(4.017)**	**(5.710)**	**(0.750)**	**-**
3.221	3.516	2.692	2.793	3.516	-
(0.907)	(1.147)	(0.934)	(0.837)	(1.147)	-
2.314	**2.369**	**1.758**	**1.956**	**2.369**	**-**
11.656	28.301	21.662	18.645	27.605	(0.696)
(1.538)	(7.614)	(6.046)	(2.397)	(7.614)	-
10.118	**20.687**	**15.616**	**16.248**	**19.991**	**(0.696)**
31.995	32.312	23.164	21.481	32.312	-
(25.113)	(26.842)	(1.041)	(1.762)	(26.842)	-
6.882	**5.470**	**22.123**	**19.719**	**5.470**	**-**
38.467	42.522	31.970	29.575	42.522	-
(2.404)	(3.263)	(1.841)	(1.422)	(3.263)	-
36.063	**39.259**	**30.129**	**28.153**	**39.259**	**-**
42.213	48.279	37.276	38.107	49.965	1.686
(25.506)	(31.596)	(1.093)	(0.711)	(31.596)	-
16.707	**16.683**	**36.183**	**37.396**	**18.369**	**1.686**
6.928	1.790	1.485	1.429	1.815	0.025
(5.194)	(1.347)	(1.076)	(0.748)	(1.347)	-
1.734	**0.443**	**0.409**	**0.681**	**0.468**	**0.025**
3.833	9.233	7.194	6.100	9.233	-
(2.183)	(7.271)	(2.338)	(2.533)	(7.271)	-
1.650	**1.962**	**4.856**	**3.567**	**1.962**	**-**
10.905	126.181	63.001	75.062	126.181	-
(10.905)	(126.181)	(6.184)	(27.339)	(126.181)	-

-	**-**	**56.817**	**47.723**	**-**	**-**
1.684	-	-	-	-	-
(0.286)	-	-	-	-	-
1.398	**-**	**-**	**-**	**-**	**-**
10.600	9.826	7.294	7.318	10.026	0.200
(6.790)	(6.716)	(5.037)	(5.103)	(6.716)	-
3.810	**3.110**	**2.257**	**2.215**	**3.310**	**0.200**
19.254	31.037	23.450	22.121	31.037	-
(1.743)	(13.041)	(9.925)	(9.686)	(13.041)	-
17.511	**17.996**	**13.525**	**12.435**	**17.996**	**-**
19.235	18.938	13.023	13.299	18.938	-
(1.623)	(1.623)	(1.162)	(1.478)	(1.623)	-
17.612	**17.315**	**11.861**	**11.821**	**17.315**	**-**
1.572	1.484	1.110	1.161	1.484	-
(7.831)	(7.831)	(5.968)	(5.562)	(7.581)	0.250
(6.259)	**(6.347)**	**(4.858)**	**(4.401)**	**(6.097)**	**0.250**
38.772	38.678	26.062	25.834	38.678	-
(6.717)	(6.426)	(6.987)	(6.906)	(6.426)	-
32.055	**32.252**	**19.075**	**18.928**	**32.252**	**-**
5.554	5.486	4.193	4.425	5.886	0.400
(1.591)	(1.602)	(1.313)	(0.937)	(1.602)	-
3.963	**3.884**	**2.880**	**3.488**	**4.284**	**0.400**
8.662	8.576	6.834	6.326	8.576	-
(4.461)	(4.414)	(3.321)	(3.377)	(4.414)	-
4.201	**4.162**	**3.513**	**2.949**	**4.162**	**-**
16.235	16.938	12.636	10.780	16.938	-
(4.702)	(4.978)	(3.734)	(4.290)	(4.978)	-
11.533	**11.960**	**8.902**	**6.490**	**11.960**	**-**
1.255	1.219	1.190	1.249	1.429	0.210
(0.080)	(0.080)	(0.060)	(0.062)	(0.080)	-
1.175	**1.139**	**1.130**	**1.187**	**1.349**	**0.210**
5.943	5.827	4.338	4.923	6.442	0.615
(1.445)	(1.465)	(1.108)	(0.996)	(1.465)	-
4.498	**4.362**	**3.230**	**3.927**	**4.977**	**0.615**
8.024	8.240	6.309	5.751	8.240	-
(7.894)	(8.084)	(6.226)	(5.669)	(8.084)	-
0.130	**0.156**	**0.083**	**0.082**	**0.156**	**-**
12.769	6.298	4.808	5.130	6.508	0.210
(4.163)	(1.186)	(0.878)	(0.892)	(1.186)	-
6.969	**5.112**	**3.930**	**4.238**	**5.322**	**0.210**
11.630	11.863	10.426	9.630	11.863	-
(2.067)	(2.066)	(1.590)	(1.646)	(2.066)	-

9.563	**9.797**	**8.836**	**7.984**	**9.797**	**-**
15.582	19.690	14.790	14.860	19.715	0.025
(12.407)	(13.668)	(7.951)	(7.849)	(13.668)	-
3.175	**6.022**	**6.839**	**7.011**	**6.047**	**0.025**
111.386	111.386	79.580	79.559	111.386	-
(111.886)	(111.886)	(75.903)	(75.903)	(111.886)	-
(0.500)	**(0.500)**	**3.677**	**3.656**	**(0.500)**	**-**
5.167	7.179	5.498	6.832	7.529	0.350
(2.332)	(3.099)	(2.235)	(2.393)	(3.099)	-
2.835	**4.080**	**3.263**	**4.439**	**4.430**	**0.350**
5.661	5.514	4.179	3.840	5.514	-
(2.192)	(1.651)	(1.364)	(1.245)	(1.651)	-
3.469	**3.863**	**2.815**	**2.595**	**3.863**	**-**
0.861	0.732	0.496	0.649	0.732	-
(0.027)	(0.014)	(0.010)	(0.010)	(0.014)	-
0.834	**0.718**	**0.486**	**0.639**	**0.718**	**-**
1.992	1.992	1.462	1.562	1.992	-
-	-	-	-	-	-
1.992	**1.992**	**1.462**	**1.562**	**1.992**	**-**
-	(7.135)	(7.135)	(7.135)	(7.135)	-
23.999	24.024	8.259	7.129	21.024	(3.000)
(10.424)	(3.386)	(3.720)	0.261	0.186	3.572
(34.690)	(33.736)	(27.653)	(32.522)	(35.736)	(2.000)
8.845	8.845	6.319	5.696	8.445	(0.400)
(12.270)	**(11.388)**	**(23.930)**	**(26.571)**	**(27.291)**	**(1.828)**
607.760	**741.645**	**503.698**	**502.939**	**743.671**	**-**
(296.409)	**(430.294)**	**(182.855)**	**(203.414)**	**(430.044)**	**-**
311.351	**311.351**	**320.844**	**299.529**	**313.627**	**2.276**
24.772	24.939	8.104	8.870	24.939	-
(25.364)	(25.531)	(18.785)	(19.157)	(25.531)	-
(0.592)	**(0.592)**	**(10.681)**	**(10.287)**	**(0.592)**	**-**
632.532	766.584	511.802	511.809	768.610	-
(321.773)	(455.825)	(201.640)	(222.571)	(455.575)	-
310.759	**310.759**	**310.163**	**289.241**	**313.035**	**-**

Appendix C
31-Dec-17

Variation as % of Revised Budget: Overspend / (Underspend)
1.8%
-
2.2%
(5.1%)
-
(6.0%)
1.6%
-
1.7%
-
-
-
-
-
-
(2.5%)
-
(3.4%)
-
-
-
-
-
-
3.5%
-
10.1%
1.4%
-
5.6%
-
-
-
-
-

2.0%
-
6.4%
-
-
-
-
-
-
-
(3.2%)
(3.9%)
-
-
-
7.3%
-
10.3%
-
-
-
-
-
-
17.2%
-
18.4%
10.6%
-
14.1%
-
-
-
3.3%
-
4.1%
-
-

-
0.1%
-
0.4%
-
-
-
4.9%
-
8.6%
-
-
-
-
-
-
-
-
-
-
(105.5%)
-
(4.5%)
16.1%
-
0.7%
-
-
-
-
-
-

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Wiltshire Council Forecast Variance Movements

Appendix D

	Variance Reported for Period 4 £m	Movement in Period	Variance Reported for Period 7	Movement in Period	Variance Reported for Period 9
ASC Operations - Access & Reablement					
Adults 18+	0.000	**0.000**	0.000	**1.159**	1.159
ASC Operations - Continued Support					
Mental Health	0.000	**0.000**	0.000	**(1.097)**	(1.097)
Learning Disabilities	0.000	**0.850**	0.850	**(0.083)**	0.767
Public Health & Protection					
Public Health Grant	0.000	**0.000**	0.000	**0.000**	0.000
Other Public Health & Public Protection	0.000	**0.000**	0.000	**0.000**	0.000
Commissioning					
Adults Commissioning	0.000	**0.000**	0.000	**(0.696)**	(0.696)
Childrens Commissioning	0.000	**0.000**	0.000	**0.000**	0.000
Adult Care Commissioning, Safeguarding & Housing					
Resources, Strategy & Commissioning	0.000	**0.000**	0.000	**0.000**	0.000
Housing Services	0.000	**0.000**	0.000	**0.000**	0.000
Public Health & Public Protection					
Public Health Grant	0.000	**0.000**	0.000	**0.000**	0.000
Other Public Health & Public Protection	0.000	**0.000**	0.000	**0.000**	0.000
Family & Children Services					
Children's Social Care	0.000	**0.000**	0.000	**0.000**	0.000
0-25 Service: Disabled Children & Adults	1.796	**0.260**	2.056	**(0.370)**	1.686
Early Help	0.000	**0.000**	0.000	**0.025**	0.025
Education & Skills					
School Effectiveness	0.000	**0.000**	0.000	**0.000**	0.000
Funding Schools	0.000	**0.000**	0.000	**0.000**	0.000
Economic Development & Planning					
Economic Development & Planning	0.000	**0.200**	0.200	**0.000**	0.200
Highways & Transport					
Highways	0.000	**0.000**	0.000	**0.000**	0.000
Transport	0.000	**0.000**	0.000	**0.000**	0.000
Car Parking	0.250	**0.000**	0.250	**0.000**	0.250
Waste & Environment					
Waste	0.000	**0.000**	0.000	**0.000**	0.000
Environment Services	0.000	**0.400**	0.400	**0.000**	0.400
Housing & Commercial Development					
Housing Services	0.000	**0.000**	0.000	**0.000**	0.000
Strategic Asset & Facilities Management	0.000	**0.000**	0.000	**0.000**	0.000
Communities & Communication					
Communications	0.000	**0.210**	0.210	**0.000**	0.210
Libraries, Heritage & Arts	0.400	**0.215**	0.615	**0.000**	0.615
Leisure	0.000	**0.000**	0.000	**0.000**	0.000
Corporate Services & Digital					
Corporate Services (includes Business Services)	0.160	**0.210**	0.370	**(0.160)**	0.210
Information Services	0.000	**(0.160)**	(0.160)	**0.160**	0.000
Finance & Procurement					
Finance & Procurement	0.000	**0.025**	0.025	**0.000**	0.025
Revenues & Benefits - Subsidy	0.000	**0.000**	0.000	**0.000**	0.000
Legal & Democratic					
Legal & Democratic	0.000	**0.200**	0.200	**0.150**	0.350
Human Resources & Organisational Development					
Human Resources & Organisational Development	0.000	**0.000**	0.000	**0.000**	0.000
Corporate Directors					
Corporate Directors & Members	0.000	**0.000**	0.000	**0.000**	0.000
Members	0.000	**0.000**	0.000	**0.000**	0.000
Corporate					
Movement on Reserves	0.000	**0.000**	0.000	**0.000**	0.000
Capital Financing	0.000	**0.000**	0.000	**(3.000)**	(3.000)
Restructure & Contingency	1.878	**0.063**	1.941	**1.631**	3.572
General Government Grants	0.000	**0.000**	0.000	**(2.000)**	(2.000)
Corporate Levys	0.000	**(0.400)**	(0.400)	**0.000**	(0.400)
TOTAL FORECAST VARIANCE MOVEMENT	**4.484**	**2.073**	**6.557**	**(4.281)**	**2.276**
HRA Budget	0.000	**0.000**	0.000	0.000	0.000

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Capital Programme Budget Movements and Spend to 31 December 2017

