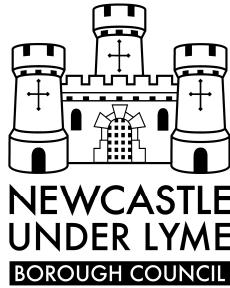


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PLEASE NOTE THAT PRAYERS WILL BE HELD AT 6.50PM BEFORE THE COMMENCEMENT OF THE BUSINESS OF THE COUNCIL.

THE MAYOR REQUESTS THAT ANY MEMBER WISHING TO PARTICIPATE IN PRAYERS BE IN ATTENDANCE IN THE COUNCIL CHAMBER BY NO LATER THAN 6.45PM.

Dear Sir/Madam,

You are summoned to attend the meeting of the Borough Council of Newcastle-under-Lyme to be held in the ***Council Chamber, Civic Offices, Merrial Street, Newcastle-under-Lyme, Staffordshire, ST5 2AG*** on ***Wednesday, 25th February, 2015*** at ***7.00 pm***.

B U S I N E S S

- 1 Apologies**
- 2 Declarations of Interest**
- 3 MINUTES** **(Pages 7 - 14)**
To approve as a correct record the minutes of the previous meetings.
- 4 Mayor's Announcements**
- 5 REVENUE AND CAPITAL BUDGETS AND COUNCIL TAX 2015/2016** **(Pages 15 - 46)**
Please note that in accordance with The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, a recorded vote will be taken for this agenda item.
- 6 Treasury Management Strategy 2015/2016** **(Pages 47 - 68)**
- 7 Capital Strategy 2015** **(Pages 69 - 108)**
- 8 Pay Policy Statement 2015** **(Pages 109 - 124)**
- 9 Scheme of Delegation in Relation to Planning Functions** **(Pages 125 - 138)**
- 10 Review of the Council's Constitution** **(Pages 139 - 192)**
- 11 STATEMENT OF THE LEADER OF THE COUNCIL** **(Pages 193 - 196)**
To receive a statement by the Leader of the Council on the activities and decisions of Cabinet and items included on the Forward Plan.

12 REPORTS OF THE CHAIRS OF THE SCRUTINY COMMITTEES

Chairs are requested to submit written reports to the Democratic Services Manager at least 2 days before the meeting.

- a) Finance, Resources and Partnerships Scrutiny Committee
- b) Active and Cohesive Communities Scrutiny Committee
- c) Cleaner, Greener and Safer Communities Scrutiny Committee
- d) Economic Development and Enterprise Scrutiny Committee
- e) Health and Wellbeing Scrutiny Committee

13 REPORTS OF THE CHAIRS OF THE REGULATORY COMMITTEES

Chairs are requested to submit written reports to the Democratic Services Manager at least two days before meeting.

- a) Audit and Risk Committee
- b) Planning Committee
- c) Licensing Committee
- d) Public Protection Committee

14 QUESTIONS TO THE MAYOR, CABINET MEMBERS AND COMMITTEE CHAIRS (Pages 197 - 198)

In accordance with Procedure Rule 11, questions must be submitted at least 24 hours in advance of the meeting. Any questions considered urgent will only be accepted with the agreement of the Mayor prior to the meeting

15 Motions of Members

16 RECEIPT OF PETITIONS AND UPDATE ON PREVIOUS PETITION SUBMITTED (Pages 199 - 200)

To receive from Members any petitions which they wish to present to the Council pursuant to Standing Order 17.

17 STANDING ORDER 18 - URGENT BUSINESS

To consider any communications which pursuant to Standing Order No18 are, in the opinion of the Mayor, of an urgent nature and to pass thereon such resolutions as may be deemed necessary.

Yours faithfully



Chief Executive

NOTICE FOR COUNCILLORS

1. Fire/Bomb Alerts

In the event of the fire alarm sounding, leave the building immediately, following the fire exit signs. Do not stop to collect personal belongings, do not use the lifts.

Fire exits are to be found either side of the rear of the Council Chamber and at the rear of the Public Gallery.

On exiting the building Members, Officers and the Public must assemble at the car park at the rear of the Aspire Housing Office opposite to the Civic Offices. DO NOT re-enter the building until advised to by the Controlling Officer.

2. Attendance Record

Please sign the Attendance Record sheet, which will be circulating around the Council Chamber. Please ensure that the sheet is signed before leaving the meeting.

3. Mobile Phones

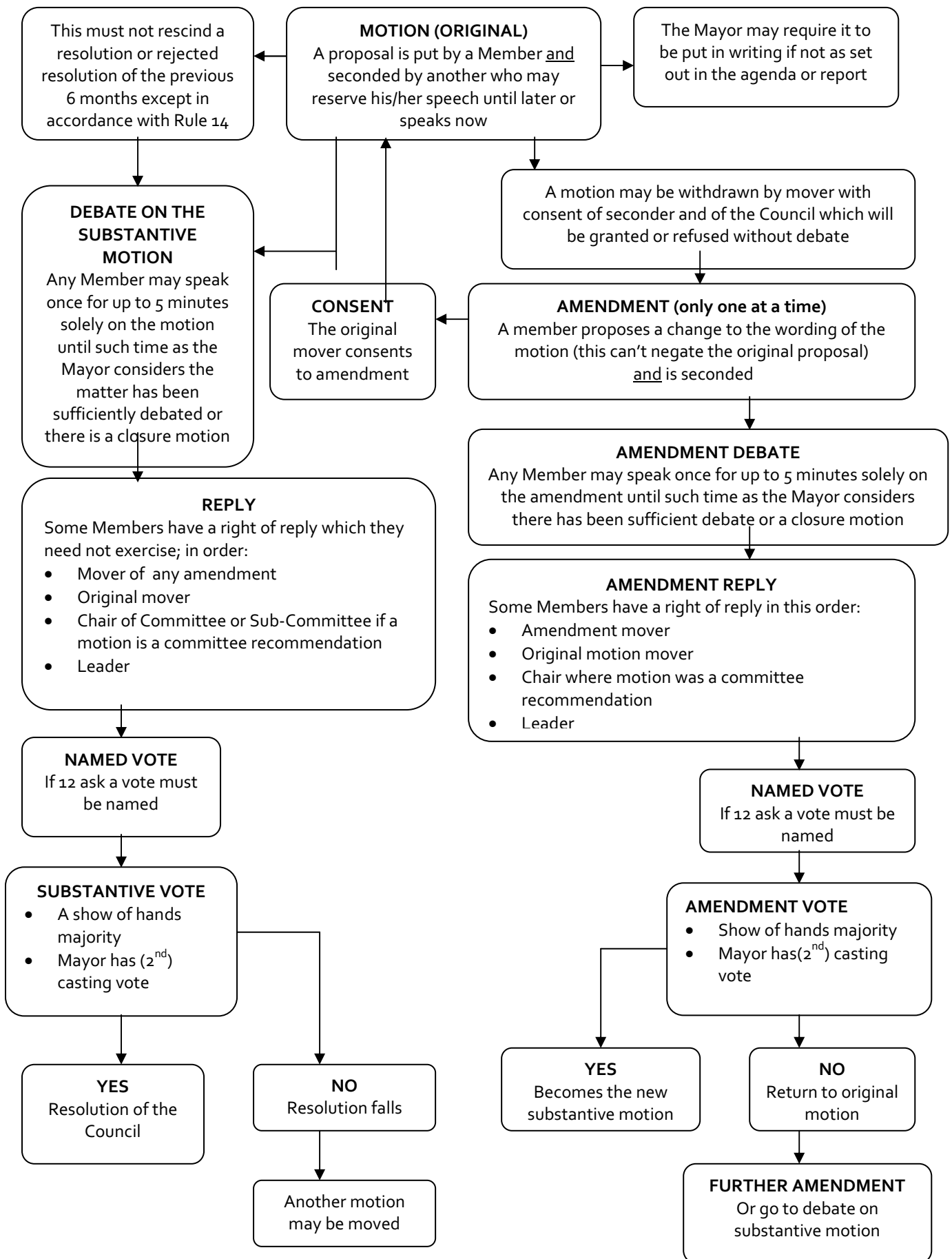
Please switch off all mobile phones before entering the Council Chamber.

4. Tea/Coffee

Refreshments will be available at the conclusion of the meeting, or in the event of a break occurring, during that break.

5. Notice of Motion

A Notice of Motion other than those listed in Standing Order 19 must reach the Chief Executive ten clear days before the relevant Meeting of the Council. Further information on Notices of Motion can be found in Section 5, Standing Order 20 of the Constitution of the Council.



COUNCIL

Wednesday, 26th November, 2014

Present:- The Mayor, Councillor Mrs Linda Hailstones – in the Chair

Councillors Miss Walklate, Mrs Heames, Welsh, Mrs Johnson, Mrs Burnett, Cooper, Becket, Mrs Beech, Matthews, Wemyss, Wilkes, Mrs Williams, Williams, Fear, Hailstones, Eagles, Kearon, Taylor.J, Waring, Loades, Holland, Bailey, Miss Cooper, Jones, Miss Reddish, Robinson, Mrs Shenton, Mrs Heesom, Sweeney, Tagg, Mrs Bates, White, Miss Mancey, Mrs Burgess, Eastwood, Baker, Mrs Peers, Plant, Stringer, Stubbs, Turner, Mrs Winfield, Rout, J Tagg, Harper, Huckfield, Naylor, Northcott, Owen, Mrs Braithwaite, Wallace and Woolley

1. APOLOGIES

Apologies were received from Cllr Mrs Hambleton, Cllr Hambleton, Cllr Proctor and Cllr Mrs Simpson.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. APPOINTMENT OF HONORARY ALDERMEN FOR THE BOROUGH OF NEWCASTLE-UNDER-LYME

A report was submitted in accordance with the Council's decision on 4 June 2014 to adopt the principle of appointing Honorary Aldermen the Mayor had called an Special Meeting of the Council to consider making such appointments.

Cllr Sweeney moved and Cllr Mrs Heames seconded:

That in pursuance of Section 249 of the Local Government Act 1972 Elsie Ashley OBE JP be admitted as an Honorary Alderman of the Borough of Newcastle-under-Lyme in recognition of the eminent services to the people of the Borough through performance of her duties as a member of the Borough Council for a period of 32 years including service as Mayor in 1993/94.

All Members voted in favour

Councillor Gill Williams moved and Councillor Stubbs seconded:

That in pursuance of Section 249 of the Local Government Act 1972 Edward Boden be admitted as an Honorary Alderman of the Borough of Newcastle-under-Lyme in recognition of the eminent services to the people of the Borough through performance of his duties as a member of the Borough Council for a period of 21 years, including as Council Leader for a period of 9 years and as Mayor in 2013/14.

All Members voted in favour.

Councillor Jones moved and Councillor Reddish seconded:

That in pursuance of Section 249 of the Local Government Act 1972 Dylis Cornes JP be admitted as an Honorary Alderman of the Borough of Newcastle-under-Lyme in recognition of the eminent services to the people of the Borough through performance of her duties as a member of the Borough Council for a period of 12 years.

All Members voted in favour.

Councillor John Williams moved and Councillor Stubbs seconded:

That in pursuance of Section 249 of the Local Government Act 1972 William Hughes be admitted as an Honorary Alderman of the Borough of Newcastle-under-Lyme in recognition of the eminent services to the people of the Borough through performance of his duties as a member of the Borough Council for a period of 20 years including service as Mayor in 1986/87.

Two members abstained from voting and 54 voted in favour

Councillor Jones moved and Councillor Reddish seconded:

That in pursuance of Section 249 of the Local Government Act 1972 Robin Studd be admitted as an Honorary Alderman of the Borough of Newcastle-under-Lyme in recognition of the eminent services to the people of the Borough through performance of his duties as a member of the Borough Council for a period of 19 years including as Deputy Leader and Cabinet Member for a period of 6 years.

All members voted in favour

Resolved:

That the following be appointed as Honorary Aldermen for the Borough of Newcastle under Lyme:

Elsie Ashley OBE, JP
Edward M Boden
Dylis Cornes JP
William Hughes
Robin Studd

**THE MAYOR, COUNCILLOR MRS LINDA HAILSTONES
Chair**

COUNCIL

Wednesday, 26th November, 2014

Present:- The Mayor, Councillor Mrs Linda Hailstones – in the Chair

Councillors Miss Walklate, Mrs Heames, Welsh, Mrs Johnson, Mrs Burnett, Cooper, Becket, Mrs Beech, Matthews, Wemyss, Wilkes, Mrs Williams, Williams, Mrs Astle, Fear, Hailstones, Eagles, Kearon, Taylor.J, Waring, Loades, Holland, Bailey, Miss Cooper, Jones, Miss Reddish, Robinson, Mrs Shenton, Sweeney, Tagg, Mrs Bates, White, Miss Mancey, Mrs Burgess, Eastwood, Baker, Mrs Peers, Plant, Stringer, Stubbs, Turner, Mrs Winfield, Rout, J Tagg, Harper, Huckfield, Naylon, Northcott, Owen, Mrs Braithwaite, Wallace and Woolley

1. APOLOGIES

Apologies were received from Cllr Mrs Hambleton, Cllr Hambkleton, Cllr Proctor and Cllr Mrs Simpson.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. ELECTORAL ARRANGEMENTS FOR THE BOROUGH OF NEWCASTLE UNDER LYME

A report was submitted to inform Members of the outcome of the consultation regarding changes to the election cycle for Newcastle under Lyme Borough Council arising from the resolution made by the Council at its meeting on 16 April 2014. To advise Members of information which has been provided by The Local Government Boundary Commission for England regarding the potential inter-relationship between the election cycle and the council size and pattern of wards.

An amendment to the original recommendations was proposed by Cllr Stubbs and seconded by Cllr Sweeney and read as follows:

That there be an additional recommendation:

c) Whilst the Sub-Committee is undertaking its work the decision made by the Council on 16 April 2014 to bring forward actions to change the election cycle from thirds to whole council elections be suspended.

Members debated and voted on the amendment with all voting in favour.

A second amendment to the recommendations was proposed by Cllr Sweeney and seconded by Cllr Holland and read as follows:

That the following wording be added to the end of existing recommendation (b):

That the sub-committee make its report to the July 2015 meeting of the Council.

Members debated the amendment and all were in favour.

Resolved:

- a) That the council notes the content of the report including the outcome of the consultation on the proposal for change to the election cycle for Newcastle under Lyme Borough Council and the information received from The Local Government Boundary Commission for England regarding the potential inter-relationship between the election cycle, the council size and pattern of wards
- b) To resolve to establish a Governance Sub-Committee for a time limited period from 1 December 2014 and 30 September 2015 with a remit to consider the future governance arrangements of the council. That the Sub-Committee consist of 7 Members, 5 of whom shall be Members of the Council with full voting rights and 2 shall be independent with no voting rights. The Sub-Committee will follow the Council's political proportionality rules. The terms of reference for the Sub-Committee shall be as set out in Appendix A of this report. The sub-committee will make its report to the July 2015 meeting of the Council.
- c) Whilst the Sub-Committee is undertaking its work the decision made by the Council on 16 April 2014 to bring forward actions to change the election cycle from thirds to whole council elections be suspended.

