

APPENDICES Y6b to Z5 2018/19 BUDGET REPORT

Appendix Y6b

Equalities Analysis Assessment

1. Introduction

- 1.1 Lewisham Council has worked to increase choice, rights and inclusion for people with social care needs in line with government policy and legislation. This has been achieved through a range of approaches including the introduction of personal budgets and the redesign of services such as Linkline.
- 1.2 Lewisham currently provides a Community Alarm service twenty four hours a day, 365 days a year to people who may be vulnerable or at risk. The proposal that were subject to consultation were:
 - To provide one level of service, Full Visiting Service for all new customers.
 - To increase Linkline charges in line with costs and inflation where Linkline is provided to people who are private rented tenants, home owners, live with family and for social housing tenants who arrange to have Linkline independently. The Proposed charge is £5.81 for Full Visiting Support and £3.88 for the Telephone On service. This is an increase of 17 pence for Full Visiting Support and 33 pence per week for Telephone On service users.
 - In future, charges to be increased in line with inflation across all sectors annually.
- 1.3 The Linkline service have separate arrangements with fourteen social housing landlords to provide call monitoring and response services in their schemes. As part of this consultation Linkline have been conducting a review of these arrangements.
- 1.4 The people who will be affected by these proposals are:
 - All new customers who will receive the Full Visiting Support Service and live in private rented accommodation, home owners, with family members and people who live in social housing and purchase Linkline independently of their Landlord.
 - Existing and future service users will be affected by the proposal to increase the charges.
- 1.5 This Equalities Impact Assessment (EIA) has been undertaken to identify the impact of the proposed changes on the protected characteristics. The Linkline service does not currently routinely collect data on all the protected characteristics. It is recommended that this data is collected by the service as part of the assessment process in future. This EAA will focus on age, gender, ethnicity and disability.
- 1.6 The EIA determines the likely implications of the changes and assesses whether or not the changes will disadvantage some groups or individuals more than others. The EIA addressed the following questions:

- Could the proposed changes affect some groups differently?
 - Would the proposed changes disproportionately affect some groups more than others?
 - Would the proposed changes promote equal opportunities?
- 1.7 The consultation took place over a six week period from the 6th November 2017 until the 1st January 2018.
- 1.8 The consultation survey (appendix 1) was sent directly to 1,998 Linkline customers with a covering letter, freepost envelopes were provided to enable the return of completed surveys. A further reminder letter was sent out on the 27th November. The consultation questionnaire (appendix 1) was also available on the council website so that it could be completed online.
- 1.9 Five open access sessions for customers, relatives, carers and other stakeholders were offered at the Linkline Office in Ladywell. In addition there were 73 telephone enquiries.
- 1.10 Local voluntary and community organisations who were identified as having a specific interest in this consultation, including Age UK, Carers Lewisham, Positive Ageing Council, Mindcare and Voluntary Action Lewisham were invited to complete the online questionnaire.
- 1.11 During the consultation period Linkline managers met with eleven of the Social Housing landlords to review the current service offer. For the remaining three communication was by letter, email and telephone.

2. Assessment of Impact

- 2.1 Consideration has been given to the likely impact of the proposals to stop providing the Telephone On service for all new customers and the proposal to increase the weekly charge by each protected characteristic highlighting where there may be specific implications and how any potential adverse impact may be mitigated against.

3. Age

- 3.1 The aim of the service is to support older people and younger people with a disability to live independently in the community, therefore the nature of the service means that older people are likely to be over represented as customers and so be disproportionately affected by the proposals. The majority of Linkline customers are over the age of 60 and 38% of customers are over 80.
- 3.2 The age profile of people who responded to the survey was older than that of all customers. 47% were over 85 and 19% of respondents were between the ages of 80 and 84.
- 3.3 Current recipients of Telephone On customers will not be affected by this proposal as this service will continue for all existing Telephone On customers. However, it will affect new older customers because the weekly charge for the visiting service is higher.
- 3.4 To mitigate against this change and the increase in the weekly charge support will be provided with additional advice and signposting. For example, to Lewisham SAIL Connections who can refer people to

advice on money, debt, home maintenance and the warm homes advice including support accessing grants for home owners. The consultation highlighted that although customers tend to agree with the proposals affordability is a concern for older people.