Scheme Name	Period 7 Budget	Budget Movements between Schemes	Additional Budgets added to Programme (Section 1 Appendix B)	Reduced Budgets	Budgets reprogrammed from 2017/2018 into 2018/2019 (Section 2 Appendix B)	Current Budget Period 9 2017/2018	Spend to 31 December 2017	Spend to 31 December 2017
	2017/2018 Budget Breakdown							
	£m	£m	£m	£m	£m	£m	£m	%
Economy								
Carbon Reduction Schemes	0.000					0.000	0.000	0.00%
Oil to Biomass Schemes	0.319					0.319	0.000	0.00%
Other Economic Development Schemes	0.000					0.000	0.029	0.00%
Strategic Economic Plan	0.000					0.000	0.000	0.00%
Corsham Mansion House	0.858				0.016	0.874	0.116	13.27%
A350 West Ashton/Yarnbrook Junction Improvements	0.000					0.000	0.000	0.00%
Chippenham Station HUB	2.708				(0.548)	2.160	0.123	5.69%
LTB Scheme A350 North of Chippenham Bypass Improvements	0.000					0.000	0.003	0.00%
A350 Dualling Chippenham Bypass	1.136				2.915	4.051	1.666	41.13%
M4 Junction 17	1.039		0.293			1.332	0.419	31.46%
Porton Science Park	6.507					6.507	6.357	97.69%
Wiltshire Ultrafast Broadband	0.059					0.059	0.000	0.00%
Salisbury Central Car Park & Maltings	1.012				(0.772)	0.240	0.236	98.33%
Integrated Transport	2.391		0.075			2.466	1.774	71.94%
Structural Maintenance (Grant & Council Funded)	17.923					17.923	13.729	76.60%
National Productivity Investment Schemes	2.946					2.946	0.763	25.90%
Pothole Spotter 16/17	0.330					0.330	0.159	48.18%
Pothole Fund Grant	1.300					1.300	0.758	58.31%
A350 Chippenham (Pinch Point)	0.000					0.000	0.000	0.00%
Wiltshire Online	5.480		0.004		(0.031)	5.453	0.000	0.00%
Farmers Roundabout	0.430					0.430	0.116	26.98%
Total Economy	**44.438**	**0.000**	**0.372**	**0.000**	**1.580**	**46.390**	**26.248**	**56.58%**
Community								
Health and Wellbeing Centres - Live Schemes	8.056				(0.276)	7.780	2.891	37.16%
Health and Wellbeing Centres - In Development	0.000					0.000	0.000	0.00%
Area Boards and LPSA PRG Reward Grants	0.908					0.908	0.307	33.81%
Fitness Equipment for Leisure Centres	0.000					0.000	0.000	0.00%
Churchyards & Cemeteries	0.000					0.000	0.012	0.00%
Start up units in Market Hall Devizes	0.000					0.000	0.000	0.00%
Upgrade Facilities at City Hall	0.000					0.000	0.000	0.00%
Highway flooding prevention and Land Drainage schemes	0.493					0.493	0.462	93.71%
Aldbourne Flood Alleviation Scheme	0.000					0.000	0.000	0.00%
Bridges	3.087					3.087	1.252	40.56%
Salisbury Marketplace Highways Works	0.000					0.000	0.001	0.00%
Passenger Transport Capital	0.000					0.000	0.000	0.00%
Waste Services	0.525					0.525	0.257	48.95%
Fleet Vehicles	15.000					15.000	11.945	79.63%
Basic Need	16.812	(0.100)	0.073		(4.376)	12.409	9.104	73.37%
Schools Maintenance & Modernisation	4.360		0.004		(1.200)	3.164	1.134	35.84%
Devolved Formula Capital	0.719					0.719	0.540	75.10%
Access and Inclusion	0.101					0.101	0.080	79.21%
New Schools	1.296				(0.200)	1.096	0.077	7.03%
School Expansions & Replacements	1.357					1.357	1.049	77.30%
Early Years & Childcare	1.492					1.492	0.503	33.71%
Army Rebasing	1.607	0.100	1.152			2.859	2.828	98.92%
Salisbury CCTV	0.411					0.411	0.238	57.91%
Total Community	**56.224**	**0.000**	**1.229**	**0.000**	**(6.052)**	**51.401**	**32.680**	**63.58%**

Capital Programme Budget Movements and Spend to 31 December 2017

Scheme Name	Period 7 Budget	Budget Movements between Schemes	Additional Budgets added to Programme (Section 1 Appendix B)	Reduced Budgets	Budgets reprogrammed from 2017/2018 into 2018/2019 (Section 2 Appendix B)	Current Budget Period 9 2017/2018	Spend to 31 December 2017	Spend to 31 December 2017
	2017/2018 Budget Breakdown							
	£m	£m	£m	£m	£m	£m	£m	%
Supporting People								
Disabled Facilities Grants	2.779		0.282			3.061	1.463	47.79%
Gypsies and Travellers Projects	0.000					0.000	0.118	0.00%
Council House Build Programme	30.959			(11.992)	(6.168)	12.799	7.069	55.23%
Affordable Housing including Commuted Sums	0.608		1.107	(0.603)		1.112	0.527	47.39%
Social Care Infrastructure & Strategy	2.934				(2.934)	0.000	0.000	0.00%
HRA - Refurbishment of Council Stock	10.234			(0.397)		9.837	6.301	64.05%
Sensory Stimulation & Development Play Equipment	0.434					0.434	0.000	0.00%
Public Health Schemes	0.098					0.098	0.103	105.10%
Total Supporting People	**48.046**	**0.000**	**1.389**	**(12.992)**	**(9.102)**	**27.341**	**15.581**	**56.99%**
Changing The Way We Do Business								
Facilities Management Works (formerly Buildings Repair & Maintenance)	3.798					3.798	1.102	29.02%
Whole Life Building & Equipment Refresh	0.500					0.500	0.053	10.60%
Rural Estates	0.266					0.266	0.000	0.00%
Leisure Centres & Libraries - Capital Works Requirement	0.000					0.000	0.000	0.00%
Hub Programme Office Rationalisation	0.000					0.000	0.000	0.00%
Operational Estate	0.460					0.460	0.003	0.65%
Depot & Office Strategy	0.000					0.000	0.000	0.00%
ICT Schemes	5.769				(0.335)	5.434	0.567	10.43%
Other Schemes including cross cutting systems	0.110		0.005			0.115	0.099	86.09%
Learning Management System	0.008					0.008	0.008	100.00%
Organisational Change	0.500					0.500	0.000	0.00%
Digitisation	0.728					0.728	0.000	0.00%
Total Changing The Way We Do Business	**12.139**	**0.000**	**0.005**	**0.000**	**(0.335)**	**11.809**	**1.832**	**15.51%**
Total 2017/2018 Programme	**160.847**	**0.000**	**2.995**	**(12.992)**	**(13.909)**	**136.941**	**76.341**	**55.75%**

CHIEF FINANCE OFFICER (CFO) - EXERCISE OF DELEGATED POWERS & REQUESTS FOR ADDITIONAL RESOURCES WITHIN THE CAPITAL PROGRAMME

Cabinet Meeting 30 January 2018
Financial Year: 2017/2018

SECTION 1 - DELEGATED CFO POWERS

"Adjustment/addition of scheme in the capital programme which has no effect on the net funding position of the programme i.e. Additional resources available in the form of Grant, Section 106 contributions etc which fund the addition, "

Project Name:	**M4 Junction 17**				
Budget Change:	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
	293,000				
Funding Source:	Highways England Contribution				
Project Name:	**Integrated Transport**				
Budget Change:	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
	74,970				
Funding Source:	Contributions from Town & Parish Council, and TransWiltshire				
Project Name:	**Wiltshire Online**				
Budget Change:	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
	3,743				
Funding Source:	BDUK Grant				
Project Name:	**Basic Need**				
Budget Change:	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
	73,191	4,274,743			
Funding Source:	Education Section 106 Developer Deposits				
Project Name:	**Schools Maintenance & Modernisation**				
Budget Change:	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
	3,554				
Funding Source:	Education Section 106 Developer Deposits				
Project Name:	**Early Years & Childcare**				
Budget Change:	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
		90,743			
Funding Source:	Early Years Section 106 Developer Deposits				
Project Name:	**Army Rebasing**				
Budget Change:	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
	1,151,811				
Funding Source:	Education Section 106 Developer Deposits				
Project Name:	**Disabled Facilities Grants**				
Budget Change:	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
	281,734				
Funding Source:	Additonal DCLG grant anounced (£274k) & Returned Housing Grant (£8k)				
Project Name:	**Affordable Housing including Commuted Sums**				
Budget Change:	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
	1,106,893				
Funding Source:	Housing Capital Receipts received towards Registered Provider Schemes				
Project Name:	**Other Schemes including cross cutting systems**				
Budget Change:	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
	5,337				
Funding Source:	Income received from schools to cover leasing of equipment				

2,994,233 **Total Delegated Changes Approved by Section 151 Officer**

CHIEF FINANCE OFFICER (CFO) - EXERCISE OF DELEGATED POWERS & REQUESTS FOR ADDITIONAL RESOURCES WITHIN THE CAPITAL PROGRAMME

Cabinet Meeting **30 January 2018**
Financial Year: **2017/2018**

SECTION 2 - DELEGATED CFO POWERS

"Schemes within the capital programme which require the reprogramming of expenditure between years due to scheme not progressing as originally anticipated or other circumstances"

Project Name: **Corsham Mansion House**

Budget Change:	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	15,500	(62,500)	47,000		

Funding Source: Local Growth Fund Grant from the LEP

Project Name: **Chippenham Station HUB**

Budget Change:	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	(548,100)	3,000,000	(3,000,000)	548,100	

Funding Source: Local Growth Fund Grant from the LEP

Project Name: **A350 Dualling Chippenham Bypass**

Budget Change:	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	2,915,000	(655,200)	(2,259,800)		

Funding Source: Local Growth Fund Grant from the LEP

Project Name: **Salisbury Central Car Park & Maltings**

Budget Change:	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	(771,902)	730,000	3,041,902	(3,000,000)	

Funding Source: Local Growth Fund Grant from the LEP

Project Name: **Wiltshire Online**

Budget Change:	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	(31,008)	31,008			

Funding Source: Wiltshire Council Resources (Borrowing & Receipts)

Project Name: **Health and Wellbeing Centres - Live Schemes**

Budget Change:	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	(276,000)	276,000			

Funding Source: Wiltshire Council Resources (Borrowing & Receipts)

Project Name: **Basic Need**

Budget Change:	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	(4,375,663)	4,375,663			

Funding Source: Grant from Department of Education

Project Name: **Schools Maintenance & Modernisation**

Budget Change:	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	(1,200,000)	1,200,000			

Funding Source: Grant from Department of Education

Project Name: **New Schools**

Budget Change:	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	(200,000)	200,000			

Funding Source: Grant from Department of Education

Project Name: **Council House Build Programme**

Budget Change:	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	(6,167,738)	5,600,000	567,738		

Funding Source: HRA

Project Name: **Social Care Infrastructure & Strategy**

Budget Change:	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	(2,934,062)	2,934,062			

Funding Source: Grant from Department of Health

CHIEF FINANCE OFFICER (CFO) - EXERCISE OF DELEGATED POWERS & REQUESTS FOR ADDITIONAL RESOURCES WITHIN THE CAPITAL PROGRAMME

Cabinet Meeting **30 January 2018**
Financial Year: **2017/2018**

Project Name:	**ICT Schemes**				
Budget Change:	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
	(334,766)	334,766			
Funding Source:	Wiltshire Council Resources (Borrowing & Receipts)				

13,908,739 **Total Re-programming between years**

SECTION 3 - REQUESTS TO CABINET FOR ADDITIONAL RESOURCES

"Adjustment/addition of scheme to the capital programme which places an additional funding requirement on the programme"

Project Name:					
Budget Change:	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
Funding Source:					

Project Name:					
Budget Change:	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
Funding Source:					

Project Name:					
Budget Change:	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
Funding Source:					

0 **Total requests for additional resources**

In the exercise of my delegated powers (Section 1 and 2), I hereby authorise the amendments to the Capital Programme summarised above.

CHIEF FINANCE OFFICER: Michael Hudson

DATE: January 18

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Further Information on Schemes in the Capital Programme and Funding Sources as at Month 9 (31 December 2017)

Economy

1. Local Growth Fund Schemes; Budgets on the Corsham Mansion House, Chippenham Station HUB, A350 Dualling Chippenham Bypass, and Salisbury Central Car Park & Maltings projects have been re-profiled through an agreed change control process with Wiltshire & Swindon Local Enterprise Partnership to match the anticipated cash flows of the projects.

2. Structural Maintenance and other Highways schemes are underway in 2017/2018 and expected to be completed on budget in year. The Integrated Transport budget has been supplemented in this report by £0.075 million of contributions from Town& Parish Councils.

3. Wiltshire Online; Central Government assurance is now complete and the final payment to BT relating to phase 1 has been released. Phase 2 build is progressing with milestone payments being released to BT and the full Central Government grant drawn down.

Community

1. Health & Wellbeing Centres; £0.276 million of budget has been re-programmed into 2018/2019 in this report reflecting approval of the programme's final phases at the December 2017 Cabinet meeting.

2. Basic Need; a large number of schemes have now been approved and are at varying stages from planning through to build phase. Several high value extension and expansion schemes are due to complete in 2017/2018 including schemes at Castlemead, Old Sarum and Downton Primary. £4.376 million of budget has also been reprogrammed into 2018/2019 in this report reflecting the spend forecast for several large schemes due to complete next year.

3. Army Rebasing; £1.152 million of section 106 contributions received from the Ministry of Defence has been added to the programme as part of this report. This is to fund works expanding school places provision in the South of Wiltshire with major works underway at St Michaels Larkhill and Avon Valley College.