THE MAYOR, COUNCILLOR MRS LINDA HAILSTONES
Chair

COUNCIL

Wednesday, 26th November, 2014

Present:- The Mayor, Councillor Mrs Linda Hailstones – in the Chair

Councillors Miss Walklate, Mrs Heames, Welsh, Mrs Johnson, Mrs Burnett, Cooper, Becket, Mrs Beech, Matthews, Wemyss, Wilkes, Mrs Williams, Williams, Fear, Hailstones, Eagles, Kearon, Taylor.J, Waring, Loades, Holland, Bailey, Miss Cooper, Jones, Miss Reddish, Robinson, Mrs Shenton, Mrs Heesom, Sweeney, Tagg, Mrs Bates, White, Miss Mancey, Mrs Burgess, Eastwood, Baker, Mrs Peers, Plant, Stringer, Stubbs, Turner, Mrs Winfield, Rout, J Tagg, Harper, Huckfield, Naylor, Northcott, Owen, Mrs Braithwaite, Wallace and Woolley

1. APOLOGIES

Apologies were received from Cllr Mrs Hambleton, Cllr Hambleton, Cllr Proctor and Cllr Mrs Simpson.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES

Resolved: That the minutes of the previous meeting be agreed as a correct record.

4. MAYOR'S ANNOUNCEMENTS

The Mayor announced that the recent funfair and fireworks display held in the Lyme valley had raised £1550 and a country and Western evening held at Wye Road Community Centre had also raised £1550. The Mayor thanked the management committee at the centre for their support.

5. LOCALISED COUNCIL TAX REDUCTION SCHEME

A report was submitted requesting Council to approve a Local Council Tax Reduction Scheme for the borough area for the financial year 2015/16.

The Welfare Reform agenda replaced Council Tax Benefit with Localised Council Tax Reduction with effect from 1 April 2013. Localised schemes needed to be approved by the 31 January before the start of the new financial year to which the scheme applies.

Resolved: That the Local Council Tax Reduction Scheme for the Newcastle-under-Lyme Borough Council area as detailed in the report be adopted for the financial year 2015/16.

6. REVIEW OF POLLING DISTRICTS AND POLLING PLACES

A report was submitted to report on the review of polling districts and polling places that has been carried out.

Resolved:

- (a) That the changes to the Thistleberry polling districts I0001 and I0005, as outlined in the report, be approved.
- (b) That the existing polling districts be confirmed as per the maps provided during the consultation exercise.
- (c) That Council refer the recommendations relating to polling stations to the Returning Officer for consideration.

7. STATEMENT OF THE LEADER OF THE COUNCIL

The Leader opened his report by expressing his sadness over the death of former Cllr George Cairns which was echoed by all members present.

A question was raised regarding progress with the Newcastle BID process and it was confirmed that the paperwork was currently being processed and a consultant had been appointed. It was anticipated that the BID ballot would be held in June 2015.

Members also requested that a written update on progress with the Ryecroft be provided. The Leader stated that a report would be going to a meeting of the Cabinet in two weeks regarding this.

Resolved: That the report be noted.

8. REPORTS OF THE CHAIRS OF THE SCRUTINY COMMITTEES

Verbal and written updates were received from the Chairs of the Scrutiny Committees.

9. REPORTS OF THE CHAIRS OF THE REGULATORY COMMITTEES

Verbal and written updates were received from the Chairs of the regulatory committees.

10. QUESTIONS TO THE MAYOR, CABINET MEMBERS AND COMMITTEE CHAIRS

The following questions and responses were discussed:

Question 1

Submitted by Cllr Kearon:

Do you share the concerns of residents of my ward and residents from elsewhere in the borough about the downgrading of many local Post Offices? Can residents facing the downgrading of their much valued local Post Office depend on the support of this council in their fight against downgrading, and can I ask that the you work with residents and our MP to apply pressure directly on the management of Post Office Ltd in London?

The Leader responded that Post Offices were important in pulling the Borough together and that he supported residents in fighting to retain their post offices as they were now.

Question 2

Submitted by Cllr Sweeney

RMW pulled out of the negotiations to run Keele Golf Course in Christmas 2013. Apart from a plan for a proposed masterplan what has the council done to find a long term use for the site?

The Portfolio Holder for safer Communities states that the matter had been discussed in Cabinet meetings and that the process was on-going and would involve the public. It was also understood that a community led plan was in due to be submitted.

Question3

Submitted by Cllr Sweeney

We understand the delay in the community centre cabinet panel completing its findings but can the portfolio holder still confirm that no community centres will close?

The Leader confirmed that the programme of repairs was continuing and that the Council was committed to working with each community centre to ensure that local demand was met. It was however made clear that this process would be kept under review and that a report would be submitted to December Cabinet.

Question 4

Submitted by Cllr Sweeney

Does the leader agree that the eight months to negotiate the agreement with the unions over overtime has resulted in a significant impact on the Council's budget?

The Leader was did not agree that the time to negotiate the agreement with the unions over overtime had resulted in a significant impact on the Council's budget.

Cllr Sweeney asked a supplementary question and stated that there must have been an impact as £100,000 savings had been budgeted for. The Leader confirmed that the majority of these savings had been met.

Question 5

Submitted by Cllr David Loades

Does the Portfolio holder agree that it is taking advantage of the Councils failure to supply a 5 year housing plan by applying for outline planning permission on sites out of the Village envelope?

The Portfolio Holder for Planning and Assets stated that a report had been to Cabinet in October in relation to the Council having to fund the capital programme through land sale receipts and sites had been identified that met the criteria in the Core Spatial Strategy which included low grade agricultural land.

Question 6

Submitted by Cllr David Loades

As the portfolio holder has now finished his call for sites for the implementation of the local plan, can he confirm that the seven sites removed for political gain by the

Labour party will now be reinstated as a disposable asset of this council as part of the plan?

The Portfolio Holder for Planning and Assets stated that no, the sites had not been reinstated but would be assessed through the current call for sites consultation exercise that was still on-going.

11. MOTIONS OF MEMBERS

No motions had been submitted.

12. RECEIPT OF PETITIONS

A petition was submitted by Cllr Mrs Naylor in relation to Horse Riders in Staffordshire.

13. STANDING ORDER 18 - URGENT BUSINESS

There was no urgent business.

**THE MAYOR, COUNCILLOR MRS LINDA HAILSTONES
Chair**

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO COUNCIL

25 FEBRUARY 2015

1. REVENUE AND CAPITAL BUDGETS AND COUNCIL TAX 2015/16

Submitted by: Executive Director (Resources and Support Services)

Portfolio: Finance and Resources

Wards(s) affected: All

Purpose of the Report

This report sets out the recommendations of Cabinet for the Revenue and Capital Budgets for 2015/16 and sets out the recommendations for setting the 2015/16 Council Tax.

Recommendations

That the Council approve the recommendations set out in Appendix 'A'.

1. Background

- 1.1 This report is the culmination of the 2015/16 budget process, which started before the current 2014/15 budget was set. The Cabinet and two meetings of the Finance, Resources and Partnerships Scrutiny Committee (FRAPS) plus a Scrutiny Café event have already considered the content of the 2015/16 Budget and the resultant Council Tax which is recommended. At its meeting on 4 February 2015 the Cabinet considered the comments from these meetings. After considering the various comments made the Cabinet recommend an unchanged Council Tax for this Council in 2015/16 of £176.93 (based on Band D), as set out in Appendix B.

2. General Fund Budget 2014/15 – Projected Out-turn

- 2.1 Monthly reports monitoring actual spending against budget have shown overall relatively small variances throughout the first ten months of the year.
- 2.2 Within the overall position there are a number of significant variances, as referred to in the Budget and Performance Monitoring report considered by Cabinet on 4 February. These are:
- The overtime budget is overspent as the changes required to deliver the 2014/15 savings target of £100,000 have only recently been agreed.
 - Jubilee 2 is operating at a net overspend primarily due to income shortfall. This has got slightly worse due to the small pool closure for the repair to the floor lift mechanism.
 - Kidsgrove Sports Centre is also operating at a net overspend due to income shortfall.

In addition to the above, costs incurred in relation to two planning appeals are likely to exceed the amount reported to Council on 16 July 2014 when virement of £112,000 was approved in order to deal with the resulting budget overspend.

There are also a number of favourable variances, the main ones being:

- Additional planning fee income in respect of major planning applications.
- Saving on Elections due to the European Elections being held and costs shared with Central Government.
- Employee costs in respect of a number of vacant posts and flexible retirements that have taken place across the Council.

- 2.3 Taking account of the above factors it appears likely that the outturn for 2014/15 will not differ significantly from the budget.
- 2.4 Resources provided within the revenue and capital budgets enabled a number of notable achievements to be accomplished so far in 2014/15. These are set out at Appendix G.

3. **Revenue Budget 2015/16**

- 3.1 Excluding levies for Town and Parish Councils the recommended Borough Council Tax for a 'Band D property' remains at £176.93, the same level as in 2014/15, based on a Borough council tax requirement of £6,235,370, as set out below.

	Estimated Expenditure
	£
Borough Council requirements –	
Total Net Expenditure	11,717,870
Less: External Support	<u>(6,143,220)</u>
	5,574,650
Less:	
Collection Fund (Surplus)/Deficit 2014/15	
- Council Tax	(139,280)
- Business Rates	800,000
Borough Council Tax Requirement	<u>£6,235,370</u>

External Support comprises Formula Funding (£6,072,720); Council Tax Freeze Grant in respect of 2015/16 (£70,500)

Appendix 'B' sets out the budget summarised over services. Copies of detailed budgets are available on request.

In addition to the basic Council Tax the Council is required to levy additional charges in the following parishes. These are shown below:

<u>Parish</u>	<u>Rate of Council Tax (Band D)</u>
	£ p
Audley	17.50
Betley, Balterley and Wrinehill	17.26
Chapel and Hill Chorlton	15.48
Keele	23.34
Kidsgrove	14.77
Loggerheads	21.30
Madeley	44.60
Maer	18.64
Silverdale	11.98
Whitmore	29.64

4. **Medium Term Financial Strategy and Budgets for 2015/16**

- 4.1 The Council's updated Medium Term Financial Strategy (MTFS), as reported to Cabinet, indicated a forecast budget shortfall of £2.098m for 2015/16, with additional shortfalls of £1.160m for 2016/17, £0.558m for 2017/18, £0.692m for 2018/19 and £0.399m for 2019/20. The current anticipated shortfalls need to be addressed by a combination of measures such as efficiency savings, reductions in expenditure or income increases and consideration of the need for Council Tax increases. Work is ongoing by officers, working in conjunction with the Budget Review Group, to identify solutions as part of the Newcastle 2020 project. The Budget Review Group will continue to develop a strategy for bridging the 2016/17 gap and for eliminating the shortfalls in respect of the

remaining years up to 2019/20. The outcome of this work will be reported to Cabinet upon completion.

- 4.2 The 'gap' between expenditure and resources for 2015/16 of £2.098m arises from the factors set out in the table below:-

<u>CHANGES TO BASE BUDGET</u>	
<u>ADDITIONAL INCOME</u>	
	£'000
Fees and Charges	86
Additional New homes Bonus	152
TOTAL ADDITIONAL INCOME (A)	238
<u>ADDITIONAL EXPENDITURE & LOSS OF INCOME</u>	
Reduction in Government Funding	1,104
Reduction in Revenue Support Grant re Business Rates Multiplier	16
Provision for Pay Awards	122
Incremental Pay Rises for Staff	29
Superannuation increase in employers contribution	190
Additional National Insurance re increases in Pay	10
Reduced Vacancy Factor allowance	77
Price Increases e.g. energy, fuel, rates, insurances, supplies & services	122
Loss of Investment Interest due to fewer capital receipts and investment rates	17
Adjustments re One-Off items in 2014/15, e.g. Council Tax Surplus	179
Reduction in Housing Benefit & Council Tax Support Admin Subsidy	80
Reduction in rental income re Asset Disposals	175
TOTAL ADDITIONAL EXPENDITURE AND LOSS OF INCOME (B)	2,121
<u>OTHER ITEMS</u>	
<u>NEW PRESSURES</u>	
Bad Debts Provision	30
Insurance costs previously funded from insurance fund	165
New Legislation re Waste Income	20
TOTAL NEW PRESSURES (C)	215
NET INCREASE IN BASE BUDGET (B + C- A)	2,098

- 4.3 In addition the Council also has a medium term capital programme. Details of this can be found in Section 8 of this report and Appendix F.
- 4.4 Savings and funding strategies have been identified and agreed with managers as being feasible and sustainable in order to bridge the £2.098m "Gap". Some consist of savings in expenditure whilst others involve increasing income. These proposals total £2.098m and are summarised in the table below and set out in detail at Appendix C.

Category	Amount £'000	Comments
Procurement	106	Smarter procurement and reductions in the amount of supplies procured
Additional Income	141	Includes new sources of income and additional income arising from increased activity. This amount is additional to the amount included in the MTFS in respect of a general increase in fees and charges
Staffing Efficiencies	544	No redundancies are anticipated to arise from these proposals
Good Housekeeping Efficiencies Service Reductions, Changes in Base Budgets	302	Various savings arising from more efficient use of budgets
Alternative Sources of Finance / Other	1,005	Additional contribution to the revenue budget from New Homes Bonus funding. Additional Business Rates retained, savings from advanced payments of superannuation contributions, effect of forecast Council Tax Base increase, council tax freeze grant.
Total	2,098	

4.5 It is not proposed to increase the council tax for 2015/16. The Council would be permitted to increase tax by up to 2.0 per cent, above which it is required to conduct a referendum to determine the views of taxpayers. The government wish to see no increase in council tax for 2015/16 and are once more offering to pay a non-specific grant to those councils which do not increase their council tax for 2015/16. The grant is payable at a rate equivalent to a 1.0 per cent increase in the authority's 2014/15 basic amount of council tax multiplied by its council tax base. For Newcastle, this would result in a grant of around £70,000 being payable, which is included in the table of proposals to close the budget gap at paragraph 4.4 above. The grant will be payable separately for one year, 2015/16, and after that the Department for Communities and Local Government (DCLG) advise that it will be consolidated within the overall financial settlement. Two of the freeze grants (2011/12 and 2013/14) have already been consolidated within the overall financial settlement which means, in theory at least, that they will continue to be receivable indefinitely. Both of these grants relating to previous years' freezes are included in the base budget, so do not represent additional income. The 2012/13 grant was only payable for that one year and the 2014/15 grant is payable for two years. The table below summarises the position in relation to these freeze grants over the years they will be received.

Grant	Years in which grant is receivable					
	2011/12 £'000s	2012/13 £'000s	2013/14 £'000s	2014/15 £'000s	2015/16 £'000s	2016/17 £'000s
Re 2011/12 Freeze	173	173	173	173	173*	173*
Re 2012/13 Freeze	0	173	0	0	0	0
Re 2013/14 Freeze	0	0	70	70*	70*	70*
Re 2014/15 Freeze	0	0	0	70	70	0
Re 2015/16 Freeze	0	0	0	0	70	70**
Total Receivable in Year	173	346	243	313	383	313

* Receivable as part of overall financial settlement rather than as a separate grant

** DCLG have advised that this will continue to be receivable as part of the overall financial settlement

4.6 Noteworthy activities which are planned to achieve Council Plan outcomes in 2015/16 to be met from provision within the revenue or capital budgets are shown at Appendix H.