- 3.5 In addition, some people may receive a free service if they have been assessed under the Charging and Financial Assessment Framework to pay a nil charge. For people who are being discharged from hospital Linkline is already provided free for a period of up to six weeks to help people retain their independence.
- 3.6 If these proposals are implemented the Linkline service will be required to monitor their impact on the number of referrals and take up of the service and of existing customers who cease to have the service.

Table 1	
Age Profile: customer profile	
Under 60	27%
60 – 80	35%
80 plus	38%

4. Gender

- 4.1 Women make up the majority of Linkline customers and this reflects the demographics of an older population, due to life expectancy disparity from the age of 80 plus. The impact of service changes will therefore affect more women than men.

Table 2	
Gender: customer profile	
Women	55%
Men	35%
Not disclosed	10%

5. Disability

- 5.1 The proposals will disproportionately impact on people with a disability or health condition because the nature of the service is to support people who are more likely to be vulnerable due to health conditions associated with ageing.
- 5.2 3% of people who completed the survey considered themselves to have a disability, 36% having a physical impairment such as difficulty using their arms or mobility issues using a wheelchair or crutches. 24% of people have a long standing illness or health condition such as cancer, HIV, diabetes, chronic heart disease or epilepsy, 20% have a sensory impairment and 8% have a learning disability.
- 5.3 The information that has been gathered as part of this consultation exercise will be used in the development of the service, with particular focus on how people can be better supported with their disability or health condition using new technology.

Table 3	
Do you consider yourself to be a disabled person?	
Yes	73%

No	21%
Did not say	4%

6. Ethnicity

- 6.1 Linkline service data shows that fewer than 30% of customers reported as having black and ethnic minority heritage compared with 46 % of Lewisham residents in the 2015 census. This might be expected given the demographics of the borough and cultural familial arrangements. However, this profile is likely to change in future years and the service will need to develop with this in mind, for example promote the service with groups that are currently under represented.
- 6.2 The majority of respondents who answered the survey identified as being English/Welsh/Scottish/Northern Irish/British whilst the second largest group being Caribbean – 12% followed by any other Black/African/Caribbean background 3%, Irish, 3% followed by any other White 2% and African 1%. The full breakdown is provided below.
- 6.3 The change from the Telephone On service to the Full Visiting Service might impact disproportionately on people who do not speak English. This is because currently when an alarm call is made Linkline will contact a designated person who will be able to communicate with the customer (in Telephone on Services). To mitigate against this risk during the assessment the service will identify a named contact for new customers who do not have English as their first language.

English/welsh/Scottish/Northern Irish/British	71%
Irish	3.8 %
Gypsy or Irish Traveller	0
Any other white background	2.5 %
White and Asian	0.5 %
White and Black African	0.2 %
White and Black Caribbean	0.5 %
Any other mixed/multiple ethnic background	0.4 %
Chinese	0
Bangladeshi	0
Pakistani	0.4 %
Indian	0.2 %
Any other Asian Background	0.7 %
African	1.5 %
Caribbean	12.7%
Any other Black/African/Caribbean background	3%
Arab	0.14 %
Other ethnic Group	0.85 %
I'd rather not say	1.9 %

7. Conclusion

- 7.1 This analysis identifies that the groups directly affected by these proposals are predominately older women with a disability or health conditions. This reflects the purpose of this service, which is to support people who may be frail or have a health condition and of the gender mix of this population.

- 7.2 The Linkline service will be required to monitor the impact of these changes on their customers on a regular basis (if these proposals are implemented) and to develop a plan of action to mitigate any negative impact.