Supporting People

1. Council House Build Programme; In December 2017 Cabinet approved a revised programme. As part of this report £11.922 million of budget has been removed with a further £6.168 million of budget re-programmed into 2018/2019 to align to the revised programme.

Changing the Way We Do Business

1. ICT Schemes; £0.335 million of budget reprogramming into 2018/2019 has taken place in this report relating to the purchase of the Children's Services Case Management System and the projects expected cashflow. The remainder of the ICT programme is under review.

Funding of the Capital Programme

2. The capital programme is funded by 3 principal sources; grants & contributions, capital receipts and borrowing.

3. Grants and Contributions fund the largest proportion of the programme, the total received in these areas in 2017/2018 as at 31 December 2017 is £52.982 million with a further £15.160 million to be received in year and used to finance the programme. In addition £23.966 million of grants and contributions received in prior years are to be used to finance the capital programme in 2017/2018. As in previous years the largest grants received are for Highways and Education schemes.

4. As at the end of December 2017 a net total of £8.153 million of income has been received from Capital Receipts from the proceeds of fixed asset sales. These include general asset disposals such as the sale of Anzac House, Woolmore Farm, Shurnhold, and St Peter's School. 27 sales under the Council Housing Right to Buy (RTB) scheme have also been received. The target in the capital programme is £9.770 million. This will be monitored closely during the year.

5. Borrowing makes up the final element of financing the capital programme and currently a total of £37.273 million is required to be borrowed to fund the capital programme budget in 2017/2018.

Wiltshire Council

Cabinet

6 February 2018

Subject: **Commercial Policy and Approach**

Cabinet Member: **Councillor Philip Whitehead - Cabinet Member for Finance**

Key Decision: **Yes**

Executive Summary

Attached is a proposed change to the Cabinet's Policy Framework, through the introduction of a new Commercial Policy and Approach 2018-2027. This sets out a framework by which the Council is defining and setting out an approach through which it will be 'commercial' in order to deliver part of the £57.5 million of savings over the next four years, as well as those in the next decade.

Commercial does not mean we will become a business only here for profit. We can never forget our core business is supporting and helping the vulnerable in society. As such this approach sets out to build a culture whereby Wiltshire Council is not a business, but we act business like to ensure we have the right level of funds and use those effectively. The Policy is built on four pillars:

1. **improving our data and management information** to make intelligent decisions that enable risk to be balanced with return and our public fiduciary duties;
2. **improving the skills of our staff** to ensure they can act and behave in ways that seek and deliver financial opportunities that benefit our financial sustainability;
3. **using our assets and resources to make financial returns**, and disinvest where that is no longer possible;
4. **reviewing and revising our models of delivery** that provide the best opportunity, outcome and financial return for our residents and businesses

The Policy has been considered by the Financial Task Group (18 December 2017). The Task Group made seven recommendations and all have been incorporated into the Policy attached.

Proposal

It is proposed that Cabinet endorses the Commercial Policy and Approach 2018-2027 attached at Appendix A.

Reason for Proposal

To enable Council to support its Medium Term Financial Strategy and Plan that drives long term financial sustainability and delivery of its Business Plan.

Alistair Cunningham - Corporate Director

Wiltshire Council

Cabinet

6 February 2018

Subject: **Commercial Policy and Approach**

Cabinet Member: **Councillor Philip Whitehead - Cabinet Member for Finance**

Key Decision: **Yes**

Purpose of Report

1. This is a change to the Cabinet's Policy Framework by introducing a Commercial Policy and Approach 2018-27 that enables the Council to support its Medium Term Financial Strategy and Plan (MTFS and MTFP) that drives long term financial sustainability and delivery of its Business Plan.

Background

2. The Council's MTFP identifies that over the coming four years the Council faces £57.5 million target for savings / more income. The MTFS also sets out that in expectations that local authorities funding streams will change over the next few years, that Councils face the prospect of becoming more self-financing. As such the attached Policy and Approach at Appendix A, sets out a proposed approach to how the Council may continue to develop and change the ways it works.

3. The Policy sets out the following definition of 'commercial':

   "***All are staff are skilled to behave innovatively and use data to make well thought out decisions, that enables us to use all of our resources to deliver services in a cost-effective way, ideally at nil net cost***"

The Approach is built around four pillars, we will:

1. **improve our data and management information** to make intelligent decisions that enable risk to be balanced with return and our public fiduciary duties;
2. **improve the skills of our staff** to ensure they can act and behave in ways that seek and deliver financial opportunities that benefit our financial sustainability;
3. **use our assets and resources to make financial returns**, and disinvest where that is no longer possible;
4. **review and revise our models of delivery** that provide the best opportunity, outcome and financial return for our residents and businesses.

4. Commercial does not mean we will become a business only here for profit. We must never forget our core business is supporting and helping the vulnerable in society. As such we are a Council not a business, but we can still act business like to ensure we have the right level of funds and use those effectively.

5. We would look to see the first opportunities identified and assessed by the early part of 2018 with a relevant implementation timescale for each opportunity returning additional revenue to Wiltshire Council by 2019/2020 and thereafter.

6. The Policy sets out ways to measure our performance and how various stakeholders are affected and how we will work with all to develop new ways of working.

7. The Policy was scrutinised by the Finance Task Group (18th December 2017). The Task Group made seven recommendations. Following that meeting the Policy has been amended and reflects and takes account of each one, as follows:

    1. To support the Commercial Policy and Approach document as a timely and useful framework for developing the council's ability to deliver further savings and greater income through innovation and sound business practices. ***Noted***

    2. That examples where local authorities have successfully pursued commercial opportunities be highlighted in order to grow confidence in this approach in Wiltshire. ***See paragraph 3.23 for amendments.***

    3. That the terms 'commercial' and 'commercialism' in this context be clarified and, where appropriate, reconsidered to avoid them being wrongly interpreted as signifying a change to the council's core purpose. ***See Cabinet Member's Foreword for amendments.***

    4. To highlight the cultural change required of the organisation if the ambitions for generating income are to be delivered and to ensure that both officers and councillors have the knowledge and skills to achieve this. ***See paragraph 4.13 for amendments.***

    5. That the Overview and Scrutiny Learning and Development programme gives OS councillors the specific skills and knowledge required to scrutinise the council's commercial ventures effectively. ***See paragraph 4.5 for amendments.***

    6. To ensure that information held by the council that is of potential commercial value is made subject to confidentiality obligations, such as in employment contracts or tender documents. ***See paragraph 4.6 for amendments.***

    7. That Management Committee ask the Financial Planning Task Group to undertake more detailed scrutiny work on the action plans relating to the document once available. ***See paragraph 4.12 for amendments.***

8. A detailed delivery plan to set out the first 12 and then 36 months action will be brought back to Scrutiny and Cabinet and it is proposed that Management Overview and Scrutiny assess progress against this then twice a year.

Overview and Scrutiny Engagement

9. The report of the Financial Planning Task Group, who undertook are review of the policy, is available here: https://cms.wiltshire.gov.uk/ieListDocuments.aspx?CId=1122&MId=10895&Ver=4

10. The Overview & Scrutiny Management Committee will consider the report at their meeting on Monday 5 February 2018.

Safeguarding Implications

11. There are no safeguarding implications arising from this report.

Public Health Implications

12. There are no public health implications.

Procurement Implications

13. There are no direct implications, but the strategy recognises the need to review the effectiveness of our approach to commissioning and procurement, to ensure that skills and capacity align to future need. This will include assessing how we balance social with economic value and return.

Equalities Impact of the Proposal

14. In order for the Council to fulfil its legal requirements under the Public Sector Equality Duty, individual Equality Impact Assessments will be done on any business case and delivery plan as they are drawn up. These will be made available to all Councillors during the decision-making process so that the full equality implications of proposals are understood, inform final decisions and due regard is paid to the Equality Duty.

Environmental and Climate Change Considerations

15. The Policy and Approach has been developed to support stronger and more resilient communities in Wiltshire.

Risks Assessment

16. The Policy itself recognises the risks associated with the approaches considered, and makes the assessment of these risks paramount. The Policy also seeks to mitigate risks through both openness for checks and challenges including councillors and independents.

Financial Implications

17. The Policy in itself will not deliver savings or more income, however it sets out a clear approach for the Council to work towards to deliver the commercial targets set in the MTFS over the next four years. Its progress will be monitored and reported regularly to councillors.

Legal Implications

18. The Policy is a change to the Cabinet's Framework, and the Policy supports other strategies and policies within that. It is possible that in the future changes may be required to the Council's Constitution and it is expected that these will be highlighted in the delivery plan to be brought back to Standard's Committee and Council to be debated at that stage.

Conclusions

19. The Commercial Policy and Approach 2018-27 supports both the Council's business plan and its financial plan 2018-22.

Michael Hudson (Director - Finance and Procurement)

Report Author: Michael Hudson, Director - Finance and Procurement and Statutory Section 151 Officer, michael.hudson@wiltshire.gov.uk, Tel: 01225 713601

29 January 2018

Appendices

Appendix - Commercial Policy and Approach 2017-2027

Background Papers

The following documents have been relied on in the preparation of this report:
None

Wiltshire Council

Commercial Policy and Approach 2017-2027

Wiltshire Council
Where everybody matters

Foreword

Wiltshire Council's core business is, and will remain, the delivery of public services to the people of Wiltshire and most importantly the support and welfare of the most vulnerable in society.

Our ability to fund this has changed considerably over the last 5 years with a major reduction in government grant. Council Tax has increased to counter some of this and the potential increase in business rate retention will also assist with our income. However, this is overwhelmed by the continuing pressure on the two major cost areas of Children's Services and Adult Social Care. Increasing cost pressure in these areas will outpace the finances of Wiltshire Council if we do not act to raise more revenue.

Central Government will not step in to help support this growth in vulnerable care and Wiltshire Council therefore needs to find additional ways to develop long term revenue generation. This will be achieved through raising revenue from commercial activity making use of our existing resources, assets and status.

We will initially introduce a commercial focus on several areas where we have already got a presence, where we have existing assets or existing skills and resource:

- Trading with schools
- Development and growth of high need residential property
- Increased return from an effective commercial property portfolio in County
- Trading energy

We need a long-term solution that will generate increasing amounts of revenue which we can use to fund the core functions of the Council.

To achieve the desired outcomes in these areas we will need to recruit specialist resource; improve the existing skills of our staff, and investigate alternative models of delivery that will provide the highest level of attainment for each area.

This means that the model may differ for separate scenarios. So Commercial does not mean we will become a business only here for profit. We must never forget our core business is supporting and helping the vulnerable in society. As such we are a Council not a business, but we can still act business like to ensure we have the right level of funds and use those effectively.

We would look to see the first opportunities identified and assessed by the early part of 2018 with a relevant implementation timescale for each opportunity returning additional revenue to Wiltshire Council by 2019/2020 and thereafter.

By adopting this commercial approach, we will deliver part of the £57.5 million of savings over the next four years, as well as those in the next decade. We will continue to change the way we work for and with our communities to provide an even stronger financial base enabling us to meet the current and future needs of those communities. For us that is commercial sense.

Philp Whitehead
Cabinet Member, Finance

Executive Summary

The Public Sector at national and thus local levels faces continued squeezes on its finances. In Wiltshire, we have faced a decade of change and a decade where we have successfully managed our finances. We secured £140 million savings from becoming a Unitary Council in 2009, we have sought to prioritise our spend where it has the greatest effect and seek innovative ways to work with our communities to do the same or even more with less.

So, we have been working hard and some would therefore say commercially over the decade, so why do we need this Policy? Well the squeeze on public sector funding continues, by 2020 we will only receive back from the Government a proportion (potentially as low as 40%, circa £55m) of our Non-Domestic Rates (commonly known as Business Rates). So, our only way to raise funds is through local Council Tax, fees / charges, and by looking at how we can make returns from investments or different business models that trade with users of those services. We must also continue to look at how we can be even more innovative in reducing our costs. To do that we need to take the next step up in our business and financial planning approach.

This Policy sets out that direction and aligns closely with other key strategies, including our Economic Growth, Digital, Adult Care Transformation, Workforce and Community Engagement Strategies.

By adopting this Policy, we will use the approaches and actions arising from it to deliver a large part of the £57.5 million of savings we face over the next four years, as well as those in the next decade.

Our focus will be on four key areas, where we will continue to:

1. **improve our data and management information** to make intelligent decisions that enable risk to be balanced with return and our public fiduciary duties;

2. **improve the skills of our staff** to ensure they can act and behave in ways that seek and deliver financial opportunities that benefit our financial sustainability;

3. **use our assets and resources to make financial returns**, and disinvest where that is no longer possible;

4. **review and revise our models of delivery** that provide the best opportunity, outcome and financial return for our residents and businesses.

This Policy sets out an approach, and a definition and vision for how we will continue to be more commercial, but built from a base of strong financial and business planning. Over the next three years we will continue to change the way we work for and with our communities that will provide an even stronger financial base that enables us to meet the current and future needs of those communities. For us that is commercial sense.