4.7 Bringing together all the above, the result is a balanced budget, as shown in the table below:

	£'000	Report Reference
Changes to Base Budget	2,098	4.2
Savings/Increased Income	(2,098)	4.4
BUDGET SHORTFALL ('GAP')	0	

4.8 The government have now notified the Council of the final amount of its formula grant for 2015/16. This is in line with the provisional settlement figure, which represents a 15.6% reduction. The government has given limited information about the amounts of funding for subsequent years. Indications are that there are likely to be further substantial reductions. The MTFS has assumed a 10 per cent reduction each year from 2016/17 onwards.

5 **Balances and Reserves**

5.1 The Council's Balances and Reserves Strategy for 2014/15 is that there should be a minimum General Fund balance of £1.2m and a minimum balance on the Contingency Reserve of £100,000. The Council currently holds these reserves.

5.2 A review of all the Council's Balances and Reserves together with a risk assessment has been carried out. Details of these are included in Appendices D and E.

5.3 The review and risk assessment indicate the following:

- Reserves are still adequate to meet normal levels of expenditure..
- The level of minimum balances required after considering the risk assessment remains at £1.3m.

5.4 Cabinet considered two reports concerning options in respect of the former Keele Golf Course site on 5 March 2014 and 23 July 2014. Both of these reports referred to the need for the Council, as the land owner, to carry out a master planning exercise in order to determine the most appropriate long term strategic solution for the land, working with other strategic landowners in the locality and taking into account the current local plan process. The July report resulted in the following resolution "(d) that the financial resources required as the Council's contribution to the master-planning exercise be sought in accordance with financial regulations". The cost was estimated at a figure in excess of £100,000, which will require the approval of Full Council. Subsequently, Cabinet, on 12 November, considered a report in relation to the Council's response to the "Call for Sites" made as part of the Joint Local Plan preparation process and approved the inclusion of the Keele site in a wider masterplanning exercise around that site and western/southern fringes of urban Newcastle. The cost was estimated as being at least £100,000, with other stakeholders being asked to contribute.

As is usual and required by council tax legislation, an estimate has been made of the current year outturn position in relation to the Council Tax Collection Fund. It is estimated that there will be a surplus of some £1,140,970 for 2014/15. The legislation requires an estimated surplus on the Collection Fund to be transferred to the major precepting authorities in the following year and included in their revenue budgets for that year, in proportion to their respective council tax levies. This council's share of the estimated surplus is £139,280. Presently, the Medium Term Financial Strategy does not include an amount in respect of a Collection Fund transfer in 2015/16. The transfer of £139,280 will, therefore, be additional income to the revenue account and will be available to fund Keele master-planning costs up to this amount.

It is proposed, therefore, that a budget of £139,280 be approved in respect of Keele master-planning costs to be funded from an earmarked reserve established by transferring an equivalent amount into it from the General Fund revenue account, being the estimated council tax surplus of £139,280 which will be credited to the revenue account in 2015/16.

5.5 Previous reports have drawn attention to the situation with regard to Municipal Mutual Insurance (MMI), whereby the Council may be subject to clawback in respect of claims settled by the company

after they went into administration. Potentially the liability could amount to around £721,000. Current advice remains that authorities should set aside around 25% of their potential liability as a provision to meet this eventuality. Originally, an amount of £180,000 was set aside in such a provision (the MMI Provision). The Municipal Mutual Scheme Administrator made a levy of 15 per cent of the liability in excess of £50,000 in January 2014, which meant that a payment of £101,000 was payable. The payment was duly made and met from the MMI Provision, leaving a balance of £79,000 in the Provision, which is sufficient to meet an additional levy of just over 10%. This remains within the recommended set-aside parameter, i.e. 25 minus 15 (used) leaving 10 per cent.

- 5.5 Based on these minimum levels of reserves being sustained the Executive Director (Resources and Support Services) is of the opinion that the Revenue Budget is robust and that the Council's Revenue Reserves are adequate to support it based on the assumptions set out in this report.

6 **Consultation**

- 6.1 Extensive consultation was carried out with interested parties in respect of the 2013/14 and 2014/15 budgets, including a special edition of the "Reporter" magazine containing a questionnaire, which was also available on the council website, public meetings and use of the e-Panel. The results of these exercises were available to inform the 2015/16 budget process.

- 6.2 The Medium Term Financial Strategy and the budget proposals have also been considered by the FRAPS at their meetings on 5 November 2014, 16 December 2014 and 21 January 2015. In addition members had the opportunity to raise issues and receive explanations concerning the proposed budget for 2015/16 at a Scrutiny Café event held on 13 January. Following the January FRAPS meeting, the Chair fed back the Committee's comments to the Cabinet at their meeting on 4 February 2015.

7. **Risks**

- 7.1 Appendix 'E' shows the risk assessment in relation to the 2015/16 General Fund Revenue Budget.

8. **Capital Programme 2014/15 - 2015/16**

- 8.1 The Newcastle Capital Investment Programme Report considered by Cabinet on 5 February 2014 (see 8.5 below) set out the essential capital investment needed over the four years 2015/16 to 2018/19. The capital expenditure proposed for 2015/16 reflects the needs identified in the report updated to take account of current priorities and resources expected to be available for funding purposes.

- 8.2 Attached at Appendix F is the updated capital programme 2014/15 to 2015/16 based on current commitments and agreed schemes plus a number of new schemes which are vital to ensure continued service delivery. New schemes total £5.227m. The remainder of items included in the Programme relate to continuing expenditure on current schemes, funding for which has already been approved. Particular points to note are:

- a) Consideration has been given to requirements for essential plant and equipment replacements, buildings repairs and maintenance and other work which will be needed over the next few years to enable services to be continued at acceptable levels or to safeguard income from commercial properties. The most urgently required items have been included in the proposed capital programme.
- b) The capital investment required to implement the new waste recycling service approved by Cabinet on 23 July 2014 has been included as follows:

Sorting Equipment	0.275
Weighbridge and Bulking Shed Works	0.185
	<hr/>
Total	2.000
	<hr/>

In addition new recycling boxes will also be required at a cost of £0.495m which will need to be included in the 2016/17 capital programme.

- (c) The Housing Programme provides for the continuation of a number of existing activities, including disabled facilities grants which have provisionally been allocated a contribution of £654,000 from the Staffordshire Better Care Fund, together with a new item in respect of Loans to Vulnerable Households, i.e. small loans made available to households on low incomes to enable them to maintain their homes.
- (d) A sum of £0.015m has been included to progress some of the actions identified in the Council's Carbon Management plan.
- (e) A £0.015m provision has been made for the costs of dealing with problems arising from traveller encroachment on Council owned land.
- (f) Cabinet approved a second tranche of site disposals on 12 November 2014. Various fees associated with the disposal, amounting to £0.432m, were approved to be added to the capital programme and funded from capital receipts. This sum has been included in the programme at Appendix F, to be spent in 2015/16.
- (g) Cabinet on 14 January 2015 approved expenditure of £0.060m on safety works to the Midway Car Park. £0.045m is to be met from external funding with £0.015m required from the Council. This scheme has been included in the proposed programme.
- (h) One new scheme has been included in the proposed programme which is wholly funded from external contributions, i.e. Subway Improvement Programme funded from Section 106 Contributions.
- (i) In summary, expenditure of £5.564m shown in the proposed programme for 2015/16 at Appendix F comprises:

	£m
(a) New Schemes funded by the Council from Capital Receipts	3.305
(b) New Schemes funded from New Homes Bonus	0.545
(c) New Schemes wholly funded from external contributions	0.091
(d) New Schemes partly funded from external sources	0.699
(e) Fees re land sales approved by Cabinet 12 November 2014	0.432
	<hr/>
New Schemes shown in table below	5.072
(f) ICT Projects funded via the ICT Development Programme	0.155
	<hr/>
Total New Schemes	5.227
(g) Schemes brought forward from the original 2014/15 Programme	0.337
	<hr/>
Grand Total	5.564
	<hr/>

- Items (a) and (e) totalling £3.737m and part of (g) (£0.090m) are to be funded by capital receipts
- Funding for Item (g) has already been approved in February 2014 when the 2014/15 Capital programme was approved
- Item (f) will be funded from the ICT Development Fund

A summary of all of the new items included in the Programme and how they are proposed to be funded is set out in the table below:

		Funding
--	--	----------------

Scheme	Cost	New Homes Bonus	Other External Funding	Capital Receipts
	£'000s	£'000s	£'000s	£'000s
Housing Programme				
Disabled Facilities Grants	894	240	654	
PSH/Emergency HHSRS Grants/Vulnerable Households	100	100		
Empty Homes	30	30		
Loans to Vulnerable Households	75	75		
Landlord Accreditation Scheme	40	40		
Replacement Vehicles and Equipment				
Vehicles Replacement	687	45		642
Waste Bins	100			100
Stock Condition Works				
Museum	15			15
Commercial Portfolio	117			117
Offices	23			23
Car Parks	70			70
Parks Pavilions	33			33
Knutton Lane Depot	20			20
Silverdale Community Centre	20			20
Public Railings Painting	50			50
Engineering Structures	100			100
Parks and Open Spaces				
Play Area Refurbishment	60			60
Railings/Structures Repairs	15			15
Other Projects				
New Waste Recycling Service	2,000			2,000
Cemetery Memorial Survey Works	10			10
Traveller Encroachment	15			15
Site Disposal Tranche 2 Fees	432			432
Midway Car Park Safety Works	60		45	15
Carbon Management Plan	15	15		
Subway Improvement Programme	91		91	
TOTAL	5,072	545	790	3,737

- 8.3 Continuation of the capital programme beyond 2015/16 is dependent upon the achievement of a programme of receipts from the disposal of assets. It is essential that sufficient capital receipts are generated from these asset sales to enable essential capital investment to take place.
- 8.4 The Council's overall capital strategy was most recently updated in February 2014. A further updated strategy, covering the period 2015 to 2019 is included elsewhere on your agenda for your consideration and approval.
- 8.5 Two key reports have been considered by Cabinet in relation to future capital investment needs. These are the Newcastle Capital Investment Programme (Cabinet 5 February 2014) and Funding the Council's Capital Investment Programme (Cabinet 15 October 2014). The first report set out the amount of capital investment required over the four year period 2015/16 to 2018/19 in order to maintain service continuity and to safeguard income from the commercial property portfolio. The second report set out options for funding the capital investment identified in the preceding report. It concluded that the only realistic option to meet investment needs is a systematic programme of surplus land disposal, which will also enable the Council to deliver its policy objective of bringing forward more affordable and social housing by the release of some of its land holdings. The alternative of borrowing to part fund the programme is seen to be a more expensive option owing to the cost of servicing the debt. Accordingly it was resolved: ***"That Cabinet agrees with the principle that the Council, as a first resort, will seek to fund its future known capital programme needs through the annual asset management planning process by the identification of land or property in its ownership that is capable of, and appropriate***

for disposal". It is important to note that the Cabinet has approved a revised Asset Management Strategy which demonstrates the Council's ability to fund its Capital Programme requirements for the next three financial years.

- 8.6 The Chartered Institute for Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance, which the Council has adopted, requires the calculation of a Prudential Indicator in relation to the capital programme. This is to demonstrate the incremental impact of capital investment decisions upon the council tax, in other words what the additional cost to the General Fund Revenue Account will be as a result of carrying out the projects contained in the proposed capital programme, compared to the situation which existed based on the programme approved at last year's council tax setting Council meeting. The Indicator shows that the incremental impact is estimated to be £3,685 (in a full year once the projects are complete and operational), which equates to a council tax levy of £0.10, using the 2015/16 council tax base for calculation purposes. This is based on £0.737m additional capital expenditure funded from existing Council resources (part is to be funded from additional asset sales of around £3m) and an assumed interest rate of 0.5 per cent. Provision has been made in the 2015/16 budget for the cost of funding the capital programme in terms of reduced interest as a result of using capital receipts and reserves arising from the profiled capital spend.

9. **Empty Home Discount Reduction**

- 9.1 Item I8 in Appendix C refers to a saving of £15k in respect of Empty Home Discount. In January 2013 Members resolved to exercise their discretion in relation to the provisions of the Local Government Finance Act 2012 and accept recommendations to introduce a 100 per cent discount for 56 days and thereafter reducing to 0 per cent in place of the Class C exemption previously available on empty and unfurnished properties. To reduce this period to 28 days would generate a small increase in income whilst impacting on a relatively small number of Council Tax payers. The initial charge free period avoids a large number of small difficult to recover amounts being created in respect of small gaps of occupation when properties change owners/occupiers whilst the Council would look to exercise its discretion to maximise the potential additional income generation allowed by this legislation. Approval of recommendation (f) in Appendix A will give effect to this change.

10. **List of Appendices**

- A Recommendations
- B Revenue Budget 2015/16
- C Savings and Funding Strategies
- D Actual and Estimated Reserves at 31 March 2013 to 31 March 2015
- E Risk Assessment
- F Capital Programme 2014/15 to 2015/16, including financing of expenditure
- G Notable Achievements in 2014/15
- H Activities planned to achieve Council Plan outcomes in 2015/16

Schedule of detailed recommendations

The following recommendations set out the decisions needed for the Council to set its own budgets and Council Tax for 2015/16.