Appendix Y6c: Saving Proposal A18

1. Savings proposal	
Proposal title:	Widening the scope of charging for social care services
Reference:	A18

1. Savings proposal	
LFP work strand:	Smarter & deeper integration of social care & health
Directorate:	Community Services
Head of Service:	Joan Hutton
Service/Team area:	Adult Social Care
Cabinet portfolio:	Health, Wellbeing and Older People
Scrutiny Cttee(s):	Healthier Communities

2. Decision Route			
Saving proposed:	Key Decision Yes / No	Public Consultation Yes / No	Staff Consultation Yes / No
a) £200k by removing subsidy and/or increasing charges	No	Yes	No
b) £300k by improving income collection performance	No	No	No

3. Description of service area and proposal
Description of the service area (functions and activities) being reviewed:
<p>The Council charges for most of the adult social care services it provides, with actual charges raised based on the service user's financial circumstances. There are some services, however, which are currently provided free to the service user and some where the charge is lower than the full cost of the service. This proposal is to consult on bringing most of the remaining services into the scope of charging and to charge the full cost of the service rather than a subsidised rate. Service users with income and capital below national thresholds would continue to receive services free.</p> <p>In 2015/16 Lewisham Adult Social Care supported 3,013 Services Users to live independently in their own homes, and a further 1,742 carers. Approx 66% of the non-carer service uses are charged. The proposed changes would potentially increase charges for up to 300 of these individuals. Additionally, up to 200 self-funders would also be charged.</p>
Saving proposal
<p>The specific proposals are :</p> <p>A – £200k remove subsidy and/or increase charges To remove the current subsidy for day care meals; To charge for arrangement fees for self-funders; To increase the charges for day care meals; To increase the charges for Linkline/Community Alarm Service. To introduce means-tested charges for carers services To amend the non-residential charging policy to reflect DH guidance rather than the existing policy of Income Support + 25%</p> <p>B – £300k improve income collection performance Improve procedures - We will undertake a review of our income collection to ensure that it is robust and equitable. In conjunction with this a review project will be set up to look at our current collection process and the people who are not currently paying the invoices for their care.</p>

4. Impact and risks of proposal
Outline impact to service users, partners, other Council services and staff:

4. Impact and risks of proposal

An EAA was completed in February 2015 regarding increasing charging for a range of adult Social Care services. As the proposal is to further charge and remove subsidies for such services, the overall assessment is that the saving proposals will have an adverse impact across the following equality groups: age; gender and disability.

Outline risks associated with proposal and mitigating actions:

Saving could be overestimated. Values will only be clear once we have reassessed needs and financial assessments are carried out.

Carers may disengage, indirectly increasing costs of care to Council.

5. Financial information

Controllable budget: General Fund (GF)	Spend £'000	Income £'000	Net Budget £'000	
	0	(9,666)	(9,666)	
Saving proposed:	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
a) £200k by removing subsidy and/or increasing charges	200	0	0	200
b) £300k by improving income collection performance	300	0	0	300
Total	500	0	0	500
% of Net Budget	5%	0%	0%	5%
Does proposal impact on: Yes / No	General Fund	DSG	HRA	Health
	Yes	No	No	No

6. Alignment to Lewisham 2020 priorities

Main priority	Second priority	Lewisham 2020 priorities
D	E	A. Strengthening community input B. Sharing services C. Digitisation D. Income generating E. Demand management
Level of impact on main priority – High / Medium / Low	Level of impact on second priority – High / Medium / Low	
Medium	Low	

7. Impact on Corporate priorities

Main priority	Second priority	Corporate priorities
8	9	1. Community leadership and empowerment 2. Young people's achievement and involvement 3. Clean, green and liveable 4. Safety, security and a visible presence 5. Strengthening the local economy 6. Decent homes for all 7. Protection of children 8. Caring for adults and the older people
Impact on main priority – Positive / Neutral / Negative	Impact on second priority – Positive / Neutral / Negative	
Negative	Negative	
Level of impact on main priority – High / Medium / Low	Level of impact on second priority – High / Medium / Low	

7. Impact on Corporate priorities		
Medium	Low	9. Active, healthy citizens 10. Inspiring efficiency, effectiveness and equity

8. Ward impact	
Geographical impact by ward:	No specific impact / Specific impact in one or more
	No specific impact
	If impacting one or more wards specifically – which?