1. Our vision of what being Commercial means to us in Wiltshire

1.1 Our vision as a Council is to '*build strong, connected, resilient and sustainable communities*'. To meet our priorities, we need to ensure we have a strong and sustainable finance resources. By 2020 our grant from Central Government will have been reduced by nearly £170 million, and our only funding will come from Wiltshire residents and businesses, as well as visitors to the County. As such we need to ensure we are self-sustainable financially. With national political and local economic restrictions on our main income stream (council tax) we must continue to focus on how we secure more income in new and innovative ways, as well as provide the services our communities need at the lowest possible cost without compromising quality unnecessarily.

1.2 This challenge is not new to us, or any business. However, in the private sector it is often referred to as taking a '*commercial approach*'. What we as a sector have learnt is that a commercial approach does not mean we privatise or outsource everything, rather we feel being Commercial means:

"***All are staff are skilled to behave innovatively and use data to make well thought out decisions, that enables us to use all of our resources to deliver services in a cost-effective way, ideally at nil net cost***"

1.3 Breaking that down to more detail:

- **Understand our data**, and we can turn that into management information that allows us to look at what our communities, markets and partners / stakeholders need both now and in the future. Having that intelligence is the bedrock that allows us to plan and make effective decisions. We can then use that same information to access if something is working and if it is, do more and if not we stop and do not waste money. This also is about ensuring our staff and councillors recognise the value of our data.
- Have **staff, managers and leaders who are empowered to behave and think in innovative, flexible and new ways with the skills to do that in ways that reduce costs or bring in more income on a sustainable basis.** They can use data to make strong business cases demonstrating the benefits of changes, actions to deliver savings and/or more income, and can bring people with them.
- **Continually assess all our assets and resources** to identify those that are making a return and those that are not, where they are not if they should, could or need to be making a return and if it is best to stop or dispose of them.
- **Have the most effective and efficient models of delivery** be that in-house, through a social enterprise, employee trust, joint venture, wholly owned company, or any one of the models open to us. We will trade beyond our borders where it positively impacts on our County and our priorities are protected. We will seek to use Council Tax income to fund key priority services, and all others will be funded from our commercial work, so most services will be net nil cost at least and some will make a return to subsidise priorities, for example how at present parking fees are used to fund bus subsidies.

1.4 By focusing on all these four areas we will drive a stronger Commercial Culture. This Policy sets out:

- What we have done and where we are now;
- how we aim to take the next step upwards to achieve the goals in this strategy;
- how we will engage with key stakeholders;
- what success looks and feels like, as well as how we will measure our success; and
- how we will continually evolve this Policy to be financially self-sufficient to deliver our Business Plan.

2. Where are we and what have we done already?

2.1 Over the last decade we have had to find nearly £140 million of savings, and so we have not been resting on our laurels. We have introduced many practices that will shape the next evolution of our commercial approach. This has included:

- ***Data and management information***:
    - We have continually improved our financial and performance data reporting, linked to service and business planning.
    - We have carried out data matching to identify cross over in service provisions to challenge structural designs
    - We have invested in a system thinking approach that has challenged and helped redesign several areas of the business.
    - We have invested in technology to provide smarter real-time data around our assets, income and residents.
    - We have started under our Single View of the Customer project to pool data to allow more informed decision making, this includes sharing data with our NHS and Police partners.

- ***Skills and behaviours***:
  - We have invested in a Procurement Team and category management approach that challenges what and how we spend on goods / supplies.
  - We have trained and accredited over 800 staff and managers in systems thinking, including trading this to upskill staff in our partnering and neighbouring organisations.
  - We have devolved several services to local communities for them to run through volunteer schemes that enable more target support, including Libraries and Youth services.
  - Our behaviour framework includes competencies for behaviours and core skills.
  - We have employed apprenticeships, and have a Workforce Strategy that sets out development of our staff to ensure they will have the skills needed to work effectively in the coming years of change.
- ***Assets and resources***:
  - We have increased fees in a more co-ordinated and consistent approach, with a single fees and charges booklet. We have a single Income Strategy, which is driving a single approach to subsidy, financial inclusion and recovery.
  - We have carried out several Community Asset Transfers and Service Delegations to Town and Parish Councils. 132 transfers have taken place since 2011 and a major additional package delivered to Salisbury City Council in 2017.
  - Generated over £90 million in capital receipts to re-invest in the County's infrastructure and avoided borrowing.
  - Our Digital Strategy has recently been approved and sets out a vision and plan to deliver more efficient services.
  - We have a prudent Treasury Strategy and we have met our annual return target each year on our cash invested.
- ***Models of Delivery***:
  - We have an economic venture company and are exploring a number of opportunities to expand commercial activities.
  - We have a number of contracts with a life value in excess of £100 million, including Waste and Highways that were let in the last 18 months.
  - We have three PFI schemes around Housing and Schools.

- We have a Strategic Partnership with Wiltshire Police. This has already delivered:
    - Co-located neighbourhood policing and response teams into the Council's Chippenham and Salisbury hubs and the development of campus designs incorporating Neighbourhood Police Teams
    - A joint IT solution that enables access to services across both estates.
    - A joint systems thinking team with three full time staff seconded from the Police.
    - A single, jointly funded Project Management team for both organisations following the transfer of OPCC staff to Wiltshire Council.
    - A single IT team, supporting both organisations
    - Co-location of staff in the Multi Agency Safeguarding Hub (MASH) within County Hall.
- Close working with the new Dorset and Wiltshire fire authority, with its new Salisbury HQ based in the Five Rivers Community Campus.
- We are evolving a new Schools and Traded service, including support to academies.

3. What are our next steps to being more commercial?

3.1 Our focus is to build on the four pillars of data, skills, resources and models of delivery. The following sets out the aims for each area as well as how they align and support our other key strategies.

- ***Data***

3.2 We will merge our financial, performance and risk monitoring reports, with a focus being to report more on changes in units of activity, be that number or costs to explore the causes to drive strategies that target actions to prevent cost increases.

3.3 We will introduce controls to ensure establishments and budgets remain aligned.

3.4 We will undertake analysis of the data we hold for areas across the County to identify issues of local need, and to help predict potential future needs. This will inform the Community Engagement, Community Asset Transfer and Campus/Hub strategies and decisions. The aim being to deliver more targeted local services, markets and build infrastructure to prevent costs or that enable a reduced cost. We will also seek to ensure that information of potential value is subject to specific confidentiality obligations, such as in employment contracts or tender documents.

3.5 We will appraise and use our business, service and client data to analyse commercial opportunities to raise income, trade or transfer services to a new delivery model.

3.6 We will use our customer data alongside technological tools and techniques to apply neuro-economic practices, such as nudging to increase income collection.

- ***Skills and Behaviours***

3.7 We will roll out a ‘commercial and financial competence framework’ across all levels of staff in the Council.

3.8 We will have a consistent governance and business case framework across all projects and programmes. The Governance model will apply for considering all ‘commercial proposals’, and an outline Governance Structure and Business Case format with an assessment criteria is set out at Appendix 1. The competency programme will enable all staff to know how they engage in the process beyond ‘normal’ service delivery to start a change project off; and what is required to make a successful case. This will include consistent gateways from ideas and concepts, to outline and full business cases that will be tailored to the scale (impact across the council and monetary) of the change / project.

3.9 We will review and update our behaviours framework as necessary to recognise the core commercial operating skills, to ensure that behaviours support this approach.

3.10 We will review the effectiveness of our approach to commissioning and procurement, to ensure that skills and capacity align to future need. This will include assessing how we balance social with economic value and return.

3.11 We will invest in external support for areas where we do not have the current commercial skills that may not be cost effective to embed in the organisation, for example taxation or portfolio management.

3.12 We will continue to centralise income collection and standardise setting fees, with agreed exceptions being clearly identified. This will ensure consistent subsidy, concessions and financial inclusion is applied in decision making.

- ***Assets and Resources***

3.13 We will invest in our data and staff as the drivers of change and commercial activity as set out above.

3.14 We will use our strategic planning, economic growth, housing, highways, digital and education and skills strategies to shape and create social capital and markets for growth be they in current market, or by shaping the market / delivery vehicle to fill gaps / need.

3.15 We will look to use our infrastructure for commercial gain where we can trade advertising or activities that can use our digital platforms, street furniture, vehicles or other assets. We will use the high value of our web presence, search engine optimisation and brand value to promote more ethical trading of marketing space.

3.16 We will use our land and buildings to promote and deliver housing and economic growth through either use of capital receipts or holding of assets as a contribution to capital for delivery models.

3.17 We will use the Council's lead role in the One Public Estate programme to co-locate with our partners to generate capital receipts and reduce costs.

3.18 We will use our asset and economic strength in the County and surrounding areas to influence how the supply chain and infrastructure and service providers interact and partner with the Council to derive lower costs and new income streams.

3.19 We will assess the liquidity need of our assets and consider changing our risk appetite for investing in high return / less liquid vehicles.

3.20 We will earmark £2 million of revenue and £5 million of capital as invest to save reserves, to be released on business case approval by Corporate Directors or Cabinet depending on the scale and return of investment. The guidance will require a bar to be met for all schemes for the levels of return and payback period to be evidenced in the business case.

- ***Models of Delivery***

3.21 An important strand to our commercial approach is to have the ability to consider and adopt as appropriate alternative delivery models. The options available cover a wide range of potential models:

In-house	Social Enterprises	Partnerships	Trading Companies	Outsource
• Service function	• For example: • Community Trust • Community Interest Company • Mutual Trust	• For example: • Consortium • Joint Committees • Shared Services contract • Joint Ventures • S111 Public Partnerships	• For example: • Wholly owned • Teckal • Limited Liability Partnerships	• contractual

3.22 The options are not limited to just a vehicle and can consider for example devolving budgets to communities.

3.23 The key is that the model of delivery needs to be driven by a range of factors including the Council's values, risk appetite, and need to drive a financial return. There have been many documented traded models that have failed in local government, as well as some that have succeeded and ventures that our over a decade old and still going strong, for example Norfolk Property Services. Wiltshire also is part of a strong Joint Public Service Internal Audit arrangement (South West Audit Partnership – SWAP) that has grown its business by almost double in the last five years, yet saved the Council over £0.250m.

3.23 Of course success cannot be guaranteed, and we need to ensure we have a model to appraise options and assumptions to consider the most appropriate vehicles where opportunities arise. An example of the factors to consider is set out at Appendix 2. All delivery model decisions will be brought to Cabinet to approve.

3.24 Where appropriate the role and skills for being a Director of a delivery model will be set out in the Council's constitution. As such the Constitution is likely to be reviewed, in accordance with current set procedures to do so, considering evolving commercial actions within this strategy.

4. How will we engage all stakeholders in the Policy as we go forward?

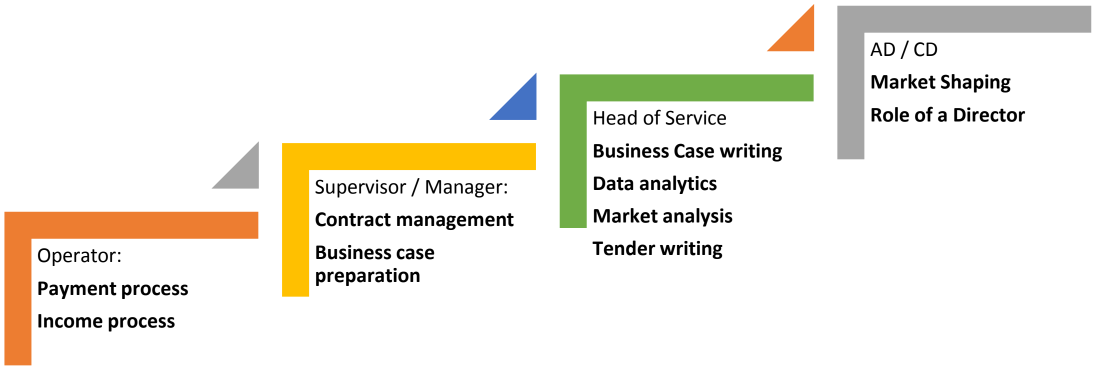
4.1 First who are our stakeholders, and secondly why do we need to engage them. Our stakeholders include:

4.2 We will engage with these groups as follows:

- ***Staff, Unions and Councillors:***

4.3 Our current processes allow for good consultations with staff and unions around changes, with approval for significant changes such as TUPE reserved to Cabinet. We will continue to review these against changes to approaches arising from this Policy to ensure they remain effective.

4.4 We will set out a clear financial and commercial competence framework that ties into the Workforce Strategy and investment in organisational development across all staffing levels.



4.5 This will recognise that commercial skills are one part of an overall effective member of staff, and is not just a financial matter:

4.6 These competencies and the role of councillors in this process will also form part of the action plan to ensure we have councillors equipped to check and challenge, as well as if appropriate act in any commercial capacity, such as Directors of ventures.

4.7 It is still envisaged that decisions will rest with Cabinet / Council as appropriate. Where a model requires councillors to act as Directors then appropriate training will be provided in accordance with regulations.