Recommendations

- (a) That the Revenue Budget for 2015/16 be approved, as set out in Appendix B.
- (b) That the Council Tax at Band 'D' be £176.93, unchanged from 2014/15.
- (c) That the Capital Programme to 2015/16 be approved as set out in Appendix F, together with the Prudential Indicator relating to the Incremental Impact of Capital Investment Decisions on the Council Tax, as set out in paragraph 8.6.
- (d) That the minimum balances requirement be confirmed as £1,300,000, unchanged from a year ago.
- (e) That a budget of £139,280 be approved in respect of Keele master-planning costs to be funded from an earmarked reserve established by transferring an equivalent amount into it from the General Fund revenue account, being the estimated council tax surplus of £139,280 which will be credited to the revenue account in 2015/16.
- (f) That with respect to the discretion allowed by reforms to Council Tax legislation detailed within The Local Government Finance Act 2012 for charges in respect of Class C exemptions, that the current 100 per cent discount for 56 days be reduced to 28 days and thereafter this be reduced to 0 per cent, with an occupation period of at least 42 days required before a further 100% exemption can be applied.
- (g) That it be noted that at its meeting on the 15 January 2014 the Cabinet calculated the following amounts for the year 2015/16:
- (i) 35,242 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as its council tax base for the whole Council area for the year (Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act"))
 - (ii) For dwellings in those parts of the Council's area to which a Parish precept relates as in the table below:
- | | |
|---------------------------------|-------|
| Kidsgrove | 6,387 |
| Loggerheads | 1,859 |
| Audley | 2,450 |
| Betley, Balterley and Wrinehill | 564 |
| Chapel and Hill Chorlton | 194 |
| Keele | 331 |
| Madeley | 1,413 |
| Maer | 253 |
| Silverdale | 1,410 |
| Whitmore | 803 |
- (h) That the Council Tax requirement for the Council's own purposes for 2015/16 (excluding Parish precepts) is £6,235,370.
- (i) That the following amounts be calculated for the year 2015/16 in accordance with Sections 31 to 36 of the Act:

- (i) £72,486,159 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act taking into account all precepts issued to it by Parish Councils.
- (ii) £65,945,083 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act.
- (iii) £6,541,076 being the amount by which the aggregate at (i)(i) above exceeds the aggregate at (i)(ii) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
- (iv) £185.60 being the amount at i (iii) above (Item R), all divided by Item T (g (i) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
- (v) £305,709 being the aggregate amount of all special items (Parish precepts) referred to in Section 34 (1) of the Act.
- (vi) £176.93 being the amount at (i) (iv) above less the result given by dividing the amount at (i) (v) above by item T (g (i) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item (Parish precept) relates.
- (vii) **Part of the Council's Area**

	£ p
Audley Parish Council	194.43
Betley, Balterley and Wrinehill Parish Council	194.19
Chapel and Hill Chorlton Parish Council	192.41
Keele Parish Council	200.27
Kidsgrove Town Council	191.70
Loggerheads Parish Council	198.23
Madeley Parish Council	221.53
Maer Parish Council	195.57
Silverdale Parish Council	188.91
Whitmore Parish Council	206.57

Being the amounts given by adding to the amount at (i) (vi) above, the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above, divided in each case by the amount at (g) (ii) above calculated by the Council in accordance with Section 34(3) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(viii)

Valuation Bands

	A	B	C	D	E	F	G	H
<u>Part of the Council's Area</u>	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Kidsgrove Town Council	127.80	149.10	170.40	191.70	234.30	276.89	319.50	383.40
Loggerheads Parish Council	132.15	154.18	176.20	198.23	242.28	286.33	330.38	396.46
Audley Parish Council	129.62	151.22	172.83	194.43	237.64	280.84	324.05	388.86
Betley, Balterley and Wrinehill Parish Council	129.46	151.03	172.61	194.19	237.35	280.49	323.65	388.38
Chapel and Hill Chorlton Parish Council	128.27	149.65	171.03	192.41	235.17	277.92	320.68	384.82
Keele Parish Council	133.51	155.76	178.02	200.27	244.78	289.27	333.78	400.54
Madeley Parish Council	147.68	172.30	196.91	221.53	270.76	319.98	369.21	443.06

Maer Parish Council	130.38	152.11	173.84	195.57	239.03	282.48	325.95	391.14
Whitmore Parish Council	137.71	160.66	183.62	206.57	252.48	298.37	344.28	413.14
Silverdale Parish Council	125.94	146.93	167.92	188.91	230.89	272.86	314.85	377.82
Other Parts of Borough Area	117.95	137.61	157.27	176.93	216.25	255.56	294.88	353.86

Being the amounts given by multiplying the amounts at (i)(vi) and (i)(vii) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- (j) That it be noted that for the year 2015/16 the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwelling shown below:-

<u>Precepting Authority</u>	<u>Valuation Bands</u>							
	A	B	C	D	E	F	G	H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Staffordshire County Council	698.19	814.55	930.91	1047.28	1280.01	1512.74	1745.47	2094.56
Staffordshire Fire Authority Office of the Police and Crime Commissioner Staffordshire	45.97	53.64	61.30	68.96	84.28	99.61	114.93	137.92
	118.41	138.14	157.88	177.61	217.08	256.55	296.02	355.22

- (k) That having calculated the aggregate in each case of the amounts at (i) (viii) and (j) above, the Council, in accordance with Section 30(2) of the Act, hereby sets the following amounts as the amounts of Council Tax for the year 2015/16 for each of the categories of dwelling shown below:

<u>Part of the Council's Area</u>	<u>Valuation Bands</u>							
	A	B	C	D	E	F	G	H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Kidsgrove Town Council Loggerheads Parish Council	990.37	1155.43	1320.49	1485.55	1815.67	2145.79	2475.92	2971.10
Audley Parish Council	994.72	1160.51	1326.29	1492.08	1823.65	2155.23	2486.80	2984.16
Betley, Balterley and Wrinehill Parish Council	992.19	1157.55	1322.92	1488.28	1819.01	2149.74	2480.47	2976.56
Chapel and Hill Chorlton Parish Council	992.03	1157.36	1322.70	1488.04	1818.72	2149.39	2480.07	2976.08
Keele Parish Council	990.84	1155.98	1321.12	1486.26	1816.54	2146.82	2477.10	2972.52
Madeley Parish Council	996.08	1162.09	1328.11	1494.12	1826.15	2158.17	2490.20	2988.24
Maer Parish Council	1010.25	1178.63	1347.00	1515.38	1852.13	2188.88	2525.63	3030.76
Whitmore Parish Council	992.95	1158.44	1323.93	1489.42	1820.40	2151.38	2482.37	2978.84
Silverdale Parish Council	1000.28	1166.99	1333.71	1500.42	1833.85	2167.27	2500.70	3000.84
Other Parts of Borough Area	988.51	1153.26	1318.01	1482.76	1812.26	2141.76	2471.27	2965.52
	980.52	1143.94	1307.36	1470.78	1797.62	2124.46	2451.30	2941.56

Revenue Budget 2015/16**REVENUE ESTIMATES 2015/16****STATEMENT OF NET EXPENDITURE AND COUNCIL TAX REQUIREMENTS**

Topic Area	2014/15 General Fund		2015/16 General Fund	
	Estimate 2014/15	Basic Band D Council Tax	Estimate 2015/16	Basic Band D Council Tax
	£	£ p	£	£ p
Administration Before Recharges to Services	7,105,850	203.66	7,357,290	208.76
Less Recharges to Services	(7,105,850)	(203.66)	(7,357,290)	(208.76)
Total Administration Net of Recharges	-	-	-	-
Holding Accs Before Recharges to Services	2,422,960	69.45	2,461,980	69.86
Less Recharges to Services	(2,422,960)	(69.45)	(2,461,980)	(69.86)
Total Holding Accs Net of Recharges	-	-	-	-
Central Services	4,301,860	123.30	3,440,410	97.62
Cultural Services	4,421,430	126.72	4,408,180	125.08
Environmental Services	6,307,890	180.79	6,664,780	189.11
Planning	1,719,520	49.28	1,729,380	49.07
Transport	(254,550)	(7.29)	(10,710)	(0.30)
Housing	2,087,190	59.82	1,217,070	34.53
Net Cost of Services	18,583,340	532.62	17,449,110	495.11
Pensions Liabilities Account - Interest Costs	(89,330)	(2.56)	(61,700)	(1.75)
Less Return on Assets	(553,070)	(15.85)	(315,030)	(8.94)
Interest and Investment Income	(193,000)	(5.53)	(43,450)	(1.23)
Net Operating Expenditure	17,747,940	508.68	17,028,930	483.19
Contribution to/(from) Revenue Reserves	99,300	2.85	(589,530)	(16.73)
Contribution to/(from) Capital Reserves	(3,104,470)	(88.98)	(2,759,950)	(78.31)
Minimum Revenue Provision	151,000	4.33	151,000	4.28
Amount to be met from Government Grant	14,893,770	426.88	13,830,450	392.43
Revenue Support Grant	(3,552,000)	(101.81)	(2,370,960)	(67.27)
Other Non-Specific Grants	(1,747,400)	(50.08)	(1,834,700)	(52.06)
Business Rates Retention Funding	(3,655,500)	(104.77)	(4,050,140)	(114.92)
Collection Fund Deficit/(Surplus)	234,270	6.71	660,720	18.75
Borough Council Tax Requirement	6,173,140	176.93	6,235,370	176.93
Staffs C.C. Precept		1,027.25		1,047.28
Fire Authority Precept		67.64		68.96
Police Authority Precept		177.61		177.61
Total Council Tax Requirement		1,449.43		1,470.78

The Council Tax Base used in the above table was fixed by the Cabinet at its meeting on 14 January 2015 at 35,242

Further Notes and a Glossary of Terms are shown on the following page.

1. Central Services expenditure has decreased because the pension lump sum payment (as reported to Audit and Risk Committee on 17 November 2014) has been allocated over services in 2014/15.
2. Transport expenditure has increased because of additional impairment charges in respect of capital expenditure not enhancing asset values.
3. Housing expenditure has decreased because New Homes Bonus funding of REFCUS (Revenue Expenditure Funded from Capital Under Statute) schemes is now shown against the Housing service.
4. Investment Properties expenditure/income has increased/decreased because of impairment charges, increased staff time recharges in respect of disposals of surplus land and the loss of rental income in respect of Lancaster Buildings/Brunswick Street sales.
5. Investment income has decreased because of a reduction in finance lease interest resulting from the sale of "The Square".
6. Collection Fund Deficit/(Surplus) comprises a council tax fund surplus of £139k and an NNDR fund deficit of £800k. The NNDR deficit arises because the original estimated income for previous years was not achieved, mainly due to backdated appeals.

GLOSSARY OF TERMS

Impairment. A reduction in the value of a fixed asset below its carrying amount on the balance sheet. In this case, certain assets will have works of repair or improvement or other work to assets is planned to take place in 2015/16, which might be expected to result in an addition to the balance sheet carrying amount of the same amount as the expenditure incurred. However, it is likely that in fact the value will not be increased because the valuation principles employed do not recognize any increase in the real value of the assets. In such cases, the amount of non-value adding expenditure is classed as impairment and is written off as an impairment charge. These impairment charges are offset by a transfer from the Capital Adjustment Account in order to ensure that they do not count against the council tax.

REFCUS (Revenue Expenditure Funded from Capital Under Statute). Expenditure which does not result in the creation of a fixed asset and which is classified as capital for funding purposes but is chargeable to the Revenue Budget as revenue expenditure. Any grants or contributions towards such expenditure are also chargeable to the Revenue Budget. An appropriation is made to the Revenue Budget from the Capital Adjustment Account of the amount of net expenditure financed from capital resources in order to ensure that it does not count against the council tax.

Finance lease Under this type of lease, the organisation paying the lease is treated as if it owns the goods. It gains the profits that would come with ownership but it also suffers the losses. In this case, the leases concerned are of Council properties leased out and because, according to accounting rules, the lease is categorised as a finance lease the part of the lease payments received which represents interest payable is classed as interest income, rather than rental income.

Ref.	Service Area	Description	£000's	% of Budget Line(s)	Detail
Procurement					
P1	Business Improvement and Partnerships	Grants and Third Sector Commissioning	23	9.7%	Reduction in budgetary requirement from collaboration with Staffordshire County Council regarding debt, benefit, and consumer information advice services
P2	Central Services	Land Charges Third Party Costs	8	16.7%	Reduction in fees payable to Staffordshire County Council for Highways searches
P3	Communications	Multi-Functional Devices	17	28.3%	Savings from negotiation of extension to existing contract (November to March) - further savings of £33,000 in 2016/17
P4	Communications	Printing and Publicity	10	10.0%	Savings generated from the centralisation of the Council's print and publicity budgets and the resulting challenges to purchasing
P5	Finance	Bank Contract	38	69.1%	Procurement savings resulting from tendering exercise for a new banking contract
P6	Leisure and Cultural	Jubilee 2 Maintenance	5	10.4%	Procurement savings resulting from tendering exercise for a new contract
P7	Recycling and Fleet	Tyres	5	11.9%	Procurement savings resulting from tendering exercise for a new contract
			106		
Income					
11	Assets	Public Transport Departure Fees	8	25.0%	Re-alignment of budget to match actual income received
12	Assets	Additional Rental Income from Civic Offices	25	7.1%	Additional rental income from Civic Offices re. SSOTP NHS
13	Central Services	Hackney Carriage and Private Hire Licences	20	10.1%	To reflect actual income expected from cyclical payments of three year licence fees
14	Operational Services	Bereavement Services Income	28	2.4%	Increase of fees above inflation
15	Operational Services	Streetscene Income	10	66.7%	Additional income generated from new customers
16	Planning	Planning Fees and Building Control Costs	10	3.4%	A net saving from increased planning applications offset by increased costs required to be budgeted for regarding Building Control
17	Recycling and Fleet	Trade Waste	10	2.1%	Net increase in income receivable
18	Revenues and Benefits	Empty Home Discount	15	**	Empty homes discount reduced to 28 days
19	Revenues Benefits	Discretionary Rate Relief	15	**	Reduction in the additional discretionary rate relief granted by the Council
			141		

Ref.	Service Area	Description	£000's	% of Budget Line(s)	Detail
Staffing Related Efficiencies					
S1	Assets	Restructure of Service	20	4.4%	Additional savings from finalisation of restructure of the Assets Service
S2	Business Improvement and Partnerships	Reduced Hours	8	5.2%	Reduction in hours of Business Improvement Officer (Risk and Insurance)
S3	Central Services	Flexible Retirement	32	11.5%	Flexible retirement of Senior Administration Assistant/Mayor's Secretary and Licensing Officer
S4	Communications	Flexible Retirement	12	10.9%	Flexible retirement of Design and Print Team Leader
S5	Customer and ICT Services	Flexible Retirement	38	8.0%	Flexible retirement of Head of Service
S6	Customer and ICT Services	Reduced Hours	6	9.4%	Reduction in hours of Clerical Assistant post in the Creditors Section
S7	Environmental Health	Temporary Contract	12	16.0%	Replacement of full time Environmental Warden (Pest Control) post with seasonal post for 6 months per annum
S8	Finance	Flexible Retirement and Reduced Hours	46	13.3%	Flexible retirement of Principal Accountant/Clerical Assistant, and reduction in hours of Principal Accountant
S9	Finance	Car Leasing Scheme	7	5.5%	Car leases not renewed following expiry
S10	Housing and Regeneration	Flexible Retirement	28	18.3%	Flexible retirement of Economic Development Officer
S11	Human Resources	Recruitment Adverts and Other Items	7	17.5%	Reduction in budgetary requirement to advertise vacancies and for other items
S12	Human Resources	Staff Related Savings	50	*	Areas being considered are: Long Service Awards, Evening Meeting Allowances, Reduction in the Car Mileage Rates and the introduction of Staff Car Parking Charges
S13	Leisure and Cultural	Employee Hours at Kidsgrove Sports Centre	20	6.8%	Reduction in total employee hours at Kidsgrove Sports Centre
S14	Leisure and Cultural	Vacant Post	18	9.3%	Part replacement of General Manager post with marketing expertise
S15	Leisure and Cultural	Sports and Active Lifestyles Review	50	*	Total savings of £100,000 over 2015/16 and 2016/17 from review of staffing of the service
S16	Operational Services	Retirement	8	4.4%	Full retirement of Assistant Environmental Officer
S17	Operational Services	Temporary Contract	19	13.2%	Temporary contract of Landscape Technical Assistant to not be renewed (25% of full £26k cost re. Capital)
S18	Operational Services	Reduced Hours	5	9.3%	Reduction in hours of Community Warden
S19	Operational Services	Park Attendant Service	70	*	Total savings of £138,000 over 2015/16 and 2016/17 from review of service, management of the service and controllable supplies and services budgets
S20	Operational Services	Retirement	10	33.3%	Retirement of Public Convenience Attendant