9. Service equalities impact			
Expected impact on service equalities for users – High / Medium / Low or N/A			
Ethnicity:	Medium	Pregnancy / Maternity:	N/A
Gender:	Low	Marriage & Civil Partnerships:	N/A
Age:	High	Sexual orientation:	N/A
Disability:	High	Gender reassignment:	N/A
Religion / Belief:	N/A	Overall:	Medium
For any High impact service equality areas please explain why and what mitigations are proposed:			
The users of these services are vulnerable adults, usually on low incomes. Any increase in charges will reduce the disposable income of some clients although the buffer of 25% will continue to provide a level of protection to those on the lowest incomes. Financial assessments will continue to include a benefits check and continue to take account of housing costs and costs associated with a disability.			
Is a full service equalities impact assessment required: Yes / No			Yes

10. Human Resources impact	
Will this saving proposal have an impact on employees: Yes / No	No

11. Legal implications
State any specific legal implications relating to this proposal:

12. Summary timetable	
Outline timetable for main steps to be completed re decision and implementation of proposal – e.g. proposal, scrutiny, consultation (public/staff), decision, transition work (contracts, re-organisation etc..), implementation:	
Month	Activity
July 2016	Proposals prepared (this template and supporting papers – e.g. draft public consultation)
August / September 2016	Proposals submitted to Healthier Community 13 th August 2016. Proposals submitted to Scrutiny committees leading to M&C on 28 September 12 weeks Consultation starting end of September
October 2016	Consultations ongoing
November 2016	Consultation ongoing
December 2016	31 st December 2016 Consultation closes.
January 2017	Results of consultation reported to members for consultation
February 2017	Consultations returned to Scrutiny for review leading to M&C
March 2017	Review of Services Users needs in line with outcomes of consultation

12. Summary timetable

April 2017

Savings implemented

The Council has appointed Link Asset Services as its Treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Link's central view.

Period	Bank Rate	PWLB Borrowing Rates % (including certainty rate adjustment of 20 basis points)		
		5 year	25 year	50 year
	%			
Dec 2017	0.50	1.50	2.80	2.50
Mar 2018	0.50	1.60	2.90	2.60
Jun 2018	0.50	1.60	3.00	2.70
Sep 2018	0.50	1.70	3.00	2.80
Dec 2018	0.50	1.80	3.10	2.90
Mar 2019	0.75	1.80	3.10	2.90
Jun 2019	0.75	1.90	3.20	3.00
Sep 2019	0.75	1.90	3.20	3.00
Dec 2019	0.75	2.00	3.30	3.10
Mar 2020	1.00	2.10	3.40	3.20
Jun 2020	1.00	2.10	3.50	3.30
Sep 2020	1.00	2.20	3.50	3.30
Dec 2020	1.25	2.30	3.60	3.40
Mar 2021	1.25	2.30	3.60	3.40

APPENDIX Z2: Economic Background

Global Outlook

World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this. The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as the start of the **fourth industrial revolution**.

KEY RISKS - central bank monetary policy measures. Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that the period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding

their holdings of QE debt purchases will be over several years. They need to balance their timing to avoid squashing economic recovery by taking too rapid and too strong action, or, alternatively, letting inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income**, which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%** is now realistic given the shift down in inflation pressures from internally generated inflation (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift UP in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK Outlook

After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.0% in both September and October so that might prove now to be the peak.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If

this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25-34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after the Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

Eurozone

Economic growth in the Eurozone (EZ), (the UK's biggest trading partner), had been lacklustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.0% y/y), 0.7% in quarter 2 (2.3% y/y) and +0.6% in quarter 3 (2.5% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in October inflation was 1.4%. It is therefore unlikely to start on an upswing in

rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA

Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.0%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and three increases since December 2016; and there could be one more rate rise in 2017, which would then lift the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its \$4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

China

Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan

Japan has been struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.

- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

APPENDIX Z3: Credit Worthiness Policy (Linked to Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management)

Annual Investment Strategy: The key requirements of both the Code and the investment guidance are to set an annual Investment Strategy, as part of its annual Treasury Management Strategy for the following year, covering the identification and approval of following:

- The Strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

Specified investments: These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government, such as the Debt Management Account Deposit Facility (DMADF), UK Treasury bills or a gilt with less than one year to maturity.
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating (AAA) by a credit rating agency.
5. A body that is considered of a high credit quality (such as a bank or building society).

Within these bodies, and in accordance with the Code, the Council has set additional criteria to define the time and amount of monies which will be invested in these bodies. This criteria is as described below.

Non-Specified Investments: These are any investments which do not meet the specified investment criteria. The Council does not currently invest in non-specified investments, although provision has been made in the Strategy to invest in in pooled asset funds for periods of over one year should the relevant opportunity arise, including UK or European Residential Mortgage Backed Securities (RMBS) The Council will seek guidance on the status of any fund it may consider using, and appropriate due diligence will also be undertaken before investment of this type is undertaken.

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 and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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

These factors are weighted and combined with an overlay of Credit Default Swap CDS spreads. The end product is a series of ratings (colour coded) to indicate the relative creditworthiness of counterparties. These ratings are used by the Council to determine the suggested duration for investments.

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

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	£20m	1 year
UK Government Treasury bills	UK sovereign rating	£60m	6 months
Money Market Funds - CNAV	AAA	£30m	Liquid
Money Market Funds - LNAV	AAA	£30m	Liquid
Money Market Funds - VNAV	AAA	£30m	Liquid
Local authorities	N/A	£10m	1 year
Term deposits with banks and building societies	Yellow*	£30m	Up to 2 years
	Purple	£25m	Up to 2 years
	Blue	£40m	Up to 1 year
	Orange	£25m	Up to 1 year
	Red	£20m	Up to 6 Months
	Green	£15m	Up to 100 days
	No Colour	0	Not for use
CDs or corporate bonds with banks and building societies	Blue	£40m	Up to 1 year
	Orange	£25m	Up to 1 year
	Red	£20m	Up to 6 Months
	Green	£15m	Up to 100 days
	No Colour	0	Not for use
Call accounts and notice accounts	Yellow*	£30m	Liquid
	Purple	£25m	
	Blue	£40m	
	Orange	£25m	
	Red	£20m	

	Green No Colour	£15m 0	
Pooled asset funds		£50m	At least 5 years

*for UK Government debt, or its equivalent, Constant Net Asset Value (CNAV) money market funds and collateralised deposits where the collateral is UK Government debt.

The monitoring of investment counterparties: The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Executive Director of Resources and Regeneration, and if required new counterparties which meet the criteria will be added to the list. Any fixed term investment held at the time of the downgrade will be left to mature as such investments cannot be broken mid-term.

Accounting treatment of investments: 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.

APPENDIX Z4: Approved Countries for Investments

This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody's and S&P) and also have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

AAA

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

AA+

- Finland
- USA

AA

- Abu Dhabi (UAE)
- France
- U.K.

AA-

- Belgium
- Qatar

APPENDIX Z5: Requirement of the CIPFA Management Code of Practice

Treasury Management Scheme of Delegation

(i) Full Council

- budget consideration and approval;
- approval of annual Treasury Management Strategy;
- approval of/amendments to the organisation's Treasury Management policy statement.

(ii) Public Accounts Committee

- receiving and reviewing reports on Treasury Management policies, practices and activities.

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer has responsibility for:

- recommending Treasury Management policies for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular Treasury Management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the Treasury Management function;
- ensuring the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- approval of the division of responsibilities;
- approving the organisation's Treasury Management practices;