- ***Residents and visitors:***

4.8 We continue to explore new ways of working, and this will have an impact on our communities and visitors to the Council. The extent of that impact will vary, for example consideration of devolving responsibilities to a Community Social Enterprise would require significant engagement of a specific group of residents. Wiltshire Council's current procedures and approaches to consultation are recognised as exemplar, and we will continue to uphold this goal, and ensure that any development of a more commercial approach maintains engagement with our communities and that their views and voice are part of decision making.

4.9 Our residents and visitors will also be our customers and as such we need to engage them around views of satisfaction and experiences with services, as well as to identify potential gaps in markets. We will explore options to assess this through resident groups and market testing.

- ***Local employers:***

4.10 Wiltshire's businesses play a key part in our approach, they can be both enablers and competitors. As such we need to engage at a county wide and local level. We will work with providers to share market intelligence where there are gaps in current or future markets to help shape both our thinking and potential competitive opportunities.

- ***Partners:***

4.11 Our public sector partners too can be both enablers and competitors. As such we need to continue to work closely with them to take advantage of opportunities around One Public Estate, but also developing market opportunities.

- ***Councillors***

4.12 Councillors will be involved at all stages of any shaping of policy or decisions around changes to models of delivery. We will invest in their skills and understanding to ensure that Scrutiny can effectively check and challenge proposals and analyse all assumptions and options. We will ensure Cabinet have the skills to make decisions and act on any decisions to act in a statutory role as a result of a change in delivery model if / as appropriate, for example as Directors.

- ***Others:***

4.13 As we develop options and ideas we will need to ensure we are engaging the widest audience, whilst we will always recognise our key stakeholders part of the decision-making process will assess any gaps to ensure that our decision making is the best informed it can be. This could include seeking soundings with central government, professional bodies or external advisors. So, for example we will test for any optimism biased in business cases by seeking independent reviews of assumptions benchmarking ours against market experience and forces. So that means we could employ experts in theatre and the arts to appraise assumptions around growth in bookings, or financial experts to appraise borrowing analysis.

5. How will we measure success?

5.1 Looking at the Medium Term Financial Strategy and Plan requirements, we will use the following as initial measures of success:

Overall:

- Action Plan to outline the next 12 then 36 months delivery plan presented to Management Overview and Scrutiny by June 2018. Then delivery against the milestones in that plan.
- £8 to 10 million of additional income opportunities identified and 50 to 75% delivered
- 5% reduction in net expenditure due to increased income
- 5% reduction in overhead costs
- £10 million of capital receipts

Data

- Joined up Finance, Performance and Risk report to Cabinet by September 2018

Skills

- 75% of staff completed commercial and finance competence framework by July 2019.
- 3% increase in new jobs from commercial ventures by 2021, including 25% being apprenticeships.

Assets

- £1 million increase in advertising and marketing income

6. How will we review the Strategy?

6.1 Following adoption of this Policy and Approach a 12 month programme of action, and an outline 36 month plan will be reported to Cabinet in early Summer 2018. This will be reviewed by Management Overview and Scrutiny twice a year, and commentary included in their Annual Report. The Leader will also note progress in delivery alongside annual updates of the Business and Financial Plans.

Author: Michael Hudson – Director of Finance

Appendices:

Appendix 1 – Governance and Business Case structure

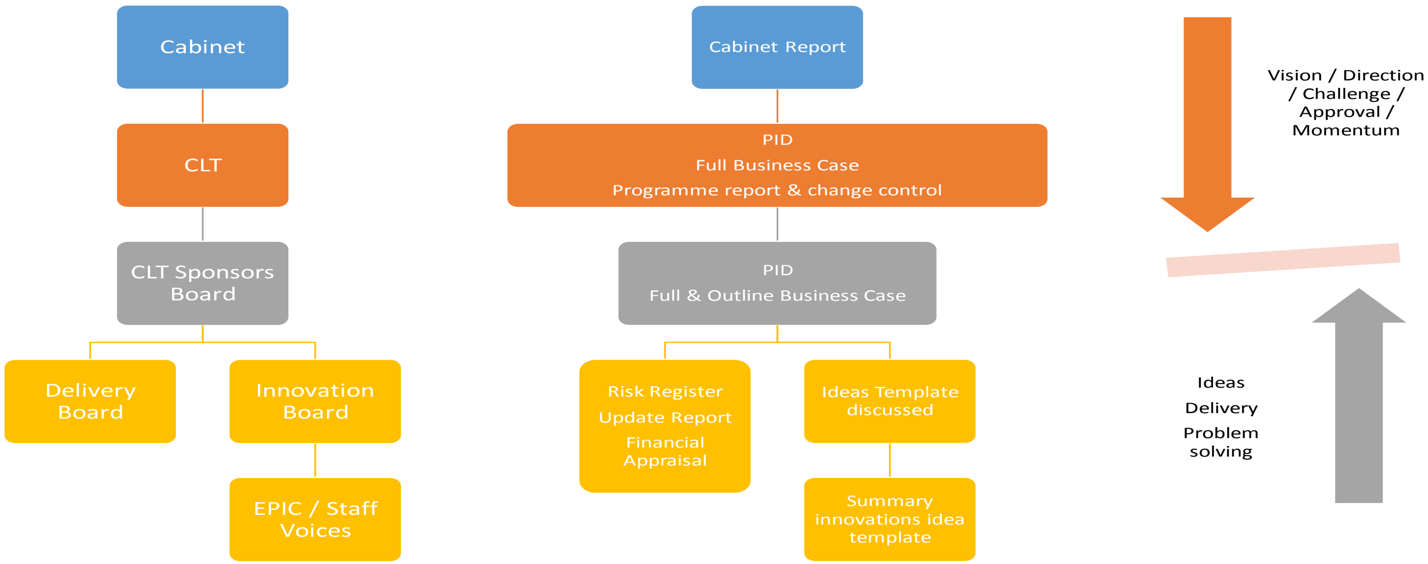
Appendix 2 – Factors to assess delivery models against

Appendix 1

Governance and Business Case structure

- ### Governance Structure

The focus will apply a Programme Management approach to ensure a consistent approach across ALL programmes of work with Cabinet signing of decisions per the Constitution, and CLT acting as the key vision and sponsors, with groups of CLT leading different programmes of delivery. Each CLT Board will be supported by a Delivery Board who will be appointed following a successful Project Initiation document (PID) to draw up and Outline and then Full Business Case (OBC and FBC) as appropriate. An Innovation Board will consider ideas from staff groups, including EPIC, and make recommendations to next steps, including suggesting PIDs as appropriate. There will of course be interdependencies and links between projects and thus a high-level risk register for all of the programmes.



Outline / Full Business Case Document

Project Name:

Author: [Name]

Sponsor: [Name]

Version [n.n]

dd Month yyyy

Amendment History

Issue	Date	Author	Reason

Distribution List

Name	Department / Organisation

Contents

1. Executive Summary

The Executive Summary should provide a short, informative headline summary of the Business Case document to follow. It should typically be no longer than 1 page and contain: • *A short narrative to identify the subject, scope, method of analysis and key results and findings;* • *A short list of the key objectives of the project* • *A summary of the financial metrics (table below, provides a very basic and high-level example of summarizing outlay and ROI) from the investigation, highlighting the most significant;* • *A summary of the social value to be secured* • *Risk and opportunity assessment* • *Next steps, including any consultations and decision-making paths* *A brief summary of the conclusions as a result of the study*

Financial Appraisal Summary	**Year 1**	**Year 2**	**Year 3**	**Year ….**	**Total Cash Outlay / saved**
Investment Value (£) – Capital	**£x**	**£x**	**£x**	**£x**	**£x**
Investment Value (£) – Revenue	**£x**	**£x**	**£x**	**£x**	**£x**
Available / Committed Funding	**£x**	**£x**	**£x**	**£x**	**£x**
Savings	**£x**	**£x**	**£x**	**£x**	**£x**
Savings with sensitivity	**£x**	**£x**	**£x**	**£x**	**£x**
Return on Investment (ROI)	**£x**	**£x**	**£x**	**£x**	**£x**
Payback	**….**	**….**	**….**	**….**	**….**
Opportunity Cost	**£x**	**£x**	**£x**	**£x**	**N/A**
Other	**…**	**…**	**…**	**…**	**…**

2. Introduction and Overview

This section should describe the setting, background and context of the Business Case. It should serve to clarify and elaborate the subject matter of the Business Case. It should clearly state the purpose of the Business Case, e.g. • *To obtain financial approval to either commence a project or proceed to the next stage;* • *To compare alternative solutions, etc…* *It should explain the objectives, needs or problems addressed by the requirement. The objectives should be stated in clear and measurable terms with a specified time frame, e.g.:* • *To have improved digital platform that can allow transformation of processes that reduce costs and allow pay and other savings.* • *To invest £xx in a digital platform project that will ultimately provide a x:1 return on the initial investment (spend to save)* *It should outline any relevant related initiatives – is the project part of a larger programme? Are there dependencies on the delivery of other projects to realise the benefits?* *It should include a statement how the project is "*right-sized*"; that is ensuring that the proposed solution is realistically scoped to ensure that the benefits and costs to deliver are in line.*

3. Market analysis:

What is relevant to include in this section will depend on the type of investment. *A summary should be given of the main outcome of a full market analysis which should include consideration of the political and economic environment, confidence in likely service providers (systems or consultants), threats from emerging technology etc. Various techniques, e.g. sensitivity analysis can be used to analyse the market. The full analysis may be included as an Annex but the summary should give the degree of confidence in the market and any particular threats. As well as the opportunities to shape a market that does not exist but could.*

4. Assessment of benefits:

The benefits to be gained from the investment compared to the alternative of 'doing nothing' should be summarised. Benefits should be identified and quantified in financial terms: as appropriate, this to include projected cost reduction against investments, impact if no investment, reduction in risk, improvements in quality, reliability, accuracy and other tangible, non-tangible and consequential benefit i.e. 'what are the real benefits from making the investment?' This should also be assessed against a payback period, with projects giving a positive return within 3 years if the investment is less than £1m and 5 years and no more if greater than £1m. *A full assessment / explanation of the benefits should be included as an Annex if appropriate.*

5. Cost / Benefits Assessment

This will clearly identify the cost benefit against the investment that is being made. This should consist of a simplified presentation of the financial cost/benefit analysis - presented in tables or graphs;

This should include an assessment of:

- *Investment value – Revenue and Capital, recurring and non-recurring*
- *Cost Saving first 12 months (£), recurring and non-recurring*
- *Cost Saving after first year (£), recurring and non-recurring*
- *Depreciation costs / whole life cycle costs*
- *Overhead implications (£), recurring and non-recurring and split direct, indirect and general overheads*
- *Total cost (£)*
- *Cash outlay (£)*
- *Net present value*
- *Payback period*

This should then be considered based on a sensitivity / confidence analysis to stress test the assumptions and highlight key risks in deliver. Refer also to later sections on Risks.

Additionally, an assessment of unquantified Benefits and Costs, and Strategic Contribution should be considered:

- *If a non-financial benefit is significant, then define it. Make the impact of the benefit tangible – describe all likely effects and implication*

6. Option appraisal – Recommended option:

When formulating an investment proposal, the options available, including the 'do nothing' option, should be considered and compared. Based on the outcome of the comparison of the options i.e. the option appraisal, a recommendation should be made for one option.

The full option appraisal should include a cost/benefit/risk comparison between the options available to address the business problem / opportunity. Options to include 'do nothing', business and technical options, timing options and, if at all relevant, consideration of 3rd party involvement – contractors, joint ventures partnerships, PFI and funding options. When considering options, relevant strategies, standards and legal requirements should be considered.

Depending on the situation the option appraisal may be simply qualitative or a detailed analysis. It may be done in two stages i.e. a broad sift of a wide range of options followed by a detailed examination of say, 3 of them.

The criteria should include an assessment of how the options:

- *deliver our business plan objectives*
- *provide savings*
- *provide for new / additional income*
- *The impact on staff*
- *The impact on our infrastructure, including buildings and IT*
- *Dependence on a 3rd party / partner and the level of support from that party*
- *Health & Safety risks*
- *Legality of the scheme and associated risks*

This will be weighted and a score of 1-5 (1 being poor and 5 being fully meets criteria).

A bar can / will be set in the Project Initiation Document for the options to be considered and no option will be considered if the bar is not at least reached. The scoring will be undertaken by the Working Group and assessed by the relevant Board, with the paper being subject to any independent / member scrutiny per the Constitution.

7. Key assumptions and dependencies:

Key assumptions, which, if they turn out to be wrong, may affect the projection for and the eventual success of the investment, should be identified.

Key dependencies, which if not in place may affect the outcome, should also be clearly identified.

Comments about likely inflation rates in the cost and benefit estimates should be included in this section as well.

This section will also seek to include Independent Third-party assessment of the assumptions and flag up any optimistic bias that could raise risks to delivery.