Ref.	Service Area	Description	£000's	% of Budget Line(s)	Detail
S21	Operational Services	Bereavement Services Restructure	22	10.7%	Restructure within Bereavement Services including retirement and flexible retirement
S22	Operational Services	Flexible Retirement	17	9.4%	Flexible retirement of Projects Officer
S23	Planning	Planning Officer posts	15	2.7%	Saving from replacement of Senior Planning Officer post with Planning Officer post and employment of new starters on lower spinal column points than leavers
S24	Planning	Reduced Hours	5	3.0%	Reduction in hours of Secretary
S25	Resources and Support Services	Reduced Hours	3	2.3%	Reduction in hours of Secretary
S26	Revenues and Benefits	Reduced Hours	5	1.0%	Reduction in hours of Clerical Assistant (Revenues Billing)
S27	Revenues and Benefits	Flexible Retirement	11	0.2%	Flexible retirement of Revenues Assistant
			544		
Good Housekeeping/General Other Savings/Changes in Base Budgets					
G1	Assets	Engineers - Other Fees for Services	2	50.0%	Reduction in budgetary requirement for other fees for services
G2	Assets	Keele Golf Course	32	53.3%	Reduction in budgetary requirement for holding costs
G3	Business Improvement and Partnerships	Grants and Third Sector Commissioning	7	21.2%	Reduction in small and community chest grants
G4	Business Improvement and Partnerships	Other Fees for Services, Equipment, Seminars, Allowances	6	42.9%	Reduction in budgetary requirement for other fees for services, equipment, seminars and allowances
G5	Central Services	Elections	36	26.5%	Saving from Running Borough Elections Alongside Parliamentary Election in 2015/16 (one off saving).
G6	Communications	Jazz and Blues Festival	2	40.0%	Reduction in contribution to the Town Centre Partnership re. Jazz and Blues Festival, remainder of contribution to be removed in 2016/17
G7	Communications	Computer Hardware, Other Fees for Services, Overtime	3	50.0%	Reduction in budgetary requirement for computer hardware, other fees for services and overtime
G8	Communications	Print Room Joint Venture with Stoke-on-Trent City Council	8	100.0%	Removal of requirement to contribute to the equipment replacement fund following the introduction of a Print Room joint venture with Stoke-on-Trent City Council
G9	Customer and ICT Services	Review of the Customer Service Centres	10	2.1%	Review of the Guildhall and Kidsgrove Customer Service Centres (further £20,000 saving to be achieved in 2016/17)
G10	Customer and ICT Services	Reduction in Computer Support Services and Software Costs	13	2.6%	Reduction in budgetary requirement for computer support services and computer software costs
G11	Customer and ICT Services	Reduction in Staffordshire County Council Network Contract	4	30.8%	Reduction in budgetary requirement for Staffordshire County Council network charges
G12	Environmental Health	Pest Control Vehicle Lease, Fuel, Equipment	3	12.0%	Reduction in budgetary requirement for vehicle lease, fuel and equipment purchases

Ref.	Service Area	Description	£000's	% of Budget Line(s)	Detail
G13	Environmental Health	Travelling Allowances, Other Fees for Services, Equipment	10	18.2%	Reduction in budgetary requirement for travelling allowances, other fees for services and equipment
G14	Finance	Business Rates on Council Properties	42	4.7%	Reduction in business rates for which the Council is liable (Museum and Art Gallery, Crematorium and Central Depot)
G15	Housing and Regeneration	Christmas Lights	12	39.5%	Reduction in budget provision for Town Centre Christmas lights
G16	Housing and Regeneration	Town Centre Partnership Contribution	7	25.0%	Phased removal of contribution to the Town Centre Partnership (£7,500 in 2015/16 and £22,500 in 2016/17)
G17	Housing and Regeneration	Homelessness Projects	19	29.2%	Reduction in budgetary requirement for Homelessness projects
G18	Internal Audit	Other Fees for Services, Training, Equipment	2	25.0%	Reduction in budgetary requirement for other fees for services, training and equipment
G19	Leisure and Cultural	Community Centres	14	20.0%	Payment of business rates, electricity, water and trade waste collection by all occupied Community Centres and reduction in grant given by the Council
G20	Leisure and Cultural	Community Recreation Service Transport	10	100.0%	Non-renewal of lease agreement for transport in the service
G21	Leisure and Cultural	New Victoria Theatre Grant	10	10.2%	Phased reduction of grant given over a 5 year period
G22	Operational Services	Merrial Street Toilets	10	55.6%	Planned closure and subsequent reduction in controllable costs - utilities, overtime, maintenance, statutory inspections
G23	Operational Services	Landscape General Efficiencies	2	40.0%	Reductions in budgetary requirement for other fees for services, legal fees, travelling allowances and overtime
G24	Operational Services (Admin)	Employee Allowances, Equipment Purchase	5	13.5%	Reduction in budgetary requirement re. employee allowances and equipment purchase
G25	Recycling and Fleet	Waste Transfer Station	15	15.0%	Change in disposal legislation (Staffordshire County Council)
G26	Recycling and Fleet	Waste Strategy	5	6.7%	Equipment purchase (containers), one off saving for 2015/16
G27	Revenues and Benefits	Cash Collections and Training	8	14.3%	Reduction in budgetary requirement for cash collections and training
G28	Operational Services	Audley Public Toilet Cleaning	5	100.0%	Removal of Contribution
			302		

Ref.	Service Area	Description	£000's	% of Budget Line(s)	Detail
Alternative Sources of Finance/Other					
A1	Corporate	Business Rates Retention Scheme	300	7.9%	Increase in business rates retainable by the Council as per NNDR1 calculations
A2	Corporate	Invest to Save Savings	23	**	Savings following financing of invest to save schemes (e.g. Mayoral vehicle and weed control mechanical equipment)
A3	Corporate	Superannuation Lump Sum	61	6.1%	Discount for payment in advance of superannuation lump sums of £76k, less lost interest of £15k
A4	Corporate	Council Tax	70	1%	Council Tax Freeze Grant for 2015/16
A5	Corporate	Council Tax Base	65	1.1%	Increase in Council Tax Base (increase in residential properties from 34,890 to 35,255 at £176.93 per property)
A6	Corporate	New Homes Bonus contribution	421	60.6%	Further additional funding to be received in 2014/15 (split with capital) and change of split with capital
A7	Corporate	Grants to Parishes	15	16.1%	Reduction in the contribution given to Parish Councils per head for concurrent functions
A8	Corporate	Revenue Investment Fund	50	50.0%	Reduction of contribution to the Revenue Investment Fund to £50k per annum
			1,005		
Grand Total			2,098		
<p><i>* Unable to determine % at current time</i></p> <p><i>** Not applicable</i></p>					

Actual and Estimated Reserves at 31 March 2013 to 2015 (Before recommendations included in the report are actioned)

Reserve	Actual Balance at 31 March 2014	Estimated Net movement in 2014/15	Estimated Balance at 31 March 2015	Estimated Net movement in 2015/16	Estimated Balance at 31 March 2016	Purpose	Notes
	£'000s	£'000s	£'000s	£'000s	£'000s		
General Fund Balance	1,200	-	1,200	-	1,200	Working balance to cover unforeseen adverse events affecting the budget	Approved minimum balance to be £1,200,000, as confirmed by risk assessment
Contingency Reserve	291	(108)	183	-	183	To meet cost of unforeseen contingencies or for any other purpose approved by the Council	Approved minimum balance is £100,000
Equipment Replacement Fund	349	31	380	73	453	To pay for the replacement of certain items of plant and equipment, eg cremators	
Renewals and Repairs Fund	55	(20)	35	(20)	15	To meet the cost of repairs and maintenance of Council owned buildings and structures	
ICT Development Fund	321	(119)	202	(114)	88	To meet the cost of new IT requirements	balance committed to finance capital expenditure
New Initiatives Fund	75	(22)	53	(22)	31	To fund new initiatives, both capital and revenue	Also earmarked to cover costs arising from loss of exempt VAT status (c£100,000 per annum, should this occur)
Budget Support Fund	333	(112)	221	(76)	145	To support the General Fund revenue budget or to meet the cost of specific items approved by the Council, including "Invest to Save" projects, funding to be repaid as savings occur.	
Revenue Investment Fund	89	(89)	-	-	-	To fund projects in accordance with corporate priorities	
Conservation and Heritage Fund	62	(14)	48	-	48	To provide grants to owners of historic buildings to maintain their repair	
Museum Purchases Fund	66	(5)	61	(5)	56	To purchase exhibits and to conserve and enhance the display of exhibits	
Maintenance Contributions	78	(15)	63	(15)	48		Sums are received from developers to pay for a period of maintenance costs following transfer of land to the Council
Standards Fund	15	(9)	6	-	6	To ensure the Council meets its responsibilities under the ethical and other standards frameworks	
Deposit Guarantee Reserve	32	2	34	2	36	To hold balances relating to rent guarantees	
New Homes Bonus Reserve	18	(65)	(47)	47	-	To hold New Homes Bonus grant payments pending use	
NNDR Reserve	1,353	146	1,499	(800)	699		Commitments: £500k re 2013/14 deficit; £300k re 2014/15 deficit

Risk Register**Project – Budget Forecast 2015/16 – Required Balances/Contingency Reserve**

Impact (I)	Likelihood (L)	Score	Risk rating
5 - catastrophic >£1m	5 - Frequent / very likely	16 - 25	Extreme Risk
4 - critical <£1m	4 - Probable	9 -15	High Risk
3 - serious <£250,000	3 - Possible	3 - 8	Moderate Risk
2 - Marginal <£50,000	2 - Remote Chance	1 - 2	Low Risk
1 - Negligible <£25,000	1 - Extremely Unlikely		

Note: All these risks relate to the following Business Objective: To set a balanced, affordable and achievable budget.

All of the risks fall into the “Finance” Category

Item No.	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
1	Increase in fees and charges does not result in higher income levels	Shortfall in income leading to overspends	3 x 4	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
2	Income cannot be collected because of non-availability of service (e.g. through closure of facilities for repairs)	Shortfall in income leading to overspends	3 x 3	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
3	Income falls short of Budget because of general reduction in activity, eg because of economic recession	Shortfall in income leading to overspends	3 x 5	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
4	Bad debts reduce the Council's income	Shortfall in income leading to overspends Need to top up Bad Debts Provision	3 x 4	High	The Council has a bad debts provision (£315k balance at 31/03/14). £30k contribution to provision included in 2015/16 budget.	3x 3	High	Increase monitoring of collection performance	Exec Dir Resources	N/a
5	Employee budgets – The	Vacancies do not occur	3 x 3	High	The budget assumes a vacancy	3 x 3	High	None	Exec	N/a

	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
	budget is discounted on the assumption there will be vacancies. The impact of 1% vacancy is about £100,000	leading to additional costs			factor of 2.0% with a view to reducing this in steps of 0.5% in each of the next 3 years. This is realistic compared with experience in previous years.				Mgt Team	
6	Employee Budgets - The 2015/16 employee pay settlement results in an increase higher than included in the budget.	Additional unbudgeted costs	3 x 1	Moderate	Balances sufficient to deal with any additional costs, plus reduced job security in economy. Pay offer accepted up to 31 March 2016.	3 x 1	Moderate	None	Exec Mgt Team	N/a
7	Problems with staff recruitment/retention result in significant use of agency/interim staff at extra cost or the payment of market supplements	Additional unbudgeted costs	3 x 3	High	Situation subject to ongoing review.	3 x 3	High	None	Exec Mgt Team	N/a
8	Council becomes liable to pay compensation or legal fees or other unforeseen commitment arises.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
9	Inflation relating to supplies and services exceeds the allowance in the budget.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
10	Existing commitment(s) missed out of budget	Additional unbudgeted costs	3 x 2	Moderate	Budgets subject to checking at several levels. Preparation of standstill budget for comparison.	3 x 2	Moderate	None	Exec Mgt Team	N/a
11	Fall in interest rates reduces income to the Council.	Investment income targets not met	4 x 4	Extreme	Rates are very low now. A decrease would make only a relatively small difference. Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
12	Profile of capital spend differs adversely from that assumed in the investment interest calculation	Investment income targets not met	3 x 3	High	Capital Budgets have been realistically set. Due to low interest rates investment income is no longer significant.	3 x 3	High	None	Exec Mgt Team	N/a
13	Fuel costs increase by more than allowed for in budget.	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget.	2 x 3	Moderate	None	Exec Dir Op	N/a

Item No.	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
									Serv	
14	Energy costs increase by more than allowed for in budget.	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget.	2 x 3	Moderate	None	Exec Mgt Team	N/a
15	Unforeseen major repairs needed to Council properties.	Additional unbudgeted costs	4 x 3	High	Planned maintenance programme in place and stock condition survey.	3 x 2	Moderate	None	Exec Mgt Team	N/a
16	Insurances – unexpected increases in premiums.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Chief Exec	N/a
17	Insurances - high level of excesses to be met by Council or uninsured losses	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances. Insurance Provision established.	3 x 3	High	Monitor level of Insurance Provision	Chief Exec	N/a
18	Government increase NI rates during 2015/16. An increase of 1% adds about £100,000 to the Council's costs	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Dir Resources	N/a
19	Loss of VAT Exempt Status	Additional unbudgeted costs	3 x 3	High	None	3 x 2	Moderate	Continue to monitor position regularly	Exec Mgt Team	N/a
20	Savings built into Budget are not realised	Additional unbudgeted costs	3 x 3	High	Regular Budget Monitoring	3 x 3	High	None	Exec Mgt Team	N/a
21	New Legislation imposes extra costs but provides insufficient resources	Additional unbudgeted costs	3 x 3	High	Contingency Reserve available. Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
22	Partnerships - expenses falling on Council as accountable body	Additional unbudgeted costs	3 x 3	High	Monitor partnership activities and ensure carried out according to agreements.	3 x 3	High	None	Exec Mgt Team	N/a
23	Civil Emergency	Additional unbudgeted costs	5 x 2	High	Bellwin Scheme should meet 85% of cost	4 x 2	Moderate	None	Exec Mgt Team	N/a
24	Investment Counterparty (including own bank re current account, etc) fails to meet its financial commitments	Loss of interest due Ongoing loss of interest owing to loss of capital	4 x 3	High	Use of credit rating agencies Counterparty list based on minimum ratings with CDS overlay. Limits to investments with one	3 x 3	High	Frequent reviews of investment strategy	Exec Dir Resources	N/a

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
					counterparty (£7m)					
25	Municipal Mutual Insurance (MMI) Clawback	Additional unbudgeted costs	4 x 4	Extreme	MMI Provision	4 x 3	High	Consider increasing amount of provision if reports from administrator indicate it to be necessary	Exec Dir Resources	N/a
26	Localised Council Tax Support Scheme is oversubscribed	Additional unbudgeted costs	3 x 3	High	Local scheme	3 x 3	High	None	Exec Dir Resources	N/a
27	Data Protection breach resulting in fine	Additional unbudgeted costs	3 x 3	High	Data Protection Policy Reminders to staff	3 x 3	High	None	Exec Mgt Team	N/a
28	Failure of Banking Services provider	Frozen Funds Additional unbudgeted costs	5 x 3	High	Contingency Account Business Continuity Plan	2 x 3	Moderate	None	Exec Dir Resources	N/a
29	Members act against officer advice resulting in cost to the Council	Additional unbudgeted costs	3 x 3	High	Agenda pre-meetings. Liaison with members	3 x 3	High	None	Exec Mgt Team	N/a

