

**PERFORMANCE SCRUTINY COMMITTEE
9 JANUARY 2014**

**Service & Resource Planning
2014/15 to 2017/18**

Report by the Chief Finance Officer

Introduction

1. On 16 December 2013, this Committee considered the directorate business strategies for 2014/15 – 2017/18 and draft budget proposals to address shortfalls in funding and other emerging pressures over the medium term. This report sets out the other elements relevant to the Service & Resource Planning process; the capital programme proposals for 2014/15 – 2017/18, updated asset management plans and a draft treasury management strategy.
2. The following annexes are attached to this report:

Annex 1: Capital programme:

- a Draft Asset Management Plan (Property)
- b Draft Transport Asset Management Plan
- c Capital proposals 2014/15 – 2017/18

Annex 2: Draft Treasury Management Strategy Statement and Annual Investment Strategy for 2014/15

Capital Programme

3. Asset management plans underpin the Council's capital strategy. The Asset Management Plan sets out the role of the Council's property assets in meeting strategic objectives and the business strategy. The Transport Asset Management Plan sets out the prioritisation for investment in highway infrastructure. These plans have been updated in the light of the new business strategies developed by directorates over recent months and are attached at Annex 1a and 1b.
4. The funding assumptions within the capital programme have been revised and an extra year included for 2017/18. This includes the loss of funding arising from topslicing the Integrated Transport Block to fund the Single Local Growth Fund announced in the Spending Round 2013. In addition, the grant allocation for fire has been removed from 2015/16 onwards as it is expected that the allocation will be replaced by a competitive bid process.
5. The table overleaf summarises the estimated funding available for allocation, the current known pressures and the overall capital programme shortfall.

Further details on the funding position and capital proposals are set out in Annex 1c.

	£m
Estimated Funding Available:	
Additional estimated funding up to and for 2017/18	22.7
Earmarked reserves available for capital budget setting	3.3
Release of other earmarked reserves	8.3
Allocations to be returned to the corporate pot for reallocation	1.4
Total Estimated Funding Available	35.7
Funding Requirement:	
Capital receipt pressure	-5.0
New pressures/proposals	-31.7
Total Funding Requirement	-36.7
Total Surplus(+)/Shortfall(-)	-1.0

6. The estimated funding available does not take account of capital settlement allocations announced in December 2013. As at the time of writing the report only one of the allocations has been made available. Until all other capital settlement allocations are confirmed it is not possible to determine the overall impact on the capital programme.

Treasury Management Strategy

7. Treasury management is the management of the council's 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.
8. The prime objective of the council's investment strategy is to maintain capital security whilst ensuring that there is the necessary liquidity to carry out its business and only once these have been satisfied should the return on the investment be considered.
9. How the Council intends to work within this framework is set out in the Treasury Management Strategy Statement and Annual Investment Strategy for 2014/15 (Annex 2). It sets out, amongst other things the investment strategy for the Council's temporary cashflow surpluses. It also sets out the council's expectation for interest rates and highlights the uncertainties and risks in the forecast.
10. As government funding for capital is now by grant rather than approval to borrow, there are no plans to borrow externally and internal borrowing will be used to finance prudential schemes. This position will be reviewed once all the capital funding allocations have been confirmed.
11. As part of the service & resource planning process for 2014/15 the Council is required to approve a set of prudential indicators which show that the Council's borrowing is prudent, affordable and in line with the Council's

treasury management strategy. It is too early in the Service & Resource Planning process to calculate draft prudential indicators but they will be included in the draft Treasury Management Strategy Statement and Annual Investment Strategy for 2014/15 that is considered by Cabinet on 28 January 2014.

Next Steps

12. The comments from this Committee on the updated property and transport asset management plans and capital proposals, and the draft Treasury Management Strategy Statement and Annual Investment Strategy for 2014/15 will be fed back to the Cabinet for it to take into consideration in proposing its revenue budget, 2014/15 – 2017/18 MTFP and capital programme on 28 January 2014.
13. The Council will meet to set the budget and council tax requirement for 2014/15 on 18 February 2014.

Financial and Legal Implications

14. This report is mostly concerned with finance and the implications are set out in the main body of the report.

RECOMMENDATION

15. **The Performance Scrutiny Committee is invited to consider and comment on the draft property and transport asset management plans and capital proposals for 2014/15 – 2017/18, and the draft Treasury Management Strategy Statement and Annual Investment Strategy for 2014/15.**

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