8. Risk and Sensitivity analysis:

*The key business risks associated with the recommended option should be summarised, particularly those which may impact on the financial projections (costs and/or benefits). The summary should include an indication of the probability and likely impact of the risks and the measures being proposed to manage the risk(s) and / or to reduce their impact e.g. business case review prior to major cash expenditure. **P**olitical, **O**perational **E**conomic / Financial and **T**echnical (POET) risks should be considered as they could all contribute to the overall business risk.*

The financial projections presented in support of the recommended option should reflect the expected, or most likely, outcome of events. In presenting an analysis of the business risks, the Sponsor should identify the major sensitivities to which the investment could be exposed, typically the impact of cost overruns, time slippage which may result in higher costs and missed opportunities; failure to achieve the development/investment period.

<Write risk and sensitivity analysis here.>

9. Resource requirements and costs:

The resource requirements and costs associated with the recommended option should be summarised i.e. external costs for equipment, external service costs e.g. for consultancy and internal staff costs. The summary is to include investment and running costs.

	Capital/ Revenue	Yr 1 £k	Yr 2 £k	Yr 3 £k	Yr 4 £k	Yr 5 £k	Yr 6 £k
Income - - -							
Total Income							
Costs - - -							
Total Costs							
Total Surplus (Deficit)							
Cumulative Surplus (Deficit)							
Total Revenue Income							
Total Revenue Costs							
Total Revenue Surplus (Deficit)							
Total Capital Costs							
NPV at 5.4%							
Payback YR							

10. Funding source / Timing / Certainty:

The source and timing of the funding for the investment, be it required, known or suggested, should be identified and an indication given of the certainty or otherwise of the funding being available when required.

11. Timescales:

The proposed start and end dates should be given together with a list of significant (particularly financially significant) milestones (events with dates). Where relevant, the milestones to include dates on which the investment should be reviewed.

Main milestones and dates:	Proposed start:	Proposed end:
Tba	date	date

12. Comments / Issues:

This section to be used if needed to draw attention to additional points or issues, which should be considered when considering the business case.

13. Conclusions and Recommendations

Bring the document to a close by concluding the findings and making recommendations.

14. Appendices

Appendices are where to put the detailed calculations, figures, reference material and other back up data that may have a limited audience but is worthy of inclusion. *You should put all of the detailed calculations in Appendices – and only have summaries in the main body (referring to Appendices) – if in doubt, put it in an Appendix.* *Detailed Assumptions and Risks may also be placed in Appendices – but summaries should appear in the main body.*

<Insert Appendices here.>

Appendix 2

Factors to assess delivery models against

The process must start with:

1. ***Decide on the strategic objectives and the desired outcomes.***
2. ***Decide on the model of delivery.***
3. ***Decide on the vehicle to deliver the services.***

So, we need to ask ourselves right at the start What are we trying to achieve, is this to make savings, attract jobs into the county, to allow residents more freedom, and so on. So, some useful questions to help assess question 1:

- Do we know the local need?
- Do we know the market well enough and how we compare?
- Can we say what success looks like and clearly measure that now and predict it?
- Do we know what it costs?
- Do we know from our values why we deliver the service and why we would always need to, or not because of asking that question? Just because we statutorily need to provide it is not enough to keep a service as is.

Then we can consider the models of delivery:

- Cost, how much is assessment and set up? To set up a new model will need initial detailed assessment, including potential support costs but these could be offset and recovered in a delivery vehicle over time and not borne immediately by the Council Tax.
- Time, how quickly can we decide and implement a model? For example, keeping a service in-house is easier and quicker than setting up a Local Authority Traded Company
- What are the savings / income opportunities, for example secure financial benefits for some models i.e. tax and NDR for charitable organisations?
- How will the model affect staff? In particular pensions and terms and conditions, but also will it allow greater freedom or opportunities to grow?
- Will it allow the Council to take advantage of freedoms, that may be grant or legislative freedoms?
- Will it enable more streamlined and harmonised processes to improve service efficiency?
- Will a traded entity in itself encourage entrepreneurism in staff that is not present at the moment as they have a state in the entity?
- Will it enable less red tape/bureaucracy, for example how will certain rules apply or not?

- Will it bring the service closer to the customer, for example a social or community enterprise?
- Will it see a lessening of councillors control or sovereignty over decision making? Is this a bad thing?
- Will it overcome cross-sector differences in regulatory and legislative frameworks which can delay or make work more difficult/ time consuming?
- Will it require new technological solutions due to for example incompatibility across partners, and are they available?
- Will there be an ability to share and store data storage/handling outside the organisation?
- What will be the financial impact on remaining ‘in house’ support services?

After all of this we can then start to propose the right delivery model with more confidence it meets our stakeholder, business objective, and financial needs.

Wiltshire Council
Cabinet
6 February 2018

Subject: **Treasury Management Strategy 2018/2019**
Cabinet member: **Councillor Philip Whitehead - Finance**
Key Decision: **No**

Executive Summary

This report presents the Treasury Management Strategy for 2018/2019 including:

a) the Prudential and Treasury Indicators for the next three years

b) Debt management decisions required for 2018/2019 that do not feature within the Prudential or Treasury Indicators (paragraphs 21 to 29)

c) the Minimum Revenue Provision Policy 2017/2018 (revised) and 2018/2019

d) the Annual Investment Strategy for 2018/2019 (Appendix B) ***one change to last year, being the removal of the minimum requirement for high credit quality relating to viability ratings***

This report has been prepared in accordance with CIPFA Code of Practice for Treasury Management in the Public Services 2011, as revised December 2017. Any relevant changes within the code of practice have been reflected within the Treasury Management Strategy 2018/2019.

Proposals

The Cabinet is requested to recommend that the Council:

a) Adopt the Minimum Revenue Provision Policy as set out at paragraph 46.

b) Adopt the Prudential and Treasury Indicators (Appendix A)

c) Adopt the Annual Investment Strategy (Appendix B), ***including the ratification of the removal of the minimum requirement for high credit quality relating to viability ratings***

d) Delegate to the Director of Finance the authority to vary the amount of borrowing and other long-term liabilities within the Treasury Indicators for the Authorised Limit and the Operational Boundary

e) Authorise the Director of Finance to agree the restructuring of existing long-term loans where savings are achievable or to enhance the long-term portfolio

f) Agree that short term cash surpluses and deficits continue to be managed through temporary loans and deposits

g) Agree that any surplus cash balances not required to cover borrowing are placed in authorised money-market funds, particularly where this is more cost effective than short term deposits and delegate to the Director of Finance the authority to select such funds

Reasons for Proposals

To enable the Council to agree a Treasury Management Strategy for 2018/2019 and set Prudential Indicators that comply with statutory guidance and reflect best practice.

Michael Hudson
Director of Finance

Wiltshire Council
Cabinet
6 February 2018

Subject: **Treasury Management Strategy 2018/2019**
Cabinet member: **Councillor Philip Whitehead - Finance**
Key Decision: **No**

Purpose of Report

1. This report asks the Cabinet to consider and recommend that the Council approve the Prudential and Treasury Indicators, together with the Treasury Management Strategy for 2018/2019.

Background

2. The Council is required to operate a balanced budget, which means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in appropriately risk assessed counterparties or instruments commensurate within the Council's risk appetite set out in the Strategy, providing adequate liquidity initially before considering investment return.

3. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

4. CIPFA defines treasury management as:

   "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Reporting Requirements

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

   a) Treasury Management Strategy Statement (this report), including prudential and treasury indicators, which covers the following,

      - the capital plans (including prudential indicators);

      - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);

      - the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and

      - an investment strategy (the parameters on how investments are to be managed).

   b) Mid-year Treasury Management Report, which will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

   c) Annual Treasury Report, which provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Treasury Management Consultants

6. The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

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

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

Prudential Indicators and Treasury Indicators

9. A summary of the Prudential and Treasury Indicators are shown in Appendix A. The key indicators are the Treasury Indicators relating to the Authorised Limit and the Operational Boundary, which control the Council's maximum exposure to debt.

10. The indicators have been set on the basis of all known commitments and the effect of all known revenue and capital proposals relating to the Council.

Monitoring and Reporting of the Prudential Indicators

11. Progress will be monitored throughout the year, particularly against the two borrowing limits above. Cabinet will be kept informed of any issues that arise, including potential or actual breaches.

12. The elements within the Authorised Limit and the Operational Boundary, for borrowing and other long-term liabilities require the approval of the Council. In order to give operational flexibility, members are asked to delegate to the Director of Finance and Procurement, the ability to effect movements between the two elements where this is considered necessary. Any such changes will be reported to members. The operational boundary is a key management tool for in-year monitoring. It will not be significant if the operational boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the operational boundary is considered significant and will lead to further investigation and action as appropriate. Any breach of the operational boundary will be reported to members at the earliest meeting following the breach. The authorised limit will in addition need to provide headroom over and above the operational boundary, sufficient for unusual cash movements, for example, and should not be breached.

Borrowing Strategy

13. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, known as the Capital Financing Requirement (CFR), has not been fully funded (please refer to Appendix A – paragraph 6) with loan debt as cash supporting the Council's reserves, balances and cash flow have been used as a temporary measure (internal borrowing). This strategy is prudent, as investment returns are low and counterparty risk is still an issue that needs to be considered. This also drives the Council's assessment of investment in relation to the liquidity of investments.

14. Against this background and the risks within the economic forecast, caution will be adopted with the 2018/2019 treasury operations. The Director of Finance will, through delegation and reporting, monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

    a) if it was considered that there was a significant risk of a sharp fall in long and short-term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

    b) if it was considered that there was a significant risk of a much sharper rise in long and short-term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

15. Any decisions will be reported to Cabinet at the earliest meeting following the decision.

Rate and Timing of Borrowing

16. In 2018/2019 two (PWLB) loans totalling £14.81 million mature and become repayable (March 2019).

17. The timing of any borrowing is crucial in terms of interest rates and the potential to minimise interest costs. Prior to any actual borrowing the treasury team will, in conjunction with our treasury advisers, proactively manage the interest rate position, using all information available to inform the borrowing decision.

18. It is, of course, not always possible to obtain the lowest rates of interest, as there is a risk that unforeseen events can significantly alter the level of rates, however, ongoing active monitoring of rates will mitigate against this risk.

19. In supporting the capital programme, the Council will consider all borrowing options, such as:

    a) internal borrowing, using medium term cash balances;

    b) fixed rate Public Works Loan Board (PWLB) borrowing;

    c) long term fixed rate market loans at rates,

20. The decision will be made whilst maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

Other Debt Management Issues

- **Policy on Borrowing in Advance of Need**

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

- **Debt Rescheduling**

22. As short term borrowing rates will be cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the debt repayment cost (i.e. premiums for early repayment).

23. The reasons for any rescheduling to take place will include:

    a) the generation of cash savings and / or discounted cash flow savings;
    b) helping to fulfil the treasury strategy;
    c) enhancing the balance of the portfolio (the maturity profile and/or the balance of volatility).

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

25. All rescheduling will be reported to members in a treasury report at the earliest meeting following its action.

- **Lender Option Borrower Option (LOBO) Market Loans**

26. Wiltshire Council currently has borrowings of £61 million in LOBO loans.

27. There are two main types of LOBO loan (of which the Council has both in its portfolio)

    a) a loan with an 'initial period' at a relatively low rate of interest, on the completion of which, the rate will automatically increase to a 'secondary rate' under the terms of the loan agreement. The interest rate is then subject to 'call option dates' at certain predetermined stages (e.g. every six months, every five years) over the life of the loan, at which time the lender has the option to set a revised interest rate and the borrower has the option to repay the loan without penalty;

    b) a loan subject to 'call option dates' only (i.e. there is no 'secondary rate') at which time the lender has the option to raise the interest rate and the borrower has the option to repay the loan without penalty.

28. If the lender exercises his option to revise the interest rate at one of the 'call option dates', the Council's strategy is that it will always exercise its option to repay the loan. Consideration will then be given to refinancing the debt where the overall level of debt prior to the repayment needs to be maintained.

29. In the current market of relatively low interest rates and very little significant upward movement in rates predicted in the near future, it is unlikely that the loans would be called in the short to medium term.

Annual Investment Strategy

30. The Annual Investment Strategy for 2018/2019, which sets out the policy framework for the investment of cash balances, is shown in Appendix B.

Other Key Issues

31. Other key issues to note are:

    a) the risk appetite of the Council is low in order to give priority to the security of its investments;

    b) the borrowing of monies purely to invest or on-lend is unlawful;

    c) all investments will be in sterling, which will avoid foreign exchange rate risk.

- **Markets in Financial Instruments Directive (MiFID) II**

32. The second Markets in Financial Instruments Directive is now effective (commenced January 2018). In order to maintain the range of investments available to the Council there has been an administrative exercise to opt up from retail to professional classification for all counterparties where this has been required.

- **Capital Strategy**

33. To comply with the revised CIPFA Treasury Management Code, from 2019/2020 the Council will be required to prepare a Capital Strategy Report. This is intended to provide the following,

    a. A high-level overview of how capital expenditure, capital financing and treasury management activity contribute towards the provision of services

    b. An overview ion how the risk is managed

    c. The implications for future financial sustainability

34. The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

- **Short Term Cash Deficits**

35. Temporary loans, where both the borrower and lender have the option to redeem the loan within twelve months, are used to offset short term revenue cash deficits. They may also be used to cover short term capital requirements until longer term loans become more cost effective. The majority of these loans will be at fixed interest rates, maturing on specific dates. The strategy is that the Council shall utilise temporary loans for any short-term cash deficits that arise in respect of revenue and/or capital.