NEWCASTLE-U-LYME BOROUGH COUNCIL CAPITAL PROGRAMME 2014/15 TO 2015/16

Scheme	Corporate Priorities				2014/15	2015/16	Total Exp	External Cont	Council Financing
					Est Exp	Est Exp			
Safer Communities					£	£	£	£	£
Parkhouse/Lymedale CCTV	a	b		d	15,000	0	15,000	0	15,000
CCTV Replacement Equipment	a	b			25,000	0	25,000	0	25,000
Midway Car Park Safety Works	a				0	60,000	60,000	45,000	15,000
Stock Condition Works - Engineering Structures	a				0	100,000	100,000	0	100,000
Totals	a	b	c	d	40,000	160,000	200,000	45,000	155,000

Scheme	Corporate Priorities				2014/15	2015/16	Total Exp	External Cont	Council Financing
					Est Exp	Est Exp			
Environment & Recycling					£	£	£	£	£
Pool Dam Valley Marshes Nature Reserve	a	b			0	47,000	47,000	47,000	0
Cemetery Memorial Safety Programme	a				23,000	0	23,000	0	23,000
Cemetery Memorial Survey Works	a				9,000	10,000	19,000	0	19,000
Carbon Management Plan	a				0	15,000	15,000	15,000	0
Traveller Encroachment	a				0	15,000	15,000	0	15,000
New Waste Recycling Service	a				0	2,000,000	2,000,000	0	2,000,000
Waste Bins	a				50,000	100,000	150,000	0	150,000
General Projects									
Asset Disposal Programme		b			16,000	432,000	448,000	0	448,000
General Contingency					85,300	0	85,300	0	85,300
Final Accounts & Retentions Various					5,800	0	5,800	0	5,800
Totals	a	b	c	d	189,100	2,619,000	2,808,100	62,000	2,746,100

Scheme	Corporate Priorities				2014/15	2015/16	Total Exp	External Cont	Council Financing
					Est Exp	Est Exp			
Culture & Leisure					£	£	£	£	£
Play Area Refurbishment	a		c		61,700	75,000	136,700	0	136,700
Wolstanton Marsh Improvements	a		c		53,100	0	53,100	53,100	0
Silverdale Community Facilities	a		c		13,400	0	13,400	13,400	0
Footpath Repairs	a		c		17,800	50,000	67,800	0	67,800
Railings/Structures Repairs	a		c		27,200	25,000	52,200	0	52,200
Brampton Park	a		c		0	100,000	100,000	85,000	15,000
Castle Motte Heritage Works	a				6,400	0	6,400	6,400	0
Neighbourhood Park The Wammy	a		c		9,300	0	9,300	9,300	0
Clayton Sports Centre - Match Funding	a		c		207,000	0	207,000	207,000	0
Thisleberry Parkway Phase 1	a		c		85,700	0	85,700	85,700	0
Stock Condition Works -								0	
Museum			c		30,000	15,000	45,000	0	45,000
Clayton Community Centre			c		15,000	0	15,000	0	15,000
Knutton Community Centre			c		30,000	0	30,000	0	30,000
Red Street Community Centre			c		75,000	0	75,000	0	75,000
Parks Pavilions	a		c		0	33,000	33,000	0	33,000
Silverdale Community Centre			c		0	20,000	20,000	0	20,000
Public Railings Painting	a				0	50,000	50,000	0	50,000
Totals	a	b	c	d	631,600	368,000	999,600	459,900	539,700

Scheme	Corporate Priorities				2014/15 Est Exp	2015/16 Est Exp	Total Exp	External Cont	Council Financing
					£	£	£	£	£
Operational Equipment/Buildings/ICT Development Fund									
ICT PC Replacements	a		d		30,200	10,000	40,200	0	40,200
ICT Replacement Servers	a		d		5,500	0	5,500	0	5,500
Customer Relationship Management			d		55,100	0	55,100	0	55,100
ICT Projects			d		125,000	145,000	270,000	0	270,000
Vehicles	a		d		577,000	687,000	1,264,000	45,000	1,219,000
Stock Condition Works -									
Civic Offices			d		102,300	3,000	105,300	0	105,300
Guildhall			d		0	20,000	20,000	0	20,000
Knutton Lane Depot			d		0	20,000	20,000	0	20,000
Totals	a	b	c	d	895,100	885,000	1,780,100	45,000	1,735,100

Scheme	Corporate Priorities				2014/15 Est Exp	2015/16 Est Exp	Total Exp	External Cont	Council Financing
					£	£	£	£	£
Regeneration, Planning & Town Centres Development									
Empty Homes	a		c		20,000	30,000	50,000	50,000	0
PSH/Emergency HHSRS Grants/Vulnerable H	a		c		80,000	100,000	180,000	180,000	0
Energy Advice Service	a		c		80,000	0	80,000	80,000	0
Home Improvement Agency	a		c		13,000	0	13,000	13,000	0
Landlord Accreditation Scheme	a		c		32,000	40,000	72,000	72,000	0
Loans to Vulnerable Households	a		c		0	75,000	75,000	75,000	0
Disabled Facilities Grants	a		c		1,073,000	894,000	1,967,000	1,967,000	0
Newcastle Town Centre Partnership	a	b		d	6,100	0	6,100	3,100	3,000
Newcastle Town Centre Works	a	b		d	324,700	0	324,700	0	324,700
Choice Based Lettings			c		27,900	0	27,900	27,900	0
Madeley Extracare Contribution		b	c		0	115,000	115,000	115,000	0
Midway MSCP Repair Works	a				24,800	0	24,800	0	24,800
Ryecroft Development		b			90,000	0	90,000	67,500	22,500
Ryecroft Site Clearance Costs (net)		b			45,000	0	45,000	0	45,000
S106 Expenses Lowlands Road		b			181,200	0	181,200	181,200	0
Strategic Investment Framework		b			12,800	0	12,800	0	12,800
Stock Condition Works -									
Car Parks	a				20,000	70,000	90,000	0	90,000
Commercial Portfolio		b			40,000	117,000	157,000	0	157,000
Subway Improvement Programme	a				0	91,000	91,000	91,000	0
Totals	a	b	c	d	2,070,500	1,532,000	3,602,500	2,922,700	679,800
GRAND TOTAL	a	b	c	d	3,826,300	5,564,000	9,390,300	3,534,600	5,855,700

Notes -

Corporate & Sustainable Communities Priorities -

a Clean, Safe & Sustainable Borough,

b Borough of Opportunity

c A Healthy & Active Community

d A Co-operative Council delivering High-Quality Community Driven Services

Sources of Funding	2014/15 Est Exp	2015/16 Est Exp	Total Exp
	£	£	£
Other Revenue Funds	160,700	155,000	315,700
Capital Receipts	1,713,000	3,827,000	5,540,000
External Grants/Contributions	1,952,600	1,582,000	3,534,600
Capital Programme	3,826,300	5,564,000	9,390,300

Notable Achievements in 2014/15**A Co-operative Council which delivers high-quality, community driven services**

- a) The Council's new Customer Relationship Management system has improved the delivery of more than a hundred Council services.
- b) Work is underway to increase the number of services available from the Council's website – allowing customers to request services where ever and whenever they need them.
- c) The new financial management system has allowed services to review their financial management processes and take advantage of many new facilities not available from the old system.
- d) Implementation of the Newcastle Housing Advice contract with Midland Heart including the establishment of a new office and on-line housing register.
- e) Contract for cleaning services awarded delivering 'Living Wage' rate.
- f) The innovative Shared Apprenticeship scheme looked at new ways of working with partners and seeking government funding to increase the number of employment opportunities for young people. This has been very successful and to date there has been eleven apprentices with a 100% retention rate last year and a further six started in the autumn. The scheme enables the young people to gain valuable work experience and a meaningful qualification.
- g) Collaborative procurement opportunities identified with neighbouring authorities.
- h) Recent switch to the way the Council procures its energy to try and deliver further ongoing savings.
- i) Restructure of the Recycling and Waste Service as the first stage of the new service.
- j) The Operations Service gained the Gold Standard award in Britain in Bloom for 13th year running and also Green Flag Awards for eleven of its parks and green spaces.
- k) Bereavement Services gained the Gold standard in the ICCM Charter for the Bereaved for the 11th year running, and continue to progress with the Memorial Safety Inspections in the borough's cemeteries. Also a new, more efficient grounds maintenance contract for cemeteries and crematorium was let.
- l) Public Toilets in the town achieved platinum, gold and silver standard awards.
- m) Reviewed overtime working in Streetscene and implemented new 5 over 7 weekend working arrangements to save money.
- n) Progress with consolidation of ICT software and hardware has continued and this year resulted in longer term savings of over £80,000 with no detriment to services.
- o) A successful trial of new tablet technology was undertaken by Members which if agreed, could be rolled out as early as Spring 2015.
- p) The Council's continued compliance with the Public Service Network (PSN) code of connection was confirmed in August for a further year whilst many neighbouring authorities struggled to meet the more stringent requirements.
- q) The roll out of Windows 7 and Office 2010 was completed on time and has introduced many new benefits for users.
- r) A new ICT strategy is set to be approved by Cabinet in December which focuses on supporting the needs of the Council in delivering its Council Plan and a wider transformation of services.
- s) Customer Services has received the Customer Service Excellence award for the fourth consecutive year.
- t) Two major customer services policies have been reviewed and revised to include best practice and latest legal guidelines. These are the Customer Complaints, Compliments and Comments Policy and the Customer Case Management Policy. A new Case Management Policy for Councillors has been introduced which provides guidance for councillors in dealing with unreasonable behaviour or actions by members of the public when undertaking Council work.
- u) Achievement of the Payment Card Industry standards for all Council owned financial devices - avoiding monetary penalties.
- v) Full relicensing of the Council's Microsoft software base within existing budget

A Clean, Safe and Sustainable Borough

- a) Inspected 225 homes with major health and safety hazards and achieved remediation of the hazards making the homes safe to occupy.
- b) Residents have recycled 500 tonnages more of garden waste than at the same time last year.
- c) Local Environment Quality (litter, detritus, graffiti and flyposting) scores continue to be good and are ahead of target at present.
- d) Confirmation of Locality Deal Funding from the Office of the Police and Crime Commissioner (OPCC) of £110,635 for 2014/15. The Newcastle Partnership has used some of the funding to 'top up' existing Independent Domestic Violence Advisor (IDVA) services, create Early Intervention domestic abuse services and undertake Domestic Violence (DV) campaigning.
- e) Successful Partnership approach to ASB enforcement – using the hub and case conferencing model with an overall reduction of reported ASB year to date of 21%. The 'Community Trigger' is also in place in response to the new legislation with training co-ordinated and cascaded to partners.
- f) Range of innovative Partnership projects delivered via external funding opportunities to prevent ASB in the communities.
- g) A Child to Parent violence project has been launched as a pilot and also a project with partners in North Staffordshire using external funding.
- h) Continued Partnership working with Dependent Drinkers case conferencing to ensure appropriate support and enforcement activity is co-ordinated and the Responsible Bodies Group and Town Centre Action Group contributing to the delivery of alcohol harm reduction actions.
- i) Delivery of a range of alcohol awareness campaigns e.g. World Cup and preparation for Alcohol Awareness week, seeking to reduce incidents of alcohol related violent crime.
- j) Launch of Street Chaplains and First Aid Triage in Newcastle Town Centre.
- k) The Newcastle Partnership has achieved the Purple Flag award –officially launched in November.

A Borough of Opportunity

- a) Undertook a Peer Review of the Planning Service and established an Action Plan to address all of the Review team's recommendations.
- b) Begun preparation of a new joint Local Plan (with the City Council) including the consultation on a draft Statement of Community involvement and the commissioning of key elements of the evidence base for the Plan.
- c) Worked with partners on the preparation and implementation of a Year 3 Action Plan arising from the approved Economic Development Strategy for the Borough.
- d) Prepared a revised Asset Management Strategy to reflect, amongst other things, the Council's agreed objective of funding the Capital Programme from the disposal of land or property for which there is no overriding strategic, operational or financial reason for retention.
- e) Newcastle Town Centre Partnership has delivered a wide range of activities in line with their business plan; this has included the Jazz and Blues Festival, Lymelight Musical Festival, Global Groove, The Homecoming new circus event which was supported by a successful Arts Council bid and a weekend of activities around the Christmas Lights switch on. Working in partnership, support has been given with parking free for major events, and after 3pm for the Christmas period. A new customer loyalty scheme has been launched with the Lymecard.
- f) Kidsgrove Town Centre Partnership has established a membership scheme and is launching a website. They have developed the GO Kidsgrove brand and delivered Christmas, Easter and Halloween events linking to local businesses.
- g) Another successful Business Boost competition and awards event was held at the Keele Sustainability Hub, expanded this year to include a town centre customer excellence award.
- h) In the first six months of the year a total of 29 affordable housing units were provided. Partnership working continues with registered providers and the Homes and Communities Agency to deliver new affordable housing.
- i) Ryecroft subway refurbishment completed with modern colourful artwork and completion of Bridge Street subway with heritage murals.
- j) Completion of the Town Centre Public Realm project with the successful pedestrianisation of Hassell Street and the delivery of new market stalls.

- k) Successful letting of the offices on the upper floor of Lancaster Building which has created new jobs and an additional revenue stream for the Council.
- l) In view of the current economic climate, maintaining the vacancy rates in respect of the commercial portfolio at 8.5%.
- m) Securing of purchasers in respect of the Square, High Street and premises in Hassell Street and Brunswick Street, Newcastle.
- n) Demolition of the former Sainsbury's store and multi storey car park completed within timescale and budget with no health and safety issues and few neighbour complaints.
- o) Facilitation of the provision of the Winter Wonderland on the former Sainsbury's supermarket site.
- p) Worked with Staffordshire County Council to identify a preferred development partner to bring forward a commercially viable retail-led redevelopment of the Ryecroft site and continued working with the County Council to build the business case for the potential reprovision of the Council offices in order to facilitate the scheme.
- q) Support provided for Arch North staffs to operate a shared housing scheme to help single homeless people affected by the welfare reform.
- r) Financial assistance provided to 90 disabled residents to assist with adaptations to their home.
- s) Developed a private landlord accreditation scheme to recognise good quality private sector accommodation.
- t) Worked with Staffordshire County Council and the district councils in Staffordshire to launch a County-wide Home Improvement Agency which assists vulnerable householders to continue to live independently at home.
- u) Carried out pro-active inspections of – private sector shared housing (HMO's) to ensure good quality housing standards are achieved and maintained.

A Healthy and Active Community

- a) A total of 2691 volunteer hours were given from volunteer groups and individuals in the first six months of the year to care for the local green spaces and neighbourhoods through the delivery of the Community Engagement Framework.
- b) Held the second annual "Communities Day" in June where 33 groups participated in a range of community events.
- c) Expanded the "Planting Pledge" and "Litter Pledge" initiatives where 24 schools and businesses signed up to improve their local environment.
- d) Received approximately £38,000 for funding from the Waste and Resources Action Programme (WRAP) for support with developing the Council's new Recycling and Waste Collection Service.
- e) The new Allotments Strategy for the Borough was developed in consultation with stakeholders.
- f) Park Road Allotments was successfully transferred into community management in partnership with Silverdale Parish Council.
- g) Playing Pitch Strategy and Kidsgrove Sports Centre Feasibility Study completed and significant progress of the community centre review.
- h) National Indoor Climbing Award Scheme (NICAS) accreditation gained at Jubilee2.
- i) Investment of £75,000 in Red Street Community Centre to provide modern community centre facilities and redecoration of Ramsey Road Community Centre to facilitate the leasing to a third party.
- j) The museum has worked in partnership with Aspire Housing on a £22,000 project to create a First World War memorial sculpture on Brampton Park and was unveiled on Nov 11. Also a £9,200 grant was received to develop an exhibition entitled Newcastle Remembers which has been on show at the museum and elements of which will tour the borough over the next five years.
- k) Developed the museum volunteer programme and now have 14 volunteers with distinct roles to add value to the service's work.
- l) Grant received from the West Midlands Museum Development Officers for a rebranding project for the museum and park to assist with marketing and raising awareness of the Brampton.