- **Short Term Cash Surpluses**

36. It is anticipated that temporary short term (up to three months) cash surpluses will arise regularly during the year, due to timing differences between income streams and payments. Investment of these surpluses will be in specific investments (e.g. short-term Sterling investments of less than one year). Such investments will normally be short term deposits maturing on specific dates that reflect cash flow requirements at the date the deposit is made. However, under certain market

conditions, money market funds will be used, particularly if they provide improved returns.

- **Longer Term Cash Surpluses (over three months, up to one year)**

37. Some cash surpluses, for example core revenue balances, net creditors, accrued reserves and special funds such as those for insurance and PFI can be invested on a long-term basis. These cash surpluses may be used for capital financing requirements, where longer term interest rates mean that it is less cost effective to take out longer term loans.

38. Improved returns may be obtained by placing these surpluses in money market funds. The Director of Finance has delegated authority to select money market funds and appoint external cash managers within the current approved strategy and it is proposed that this authority is retained.

39. The proposed Investment Strategy for 2018/2019 includes the use of unspecified investments (e.g. more than 12 months to maturity and for which external professional advice is required) that the Council's treasury adviser may recommend for investment of longer term cash surpluses.

- **Minimum Revenue Provision Policy**

40. The minimum revenue provision (MRP) is the amount set aside for the repayment of the debt as a result of borrowings made to finance capital expenditure.

41. In October 2017, a review of the Council's MRP policy was undertaken with Link Asset Services. The objective was to optimise the benefits available under the MRP Guidance issued by the Department for Communities and Local Government in light of current budget pressures, whilst ensuring that the Council maintains a prudent provision for repayment of its debt liability.

42. A number of options were considered

    - **Option 1: Regulatory Method (Supported borrowing)**

    MRP is equal to the amount determined in accordance with the former regulations 28 and 29 of the 2003 Regulations, as if they had not been revoked by the 2008 Regulations. For the purposes of that calculation, the Adjustment A should normally continue to have the value attributed to it by the authority in the financial year 2004-05. However, it would be reasonable for authorities to correct any perceived errors in Adjustment A, if the correction would be in their favour.

- **Option 2: CFR Method (Supported borrowing)**

MRP is equal to between 2 and 4% of the CFR at the end of the preceding financial year without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation.

- **Option 3: Asset Life Method (Unsupported borrowing)**

Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the life of the asset. There are two main methods by which this can be achieved, as described below. Under both variations, authorities may in any year make additional voluntary revenue provision, in which case they may make an appropriate reduction in later years' levels of MRP.

  - **(a) Equal instalment method**

MRP is the amount given by the following formula:

$$\frac{\mathbf{A - B}}{\mathbf{C}}$$

Where:

- **A** is the amount of the capital expenditure in respect of the asset financed by borrowing or credit arrangements
- **B** is the total provision made before the current financial year in respect of that expenditure
- **C** is the inclusive number of financial years from the current year to that in which the estimated life of the asset expires.

  - **(b) Annuity method**

    - MRP is the principal element for the year of the annuity required to repay over the asset life the amount of capital expenditure financed by borrowing or credit arrangements. The authority should use an appropriate interest rate to calculate the amount. Adjustments to the calculation to take account of repayment by other methods during the repayment period (e.g. by the application of capital receipts) should be made as necessary.

- **Option 4: Depreciation Method (Unsupported borrowing)**

MRP is to be equal to the provision required in accordance with depreciation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements. This should include any amount for impairment chargeable to the Income and Expenditure Account.

For this purpose standard depreciation accounting procedures should be followed, except in the following respects.

a) MRP should continue to be made annually until the cumulative amount of such provision is equal to the expenditure originally financed by borrowing or credit arrangements. Thereafter the authority may cease to make MRP.

b) On disposal of the asset, the charge should continue in accordance with the depreciation schedule as if the disposal had not taken place. But this does not affect the ability to apply capital receipts or other funding sources at any time to repay all or part of the outstanding debt.

c) Where the percentage of the expenditure on the asset financed by borrowing or credit arrangements is less than 100%, MRP should be equal to the same percentage of the provision required under depreciation accounting.

43. MRP charges should reflect the economic benefit the Council gets from using the asset to deliver services over its useful life. This ensures the Council Tax payers are being charged each year in line with asset usage and prevents current taxpayers meeting the cost of future usage or future Council Tax payers being burdened with "debt" and the costs of that debt, relating to assets that are no longer in use.

44. An analysis of the average remaining asset life of the assets financed from previous supported borrowing, determined the average remaining life to be around 50 years and this has been used as the basis of calculation. An annuity calculation method was considered, which would result in a lower MRP payments in the early years, but increasing year on year. However, this was not considered to be a prudent approach given uncertainties amount the Council's future finances and not wishing to burden future Council Tax payers with additional costs. As such, a straight line (equal instalments) calculation basis over 50 years has been used. In the short to medium term this will also put the CFR more in line with the level of external borrowing, reducing any over/under borrowing.

45. This change in policy will generate a saving of £3.0m in 2017/18, compared to the previous calculation basis. It is proposed to take this as a base budget revenue saving in 2017/18.

46. As a result of the review we therefore recommend that Council approves the following revised MRP policy to be applied from 2017/18:

a. In respect of the Council's supported borrowing – Option 2: MRP will be provided for in accordance with existing practice outlined in the former regulations but on a 2% straight-line basis, i.e. provision for the full repayment of debt over 50 years.

b. ***MRP for capital expenditure incurred wholly or partly by unsupported (prudential) borrowing or credit arrangements*** **-** Option 3, Equal Instalments: is to be determined by reference to the expected life of the asset. Asset life is deemed to begin once the asset becomes operational. MRP will commence from the financial year following the one in which the asset becomes operational.

c. ***MRP in respect of unsupported (prudential) borrowing*** - Option 3, Equal Instalments: taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the statutory guidance.

d. The Council retains the right to make additional voluntary payments to reduce debt if deemed prudent.

Overview and Scrutiny Engagement

47. None have been identified as arising directly from this report.

Safeguarding Implications

48. None have been identified as arising directly from this report.

Public Health Implications

49. None have been identified as arising directly from this report.

Procurement Implications

50. None have been identified as arising directly from this report.

Equalities Impact of the Proposal

51. None have been identified as arising directly from this report.

Environmental and Climate Change Considerations

52. None have been identified as arising directly from this report.

Risks Assessment

53. The primary treasury management risks to which the Council is exposed are adverse movements in interest rates and the credit risk of its investment counterparties.

54. The strategies in Appendix A and Appendix B take account of the forecast movement in interest rates and allow sufficient flexibility to vary strategy if actual movements in interest rates are not in line with the forecast.

55. The Council's treasury adviser is currently reporting the following rate movements:

a) In November 2017, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate (to 0.50%). This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%.

b) The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

56. The risk that counterparties are unable to repay investments could jeopardise the Council's ability to meet its payments. Investment counterparty risk is controlled by using suitable criteria for assessing and monitoring credit risk, including the use of an up to date lending list. The lending list is based on counterparty categories relating to country, type, sector, maximum investment, and maximum duration of investment (see Appendix B). The Council uses the credit worthiness service provided by its treasury advisers, which is a comprehensive modelling approach incorporating the credit ratings of all three major credit rating agencies, together with 'overlays' of Credit Default Swap (CDS) spreads (default risk), credit watches, credit outlooks and sovereign ratings from the agencies (a more detailed explanation is included within the Annual Investment Strategy in Appendix B).

57. Interest earnings are an important source of revenue for the Council and it is, therefore, critical that the portfolio is managed in a way that maximises the investment income stream, whilst managing exposure to risk and maintaining sufficient liquidity.

Financial Implications

58. These have been examined and are implicit throughout the report.

Legal Implications

59. None have been identified as arising directly from this report.

Options Considered

60. Future consideration will be given to alternative borrowing and investment options to improve the cost effectiveness of and return on treasury activities for the Council.

61. The options in relation to the revenue and capital budgets in these proposals are fully consistent with the figures included within the budget considerations.

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Background Papers

The following unpublished documents have been relied on in the preparation of this Report:

None.

Appendices

Appendix A Prudential and Treasury Indicators 2018/2019, 2019/2020 & 2020/2021
Appendix B Annual Investment Strategy 2018/2019
Appendix C Specified and non-specified Investments
Appendix D Approved countries for investments
Appendix E Treasury Management Scheme of Delegation and Role of the Section 151 Officer

Prudential and Treasury Indicators for 2018/2019, 2019/2020 & 2020/2021

1. The Prudential and Treasury Management Codes and Treasury Guidelines require the Council to set a number of Prudential and Treasury Indicators for the financial year ahead. This appendix sets out the indicators required by the latest codes analysed between Prudential Indicators and Treasury Indicators.

Capital Expenditure

2. This indicator shows the actual and anticipated level of capital expenditure for the five years 2016/2017 to 2020/2021. The Capital Programme 2018/2019 will be submitted to Cabinet and Council in February 2018. The estimates for 2019/2020 and 2020/2021 are based on indicative figures as part of the Capital Programme, and are therefore subject to change.

	2016/2017 Actual £million	2017/2018 Expected £million	2018/2019 Estimate £million	2019/2020 Estimate £million	2020/2021 Estimate £million
General Fund	61.2	114.3	113.1	67.3	41.8
Housing Revenue Account (HRA)	18.8	22.6	10.5	5.5	4.9
Total	**80.0**	**136.9**	**123.6**	**72.8**	**46.7**

3. The capital expenditure figures above assume a certain level of financing from borrowing each year. New and existing borrowing needs to be affordable and sustainable.

Affordability - Ratio of Financing Costs to Net Revenue Stream

4. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream (funding receivable from the Government and council tax payers for the General Fund and rents receivable in the case of the HRA).

	2016/2017 Actual	2017/2018 Expected	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate
General Fund	**7.3%**	**4.7%**	**4.9%**	**5.1%**	**5.3%**
HRA	**15.0%**	**14.8%**	**14.9%**	**14.7%**	**14.2%**

Gross Borrowing and the Capital Financing Requirement (CFR)

5. The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness ad so its underlying borrowing need. Any capital expenditure which has not immediately been paid for will increase the CFR.

Prudential and Treasury Indicators for 2018/2019, 2019/2020 & 2020/2021

6. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with the asset life, and so charges the economic consumption of capital assets as they are used.

	2016/2017 Actual £million	**2017/2018 Expected £million**	**2018/2019 Estimate £million**	**2019/2020 Estimate £million**	**2020/2021 Estimate £million**
CFR – General Fund	399.3	407.6	408.2	422.3	422.3
CFR – HRA	122.6	122.6	122.6	122.6	122.6
Gross Borrowing – Gen Fund	219.0	209.1	199.1	199.1	199.1
Gross Borrowing – HRA	118.8	118.8	114.0	106.0	102.0
CFR not funded by gross borrowing – Gen Fund	**180.3**	**198.5**	**209.1**	**223.2**	**223.2**
CFR not funded by gross borrowing – HRA	**3.8**	**3.8**	**8.6**	**16.6**	**20.6**

Treasury Management Indicators

Operational Boundary

7. The operational boundary is the limit beyond which external debt is not normally expected to exceed.

8. The operational boundary is based on a prudent estimate of the most likely maximum level of external borrowing for both capital expenditure and cash flow purposes, which is consistent with other budget proposals. The basis of the calculation for General Fund borrowing 2018/2019 (£436.3 million) is:

- Expected CFR at 31/03/2018 = £408.2 million
- Plus the expected long-term borrowing to finance capital expenditure (unsupported only £16.1million)
- Less the expected set-aside for debt repayment (£8.0 million)
- Plus the expected maximum level of short-term cash flow borrowing that is anticipated (£20.0 million).

Prudential and Treasury Indicators for 2018/2019, 2019/2020 & 2020/2021

9. The basis of the calculation for HRA borrowing 2018/2019 is the debt settlement of £123.2 million.

Operational Boundary	2018/2019 £million	2019/2020 £million	2020/2021 £million
General Fund	436.3	433.3	432.3
HRA	123.2	123.2	123.2
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	**559.7**	**556.7**	**555.7**

10. The operational boundary for each year also includes a small provision for other long term liabilities.

11. The operational boundary is a key management tool for monitoring the Authority's expected level of borrowing. It is essential to ensure that borrowing remains within the limits set and to take appropriate action where any likely breach is anticipated. Monitoring will take place through the year and will be reported to Cabinet.

Authorised Limit for External Debt

12. This key indicator represents a control on the maximum level of borrowing. It is the statutory limit determined under section 3 (1) of the Local Government Act 2003, and represents a limit beyond which external debt is prohibited. It reflects the level of debt which, while not desired, could be afforded in the short term, but is not sustainable in the long term.

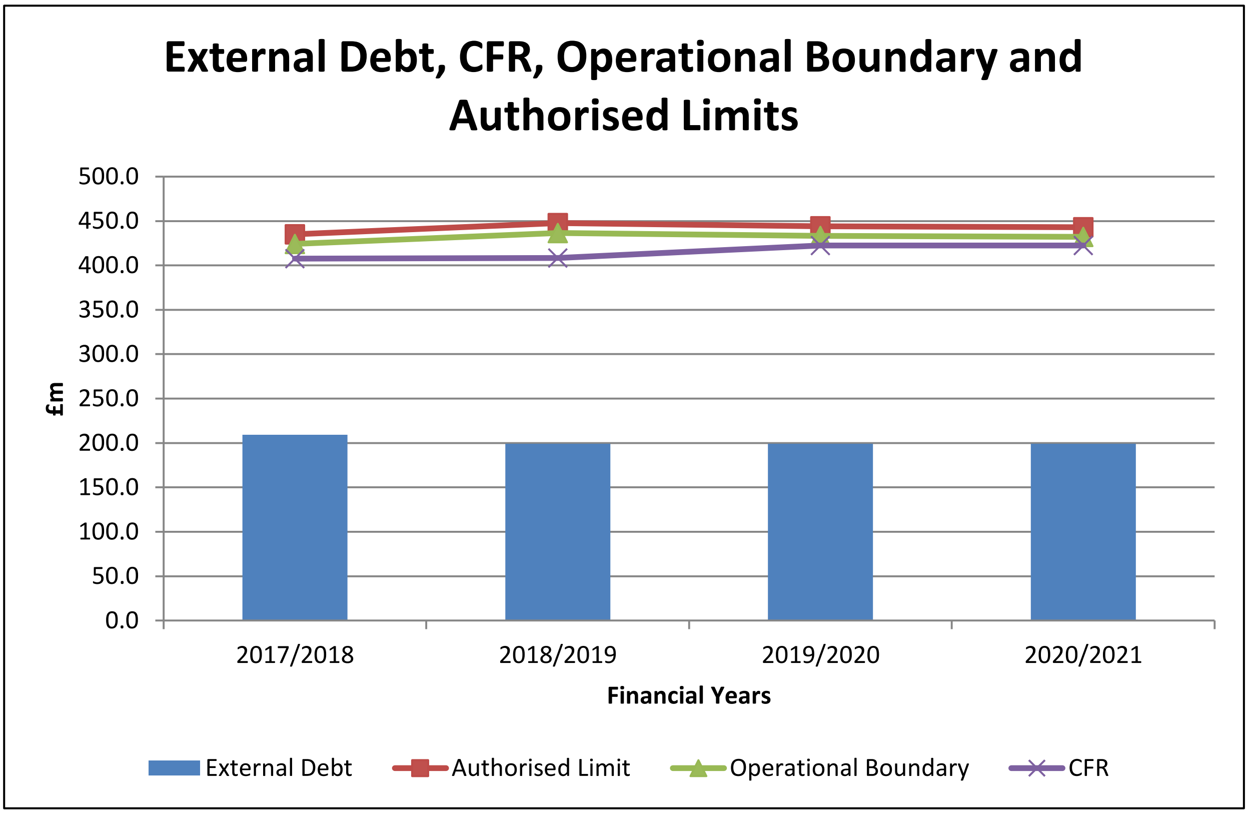
13. The authorised limit is the operational boundary, including an allowance for unplanned and irregular cash movements. This allowance is difficult to predict, Cabinet approved an amended allowance of 2.5% in the Treasury Management Strategy 2012/2013 at its meeting on 15 February 2012.

14. It is proposed that an allowance of 2.5% is continued for General Fund borrowing for 2018/2019 to 2020/2021, but this will be kept under review. The allowance provides for the possibility of additional borrowing during the year as a result of Government support for further schemes and provides headroom where the projection proves too optimistic (payments made earlier or receipt of income delayed against that forecast).

Prudential and Treasury Indicators for 2018/2019, 2019/2020 & 2020/2021

15. There is no allowance in respect of HRA borrowing as it is capped and, therefore, cannot be exceeded.

Authorised Limit	**2018/2019 £million**	**2019/2020 £million**	**2020/2021 £million**
General Fund	447.5	444.1	443.1
HRA	123.2	123.2	123.2
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	**570.6**	**567.5**	**566.5**



Treasury Management Indicators for Debt

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

Upper Limits on Variable Interest Rate Exposure

17. This identifies a maximum limit for variable interest rates based upon the debt position net of investments

Prudential and Treasury Indicators for 2018/2019, 2019/2020 & 2020/2021

Upper Limits on Fixed Interest Rate Exposure

18. This is similar to the previous indicator and covers a maximum limit on fixed interest rates.

Maturity Structure of Borrowing

19. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

20. In order to protect the Council from the above interest rate risks and to safeguard the continuity in treasury management financing costs, the following limits have been adopted.

	2018/2019	**2019/2020**	**2020/2021**
Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	48	52	52
Maturity structure of fixed interest rate borrowing 2018/2019			
		Lower	**Upper**
Under 12 months		0	25
12 months to 2 years		0	25
2 years to 5 years		0	45
5 years to 10 years		0	75
10 years and above		0	100

21. In addition to the indicators (above) it is considered prudent that, under normal circumstances, no more than 15% of long term loans, excluding LOBO loans, should fall due for repayment within any one financial year and 25% in the case of LOBO loans, where maturity is deemed to be the "next call option date".

Annual Investment Strategy 2018/2019

Investment Policy

1. 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, then return.

2. The Council will aim to achieve the optimum return on investments commensurate with high levels of security and liquidity. The risk appetite of this Council is low in order to give priority to the security of its investments.

3. In accordance with the above guidance, 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 enable diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

4. 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 achieve this consideration 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.

5. 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.

6. Investment instruments identified for use in the financial year are listed in Appendix C under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

7. All Council investments will be in sterling. This will avoid foreign exchange rate risk.

Annual Investment Strategy 2018/2019

Creditworthiness Policy

8. The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & 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.

9. The above 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

Colour	Maximum Investment
Yellow	5 years
Dark Pink	5 years (for ultra-short dated bond funds with a credit score of 1.25)
Light Pink	5 years (for ultra-short dated bond funds 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

10. 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.

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11. All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link 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 Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

12. Sole reliance will not be placed on the use of this external service. In addition, the Council will also use market data and market information, information on any external support for banks to help support its decision making process.

Minimum Requirements for High Credit Quality

13. In accordance with the DCLG Guidance on Local Government Investments in respect of selection of counterparties with whom investments are placed, Wiltshire Council will comply with the minimum requirements below.

14. Credit ratings will be those issued by Fitch Ratings Ltd in respect of individual financial institutions (as shown below, where F1+ is the highest short term rating and AAA the highest long term rating). An exception is made in respect of money market funds, as shown below, where a different overall AAA rating is the highest.

15. The minimum requirements for high credit quality, by type of institution, are as follows:

    - Banks incorporated inside the UK with a short term credit rating of at least F1 or Government backed and their subsidiaries;
    - Banks incorporated outside the UK with a short term credit rating of at least F1+ and a long term rating of A+;
    - UK building societies with a short term credit rating of at least F1 or Government backed;
    - All local authorities and public bodies (as defined in S23 of the Local Authorities Act 2003) (ratings are not issued for most of these bodies);
    - Multilateral development banks (as defined in SI2004 No. 534) with a short term credit rating of at least F1 and long term credit rating of AAA;

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- Money market funds, which have been awarded the highest possible rating (AAA) from at least one of the following credit rating agencies, Standard and Poor's, Moody's Investor Services Ltd or Fitch Ratings Ltd.; and subject to individual signed management agreements.

16. The minimum requirement for high credit quality relating to the viability rating from Fitch (one of the ratings agencies) has been removed this year, following advice from Link Asset Services. A viability rating is no longer issued for every counterparty regardless of their credit quality. The Council already utilises the creditworthiness service provided by Link Asset Services, and their sophisticated modelling approach takes account of a wide variety of credit checks (including a viability rating where issued), so there is no need to consider the viability rating as a separate check.

17. In addition to the above criteria, the following limits will be applied to the total cumulative investments placed with an individual institution (or group of institutions where there is common ownership)

Monetary Limit	**Counterparties**
Up to £15 million	UK incorporated banks with a long term credit rating of at least AA
	Overseas banks that have a long term credit rating of at least AA
	Multilateral development banks
	Local authorities and other public bodies
	Money market funds
Up to £12 million	Government backed UK banks and UK building societies and their subsidiaries
Up to £8 million	Other UK incorporated banks (that have a long term credit rating of less than AA but which also satisfy the credit rating conditions within this Strategy);
	Other overseas banks (that have a long term credit rating of less than AA but which also satisfy the credit rating conditions within this Strategy);
	UK Building societies with long term credit rating of at least A
	Government backed overseas banks and their subsidiaries

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Country Limits

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

Investment Strategy

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

20. For its cash flow generated balances, the Council will seek to utilise its HSBC business reserve instant access account, money market funds and short dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

Investment Returns Expectations

21. Bank rate is forecast to stay flat at 0.50% until quarter 4 of 2018, and not to rise above 1.25% by quarter 1 of 2021. Bank rate forecasts for financial year ends are as follows:

Year	Bank Base Rate
2017/2018	0.50%
2018/2019	0.75%
2019/2020	1.00%
2020/2021	1.25%

22. The suggested budgeted investment earnings rates for returns on investments places for periods up to about 3 months during each financial year are as follows,

Year	Budgeted Earnings Rate
2017/2018	0.40%
2018/2019	0.60%
2019/2020	0.90%
2020/2021	1.25%
2021/2022	1.50%
2022/2023	1.75%
2023/2024	2.00%
Later Years	2.75%

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23. The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise, and how quickly the Brexit negotiations move forwards positively.

Investment Treasury Indicator and Limit

24. This investment treasury indicator limits the total funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for any unnecessary borrowing, and are based on the availability of funds after each year end.

25. The Council is asked to approve the treasury indicator and limit,

Maximum principal sums invested > 365 days		
2018/2019	**2019/2020**	**2020/2021**
£30m	£30m	£30m

Investment Risk Benchmarking

26. The Council will use an investment benchmark to assess the investment performance of its investment portfolio of the relevant LIBID rate (dependant on the average duration of the fund).

End of Year Investment Report

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

Treasury Management Practice (TMP) 1
Credit and Counterparty Risk

Specified Investments.

1. All such investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' quality criteria.

Non-Specified Investments.

2. These are any investments which do not meet the specified investment criteria.

3. A variety of 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.

4. The criteria, time limits and monetary limits applying to institutions or investment vehicles are as follows,

	Minimum credit criteria/ colour band	**Maximum maturity period**
Specified Investments		
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 CNAV	AAA	Liquid
Money Market Funds LVAV	AAA	Liquid
Money Market Funds VNAV	AAA	Liquid
Ultra Short Dated Bonds (1.25)	AAA	
Ultra Short Dated Bonds (1.5)	AAA	
Local Authorities	N/A	
Term Deposits with Banks and Building Societies	Blue Orange Red Green No Colour	12 months 12 months 6 months 100 days Not for use
Certificates of Deposit or Corporate Bonds	Blue Orange Red Green No Colour	12 months 12 months 6 months 100 days Not for use
Gilt Funds	UK sovereign rating	
Non-Specified Investments		
Term Deposits with Banks and Building Societies	Purple Yellow	2 years 5 years

Treasury Management Practice (TMP) 1
Credit and Counterparty Risk

UK Government Gilts	UK sovereign rating	50 years

5. The criteria in this appendix are intended to be the operational criteria in normal times. At times of heightened volatility, risk and concern in financial markets, this strategy may be amended by temporary operational criteria further limiting investments to counterparties of a higher creditworthiness and / or restricted time limits.

Accounting treatment of investments.

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

Approved Countries for Investments

This list is based on those countries which have sovereign ratings of AA- or higher (the lowest rating from Fitch, Moody's and S&P is shown) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

Rating	Country
AAA	Australia
	Canada
	Denmark
	Germany
	Luxembourg
	Netherlands
	Norway
	Singapore
	Sweden
	Switzerland
AA+	Finland
	Hong Kong
	U.S.A.
AA	Abu Dhabi (UAE)
	France
	U.K.
AA-	Belgium
	Qatar

Treasury Management Scheme of Delegation

Full Council

1. Receiving and reviewing reports on treasury management policies, practices and activities;
2. Budget consideration and approval;
3. Approval of annual strategy.

Cabinet

1. Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
2. Budget consideration and proposal;
3. Approval of the division of responsibilities;
4. Receiving and reviewing regular monitoring reports and acting on recommendations;

Scrutiny – Finance Task Group

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

The Treasury Management Role of the Section 151 Officer

1. Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
2. Submitting regular treasury management policy reports;
3. Submitting budgets and budget variations;
4. Receiving and reviewing management information reports;
5. Reviewing the performance of the treasury management function;
6. Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
7. Approving the selection of external service providers and agreeing terms of appointment.
8. Ensuring the adequacy of internal audit, and liaising with external audit;
9. Recommending the appointment of external service providers.