Activities planned to achieve Council Plan outcomes in 2015/16**A Co-operative Council which delivers high-quality, community driven services**

- a) Reviews and implementation of new strategies and policies over a wide range of services.
- b) Replacement of the Council's website to focus on less content that is more accessible and of greater importance.
- c) Make a significant drive towards online delivery of services through the Customer Journey programme.
- d) Implement the ICT Strategy and look at how technology can equip staff with the tools they need to become more efficient, delivering services in more flexible, innovative ways.
- e) Continue to run the ICT Consolidation programme and identify opportunities to remove or reduce expensive applications.
- f) Redesign services to remove manual intervention wherever possible and improve public participation in the business of the Council.
- g) Implement the new Customer Standards and Access Strategy across all front line services alongside the ICT Strategy to underpin the 'digital by default' agenda and drive channel shift.
- h) Continue to develop the Community Engagement and Participation Framework to encourage volunteer groups to care for their green spaces and neighbourhoods and the Pledge initiatives with schools and businesses.
- i) Further roll out of actions linked to the Memorandum of Understanding (MOU) with PM Training.
- j) Embedding of Social Value in future procurements.
- k) Introduction of new contract procedural rules to replace Council Standing Orders.
- l) Increased reporting of contract spend and opportunities linked to the LA Transparency Code 2014.
- m) Launch and implementation of the Bravo e-tendering platform.
- n) Greater collaboration between partnership members around commissioning.
- o) Rolling out of Workforce Development plans for all service areas.
- p) Further development of locality working.

A Clean, Safe and Sustainable Borough

- a) Support the operation of the Energy Advice Service to enable residents to access funding and support to implement energy efficiency measures in their homes.
- b) Participate in Britain in Bloom and the Green Flag Award scheme and retain the gold standard for the Charter for the Bereaved.
- c) Seek to continue good performance in Local Environmental Quality.
- d) Commence delivery of the new Allotments Strategy action plan and review of the Green Space Strategy.
- e) Moving forward with developing the revised Recycling and Waste Service, and will be based on providing residents with a weekly recycling service provided directly by Council collection staff.
- f) Launch of the Anti-Social Behaviour Policy and Procedure.
- g) Delivery of Local Police and Crime Plan 2014-17.
- h) Safety Works carried out to the Midway Multi-Storey Car Park.
- i) To implement further measures to improve the energy efficiency of the Council's assets and operational estate.

A Borough of Opportunity

- a) To proceed with the implementation of the planned next stages of the Local Plan.
- b) To jointly commission a Master Plan in relation to the land to the south and west of urban Newcastle including the former Keele Golf Course.
- c) Continued promotion of the Accredited Landlord Scheme to support good landlords and active enforcement to ensure landlords comply with minimum standards.
- d) Launch a loan scheme to enable low income owner occupiers to repair their homes to a decent standard.

- e) Work with the identified preferred development partner to prepare a commercially viable redevelopment scheme of the Ryecroft site for major new retail-led, mixed-use development, including car parking and to complete the business case in respect of the re-provision of the Council's offices in order to enable members to consider the desirability and affordability of proceeding with these interdependent projects.
- f) Continue to work with the Stoke and Staffordshire Local Enterprise Partnership (LEP) to secure European and other external funding for the Borough to improve the economic prospects of the Borough.
- g) Implement the Asset Management Strategy to bring forward surplus sites for disposal.
- h) Undertake remedial work and decoration of the exterior of the museum and refurbishment and re-roofing of Clayton Sports Centre and Croft Road industrial units.

A Healthy and Active Community

- a) Support Newcastle Town Centre Partnership with the development of a Business Improvement District and continued support for the implementation of the Kidsgrove Town Centre Partnership.
- b) Work with partner agencies to ensure that the needs of vulnerable disabled residents continue to be recognised with the Better Care Fund, to ensure that adaptations can be delivered effectively
- c) Continue to seek the improvement of private sector homes removing hazards to health as necessary and appropriate.
- d) Deliver improvement schemes at Wolstanton Marsh and Cotswold Avenue children's playgrounds and an externally funded improvement scheme at Thistleberry Parkway.
- e) The museum and other partners, for example the Town Centre Partnership, Newcastle Library, Newcastle Civic Society will develop a project around commemorating and celebrating Philip Astley, inventor of the modern circus who was born in Newcastle.
- f) A new gallery will be developed at the museum in partnership with St. Giles Church, working title 'Newcastle People' as part of a grant awarded to the church for heritage projects. A new Newcastle History App will be developed as part of the project.
- g) A First World War exhibition, 'Resonance' by artist Steve Dixon, based on museum collections around the county will be showing at the museum in September to November 2015. This exhibition is funded through a joint bid to Arts Council England by the Staffordshire Museums Consortium.
- h) Working towards accreditation for quality, safety and management for Jubilee2.
- i) Progress the development of the preferred option for Kidsgrove Sports Centre.

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE COUNCIL

25 February 2015

1. TREASURY MANAGEMENT STRATEGY 2015/16

Submitted by: Head of Finance

Portfolio: Finance and Resources

Ward(s) affected: All Indirectly

Purpose of the Report

To approve the Treasury Management Strategy for 2015/16, including the Prudential Indicators, Investment Strategy and Minimum Revenue Provision Strategy contained within it.

Recommendations

- (a) That the Treasury Management Strategy Report for 2015/16 be approved.**
- (b) That the Prudential Indicators contained within the report be approved.**
- (c) That the Investment Strategy contained within the report be approved.**
- (d) That the Minimum Revenue Provision Strategy contained within the report be approved.**

Reasons

The Council needs to have an approved Treasury Management Strategy for 2015/16 in place before the start of the 2015/16 financial year.

At the Council meeting of 24th June 2009 it was resolved that the strategy be scrutinised by the Finance, Resources and Partnerships Scrutiny Committee before being submitted for approval by Full Council. The strategy was scrutinised by the Finance, Resources and Partnerships Scrutiny Committee on 21 January 2015.

1. Background

- 1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice. This requires a report to be prepared and approved by the Council concerning the strategy to be followed in carrying out its treasury management activities in the forthcoming financial year, 2015/16.
- 1.2 The Local Government Act 2003 and Regulations thereto specify that local authorities must have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities in setting their affordable borrowing limits. This is to be achieved by setting a number of "prudential indicators" covering various aspects of treasury management. Accordingly, the appropriate prudential indicators have been incorporated in the relevant sections of the Treasury Management Strategy Report.
- 1.3 In addition the Department for Communities and Local Government issued revised "Guidance on Local Authority Investments" in March 2010, under powers contained in Section 15 (1)(a)

of the Local Government Act 2003. The Act states that local authorities must have regard to this guidance. The Guidance recommends that an Annual Investment Strategy, setting out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments is produced and approved by the Full Council.

2. **Issues**

- 2.1 The Strategy Report for 2015/16 is attached at Appendix 1
- 2.2 The proposed prudential indicators relating to treasury management are contained in the report.
- 2.3 The Investment Strategy for 2015/16 is contained in Annex A to the report.
- 2.4 Details of the methodology involved in the production of the counterparty listing are contained in Annex B to the report.
- 2.5 The Minimum Revenue Provision Strategy for 2016/16 is contained in Annex C to the report.
- 2.6 Some of the paragraphs and the economic commentary have been supplied by Sector Treasury Services Ltd, the Council's treasury management advisors.
- 2.7 The Treasury Management Strategy for 2015/16 allows for the possibility of borrowing. However, at the Cabinet meeting on 15th October 2014, Cabinet resolved, via the 'Funding the Council's Capital Investment Programme' report that:

'That Cabinet agrees with the principle that the Council, as a first resort, will seek to fund its future known capital programme needs through the annual asset management planning process by the identification of land or property in its ownership that is capable of, and appropriate for disposal.'

3. **Legal and Statutory Implications**

- 3.1 The Council must comply with the Investment Guidance published by DCLG.

4. **Financial and Resource Implications**

- 4.1 There are no specific financial implications arising from the strategy report.

5. **Major Risks**

- 5.1 Treasury management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.
- 5.2 The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital.
- 5.3 Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

6. **List of Appendices**

- 6.1 Appendix 1, Treasury Management Strategy Report 2015/16.

7. **Background Papers**

- CIPFA Treasury Management Code of Practice (revised November 2009 and again in November 2011);
- Council’s Treasury Management Policy Statement,
- CIPFA Prudential Code for Capital Finance in Local Authorities and guidance notes thereto,
- Local Government Act 2003,
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,
- Guidance on Local Authority Investments issued by the Department for Communities and Local Government (revised March 2010).

8. **Management Sign-Off**

Each of the designated boxes need to be signed off and dated before going to Executive Director/Corporate Service Manager for sign off:

	Signed	Dated
Financial Implications Discussed and Agreed		
Risk Implications Discussed and Agreed		
Legal Implications Discussed and Agreed		
H.R. Implications Discussed and Agreed		
ICT Implications Discussed and Agreed		
Report Agreed by: Executive Director/ Head of Service		

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Treasury Management Strategy Report 2015/16**1.0 Introduction****1.1 Background**

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

The second main function of a treasury management service is the funding of an authority'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 the Council can meet its capital spending operations.

This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasions any debt previously drawn may be restructured to meet Council risk or cost objectives. Currently, however, the Council does not finance its capital investment by way of borrowing, so these activities are not presently engaged in.

Treasury management is defined as:

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

1.2 Statutory Reporting Requirements

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. The reports required are as follows:

Prudential and Treasury Indicators and Treasury Strategy (this report)

This report is required to be scrutinised by the Finance, Resources and Partnerships Scrutiny Committee prior to being reported to Full Council. This report covers:

- Prudential indicators;
- The Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators;
- An Investment Strategy (the parameters on how investments are to be managed); and
- A Minimum Revenue Provision (MRP) Policy (how residual capital expenditure is charged to revenue over time).

A Mid Year Treasury Management Review Report

This report is required to be scrutinised by the Audit and Risk Committee. This will update members with the progress of the treasury management performance for the first half of the financial year and whether or not the treasury strategy approved by Full Council prior to commencement of the financial year is still appropriate or requires revision.

An Annual Treasury Outturn Report

This is reviewed by the Audit and Riks Committee and is then reported to Full Council for approval. This provides details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.3 Treasury Management Strategy for 2015/16

The strategy for 2015/16 covers two main areas:

Capital Issues

- Prudential indicators;
- The Minimum Revenue Provision (MRP) Policy (Annex C).

Treasury Management Issues

- Treasury indicators which will limit the treasury risk and activities of the Council;
- Policy on use of external service providers;
- The current treasury position;
- Prospects for interest rates;
- Policy on borrowing in advance of need;
- The investment strategy (Annex A);
- Creditworthiness policy (Annex B); and
- Treasury management Glossary of Terms (Annex D).

These elements cover the requirements of the:

- Local Government Act 2003;
- CIPFA Prudential Code;;
- DCLG MRP Guidance;
- CIPFA Treasury Management Code; and
- DCLG Investment Guidance.

2.0 Prudential and Treasury Indicators

2.1 Background

This report incorporates a number of Prudential Indicators in relation to treasury management in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities (“the Code”). Regulations to the Local Government Act 2003 lay down that the Council shall have regard to the Prudential Code in determining an affordable borrowing limit.

The indicators are intended to demonstrate that the Council has fulfilled the objective of ensuring that its capital investment decisions are prudent, affordable and sustainable – or in exceptional cases to demonstrate that there is a danger of not ensuring this, so that timely remedial action can be taken. They are further designed to ensure that treasury management decisions are taken in a manner that supports prudence, affordability and sustainability.

2.2 Capital Prudential Indicators

Actual and Estimate of Capital Expenditure

This indicator relating to Actual and Estimates of Capital Expenditure is reported separately to the Council meeting which sets the General Fund Revenue Budget and the Council Tax (25 February 2015).

The Council’s Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council’s Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. The Capital Financing Requirement is derived from the Council’s balance sheet by consolidating various items appearing in it which relate to capital, such as, fixed

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assets (including property, plant and equipment, investment properties, long term debtors, assets held for sale and intangible assets); the revaluation reserve, capital adjustment account and deferred capital receipts. It is essentially a measure of the Council's underlying borrowing need. Following the introduction of International Financial Reporting Standards (IFRS) in 2011/12, the calculation of the CFR now has to include any other long term liabilities (e.g. finance leases) brought onto the balance sheet. The relevant figures for this Council are set out in the table below:

31/03/14 Actual (£000's)	31/03/15 Estimate (£000's)	31/03/16 Estimate (£000's)	31/03/17 Estimate (£000's)	31/03/18 Estimate (£000's)
(360)	(360)	(360)	1,000	1,000

The amounts shown above from 2015/16 onwards allow for the possibility that the Council may need to borrow during those years to finance capital expenditure which cannot be funded from other revenue or capital resources. However, the likelihood of individual schemes, the timings and the amounts involved cannot be assessed with any certainty at this point.

2.3 Affordability Prudential Indicators

Estimates of the Incremental Impact of Capital Investment Decisions on Council Tax

This indicator relating to Estimates of the Incremental Impact of Capital Investment Decisions on Council Tax is reported separately to the Council meeting which sets the General Fund Revenue Budget and the Council Tax (25 February 2015).

Actual and Estimates of the Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Financing Costs comprise the aggregate of: interest payable on loans and finance leases; premiums or discounts in relation to premature debt repayment; interest receivable and investment income; the amount charged as a 'Minimum Revenue Provision; depreciation and impairment charges that have not been reversed out of the revenue account.

Net Revenue Stream is defined as the 'amount to be met from government grants and local taxpayers'. This is the Council's 'budgetary requirements' figure shown in the General Fund Revenue Budget, being the net expenditure for the year before deducting government grants (Revenue Support and Business Rates Retention) and adjusting for the Collection Fund surplus/deficit. The relevant figures for this Council are set out in the table below:

	2013/14 Actual (£000's)	2014/15 Estimate (£000's)	2015/16 Estimate (£000's)	2016/17 Estimate (£000's)	2017/18 Estimate (£000's)
Net Revenue Stream	15,194	14,894	14,894	14,894	14,894
Financing Costs	(63)	(56)	(39)	(75)	(93)
Ratio	(0.41%)	(0.38%)	(0.26%)	(0.50%)	(0.62%)

The current negative Financing Costs reflect the position that the Council's investment income and other interest exceed the interest paid to service its external debt/finance leases.

2.4 Treasury Indicators

Current Portfolio Position – Debt

Currently the Council has no long term external debt and is categorised as a 'debt free' authority. Short term external loans (i.e. repayable on demand or within 12 months) can be taken to fund any temporary capital or revenue borrowing requirement. The amounts involved would fluctuate

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according to the cash flow position at any one time. Such short term borrowing does not affect the Council's 'debt free' status.

Any surplus funds arising, for example from favourable cash flow or as a result of asset sales, are potentially available for use as an alternative to short term borrowing. The Actual External Debt of the Council as at the end of the previous financial year is a Prudential Indicator. This indicator comprises actual borrowing (short and long term) as shown in the Council's balance sheet. This indicator will reflect the actual position at one point in time. As at 31 March 2014 the Actual External Debt of the Council was nil.

Current Portfolio Position – Investments

It is estimated that the amount of receipts in hand, plus reserve balances, and available for investment at 1 April 2015 will be in the region of £5,000,000, all of which will be managed In House.

Limits to Borrowing Activity

The Local Government Act 2003 requires each local authority to determine and keep under review how much money it can afford to borrow. This is to be determined by the calculation of an affordable borrowing limit which Regulations to the Act specify should be calculated with regard to the CIPFA Prudential Code.

At present borrowing is not being used to fund the capital programme because the Council has had sufficient reserves and useable capital receipts to finance capital expenditure from these sources. Borrowing may become an option if these resources become sufficiently depleted that they are insufficient to finance proposed capital expenditure deemed to be affordable, if the costs of borrowing compare favourably with those of alternatives such as using unapplied capital receipts, or if in fact there is a sufficient business case to do so.

There may be a requirement to temporarily fund some capital expenditure by means of borrowing during the interim period before a permanent means of finance becomes available, for example whilst awaiting receipt of Government grant. As well as temporary borrowing required for capital purposes, it may also be necessary to borrow in order to cover any temporary shortfall in revenue income which may arise owing to either a mismatch between income and expenditure or problems concerning the non payment of amounts due to be paid by the Council's customers. These factors have been taken into account in calculating the Prudential Indicators referred to below.

Projections of the need for capital investment in projects necessary to ensure operational continuity over the next few years, together with projections of likely capital receipts arising from asset sales and the availability of reserves to finance this expenditure indicate that there is likely at some point to be an adverse gap between expenditure and resources to finance it. This increases the likelihood of borrowing being used over the period of this strategy, particularly as an interim measure to bridge the gap between expenditure being incurred and funds from asset sales being realised. The amounts included for permitted borrowing in the Operational Boundary and Authorised Limit below take account of this. It should be noted that this does not indicate a definite intention at this point in time to borrow up to this amount or at all but is required to permit the option of borrowing to be employed, if necessary.

The Operational Boundary

This indicator gives a prudent view of the possible external debt during the course of the year. It is not a limit and actual borrowing can vary around this boundary for short times during the year. It should act as an indicator to ensure that the Authorised Limit is not breached. The Code requires the inclusion of a figure, separately shown, for Other Long Term Liabilities.

Following the introduction of International Financial Reporting Standards in 2011/12, finance leases must now be included in this figure. As referred to above, the Council may, if considered desirable

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from a treasury management point of view, take out long term loans to finance capital expenditure incurred in 2015/16, 2016/17, 2017/18 and 2018/19.

The figures shown in the table below reflect the possibility that up to £5,000,000 may be borrowed at any one time on a long term basis in 2015/16. The Operational Boundaries for the Council are set out below:

	2015/16 Estimate (£000's)	2016/17 Estimate (£000s)	2017/18 Estimate (£000's)	2018/19 Estimate (£000's)
Borrowing	5,000	5,000	5,000	5,000
Other Long Term Liabilities	365	365	365	365

The Authorised Limit for External Borrowing

This represents the limit beyond which borrowing (long and short term added together) is prohibited. Officers responsible for day-to-day treasury management operations must ensure that the Council's borrowings do not exceed this limit. It reflects the level of borrowing which, while not desired, could be afforded in the very short term i.e. overnight to two weeks, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. It is a statutory limit which Councils must determine in accordance with Section 3 (1) of the Local Government Act 2003. The Authorised Limits for the Council are set out in the table below:

	2015/16 Estimate (£000's)	2016/17 Estimate (£000s)	2017/18 Estimate (£000's)	2018/19 Estimate (£000's)
Borrowing	15,000	15,000	15,000	15,000
Other Long Term Liabilities	365	365	365	365

Sources of Borrowing

Temporary borrowing can take place via money brokers, from building societies, banks, local authorities, individuals and commercial organisations. If the Council decides to borrow on a long term basis to fund capital expenditure all borrowing options available will be reviewed.

Interest Rates, Loan Periods and Types of Loan

The most favourable options will be selected, depending upon market conditions prevailing at the time of borrowing. The aim will be to minimise the impact upon revenue accounts and to achieve efficient management of the Council's debt portfolio. Advice will be taken, as appropriate from the Council's treasury management advisors. The Council will be eligible for loans at a reduced rate, around 20 basis points less than normally available, (the Treasury Certainty Rate) from the PWLB during 2015/16.

Limits on Interest Rate Exposures (fixed and variable interest rates)

The following limits will apply in relation to the Council's interest rate exposure. They relate to interest on both borrowings and investments. These limits are intended to reduce the risk of the Council suffering unduly from significant adverse fluctuations in interest rates.

Limit on Fixed Interest Rate Exposures (as a percentage of total borrowings/investments)

	Borrowing		Investments	
	Upper	Lower	Upper	Lower
2015/16	100%	0%	100%	0%
2016/17	100%	0%	100%	0%
2017/18	100%	0%	100%	0%
2018/19	100%	0%	100%	0%

Limit on Variable Interest Rate Exposures (as a percentage of total borrowings/investments)

	Borrowing		Investments	
	Upper	Lower	Upper	Lower
2015/16	100%	0%	100%	0%
2016/17	100%	0%	100%	0%
2017/18	100%	0%	100%	0%
2018/19	100%	0%	100%	0%

In relation to both investing and borrowing fixed rate investments and loans may be anything between 0% and 100% of the total, with the same proportions being permitted for variable rate loans – in effect there is no limit on each type. This enables maximum flexibility to be afforded to your officers to take advantage of prevailing interest trends to obtain the best deal for the Council.

Total Principal Funds Invested for Periods Greater than 364 days

The Council will determine the maximum periods for which funds may prudently be committed. Investments will be for whatever period is considered appropriate by your officers at the time that the investment is made. Regard will be had to relevant matters such as likely future capital values and the Council's forecast need to realise investments in the future in order to finance capital expenditure or for any other purpose.

There will be a limit placed upon the amount which may be invested for periods in excess of 364 days. Investments will be regarded as commencing on the date the commitment to invest is entered into, rather than on the date on which the funds are paid over to the Counterparty.

This Treasury Indicator is intended to limit the Council's exposure to the possibility of loss that might arise as a result of it having to seek early repayment of sums invested. It consists of the amount that it is considered prudent to have invested for a period greater than 364 days in each of the next three years. The limits as set out in the table below will apply:

	£000's
Beyond 31/03/16	5,000
Beyond 31/03/17	5,000
Beyond 31/03/18	5,000

It should be noted that in practice the sums available for investment are unlikely to be sufficient to allow amounts of this magnitude to be invested for such extended periods. In fact at present investments are being restricted to periods of 3 months or less due to cash flow fluctuations and on account of continuing uncertainties with regard to the credit worthiness of counterparties with whom investments could be placed.

3.0 Leasing

3.1 Requirement for the Year

In previous years the Council has acquired some items of plant by means of leases and major items of equipment may also be obtained in the same way.

The total amount of leases to be entered into during the year will depend upon the replacement requirement for vehicles and plant and upon any new requirements arising during the year. It will also depend upon the attraction of leasing as opposed to other forms of finance which may be available, in particular in comparison with contract hire terms for vehicles and plant and the availability and relative cost of internal sources of funding. The appropriate form of finance will be chosen to obtain the best deal for the Council at the time that the requirement arises.

3.2 Period and Type of Lease

An appropriate lease period will be chosen in relation to the type of asset concerned and to achieve the most satisfactory revenue account impact. Fixed or variable rate leases may be taken out; which is used will depend upon market conditions prevailing at the time the decision is made.

3.3 Leasing Consultants

The current contract with the Council's treasury management advisors includes the provision of leasing advice.

4.0 Treasury Management Training

4.1 Training Courses

The training need regarding treasury management officers is periodically reviewed. Officers engaging in Treasury Management activities will also attend any suitable courses/seminars provided by the Council's treasury management advisors and any other appropriate organisations where it is considered that this will increase or complement their expertise in relation to the Treasury Management function.

4.2 Members Training

It is envisaged to run some training sessions for Members in respect of Treasury Management during the 2015/16 financial year.

5.0 Policy on the use of External Service Providers

5.1 Officers work with the Council's treasury management advisors to monitor market trends and to advise on strategic considerations affecting borrowing strategy and sums available for investment and any other relevant treasury management matters. Quarterly meetings are held to ensure quality of service is maintained and to develop a constructive relationship. The current contract, awarded to Sector Treasury Services Ltd, expires on 31 March 2017.

6.0 Prospects for Interest Rates

6.1 Part of the service provided by the Council's advisors is to assist the Council to formulate a view on interest rates. The following table and information gives the current provider's central view:

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2014	0.50	2.50	3.90	3.90
Mar 2015	0.50	2.70	4.00	4.00
Jun 2015	0.75	2.70	4.10	4.10
Sep 2015	0.75	2.80	4.30	4.30
Dec 2015	1.00	2.90	4.40	4.40
Mar 2016	1.00	3.00	4.50	4.50
Jun 2016	1.25	3.10	4.60	4.60
Sep 2016	1.25	3.20	4.70	4.70
Dec 2016	1.50	3.30	4.70	4.70
Mar 2017	1.50	3.40	4.80	4.80
Jun 2017	1.75	3.50	4.80	4.80
Sep 2017	2.00	3.50	4.90	4.90
Dec 2017	2.25	3.50	4.90	4.90
Mar 2018	2.50	3.50	5.00	5.00

6.2 Economic Situation (as supplied by Sector Treasury Services Ltd)

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 and especially during 2014, exceeding all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are also currently very positive in indicating that growth prospects are strong for 2015, particularly in the services and construction sectors. However, growth in the manufacturing sector and in exports has weakened during 2014 due to poor growth in the Eurozone. There does need to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this initial stage in the recovery to become more firmly established.

One drag on the economy is that wage inflation has been lower than CPI inflation so eroding disposable income and living standards, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by warranting increases in pay rates. In addition the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, although the current view on the amount of hidden slack in the labour market probably means that this is unlikely to happen in the near future.

The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

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

- Concerns in respect of a major crisis in the Eurozone subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, Middle East and Ebola, have led to a resurgence of those concerns as risks increase that the economy could be heading into deflation and a triple dip recession since 2008;
- Sovereign debt difficulties have not gone away and major concerns could return in respect of individual countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy;
- Counterparty risk therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2015/16 and beyond;
- Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. During July to October 2014, a building accumulation of negative news has led to an overall trend of falling rates;
- The method of avoiding new borrowing by running down spare cash balances has served authorities well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt.

7.0 Treasury Management Scheme of Delegation

7.1 Full Council

- Receiving and reviewing the Treasury Management Strategy /Annual Investment Strategy/Minimum Revenue Provision Strategy on an annual basis (including updates and revisions at other times).
- Receiving the Annual Treasury Outturn Report.

7.2 Finance, Resources and Partnerships Scrutiny Committee

- Scrutiny of the Treasury Management Strategy prior to submission to Full Council.

7.3 Audit and Risk Committee

- Scrutiny of Treasury Management performance including receiving and reviewing the mid-year report.
- Reviewing the Annual Outturn Report

8.0 Treasury Management role of the Section 151 Officer

8.1 The S151 (responsible) Officer Role

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- Submitting regular treasury management policy reports;
- Submitting budgets and budget variations;
- Receiving and reviewing management information reports;
- Reviewing the performance of the treasury management function;
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- Ensuring the adequacy of internal audit, and liaising with external audit;
- Recommending the appointment of external service providers.

Investment Strategy 2015/16**1.0 Introduction****1.1 Background**

This strategy is compiled according to the DCLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code") It sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments (and finally what return can be obtained consistent with these priorities).

In accordance with the above and in order to minimise the risk to investments, the Council has (in Annex B) clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. Using the advisor's ratings service, bank's ratings are monitored in real time with knowledge of any changes notified electronically as the agencies notify any modifications.

The aim of this strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and avoid the concentration of risk. The intention of the strategy is to provide security of investment and minimisation of risk.

1.2 Possible Revisions to the Strategy

The initial strategy may be replaced with a revised strategy at any time during the year in cases where any treasury management issues (including investment issues) need to be brought to the attention of Full Council.

2.0 Security of Investments**2.1 Specified and Non-Specified Investments**

In accordance with the Investment Guidance, the Council will, in considering the security of proposed investments, follow different procedures according to which of two categories, Specified or Unspecified, the proposed investment falls into.

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:

- The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity);
- Supranational bonds of less than one year's duration;
- A local authority, parish council or community council;
- Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency;
- A body that is considered of a high credit quality (such as a bank or building society).

Non-Specified Investments

These investments are any other type of investment (i.e. not defined as Specified above). If the Council were to consider placing funds in any other type of investment which would be categorised as Non-Specified, the security of the capital sum would be the paramount concern. The same

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requirements as to credit ratings relating to Specified Investments will apply, and in appropriate cases the advice of the Council's treasury management advisors will be sought.

In considering whether it is prudent to place funds for longer than 12 months in 2015/16 and in determining the period of such investment the principles and limits set out under "3.0 Liquidity of Investments" below will apply together with the counterparty listing criteria set out in Annex B.

2.2 Use of Treasury Management Advisor's Creditworthiness Service

This Council uses the creditworthiness service provided by the Council's treasury management advisors. 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;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches, credit outlooks in a weighted scoring system for 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 duration for investments and are therefore referred to as durational bands.

All credit ratings will be monitored on a daily basis. The Council is alerted to changes to ratings of all three agencies through its use of the treasury advisor's creditworthiness service. Further details of the counterparty listing criteria can be seen in Annex B.

2.3 Approved Investment Instruments

The Council has laid down a list of approved investment instruments in the Schedule to Treasury Management Practice 4 (TMP4). These are reproduced below:

Extract from Schedule to TMP 4

"The following types of investments will be permitted, fixed cash deposits, certificates of deposit issued by organisations falling into the categories listed under TMP1 (5), registered British Government Securities (Gilts) and Money Market Funds. Officers of the Council may only invest in Fixed Cash Deposits and Money Market Funds."

Because fund managers are not currently employed this means that investments in 2015/16 will be limited to fixed cash deposits (including deposit accounts and current accounts), money market funds and the Debt Management Account Deposit Facility (DMADF). The DMADF is guaranteed by HM Government and offers investors a flexible and secure facility to supplement their existing range of investment options.

3.0 Liquidity of Investments

3.1 Maximum Investment Periods

The Council will determine the maximum periods for which funds may prudently be committed. Investments will be for whatever period is considered appropriate by officers at the time that the investment is made. Regard will be had to relevant matters such as likely future capital values and the Council's forecast need to realise investments in the future in order to finance capital expenditure or for any other purpose. The principles concerning time limits contained in the Schedule to the Treasury Management Practices will be followed.

There will be a limit placed upon the amount which may be invested for periods in excess of 364

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days. This limit has been set using one of the Prudential Indicators required by the Chartered Institute of Public Finance and Accountancy Prudential Code for Capital Finance in Local Authorities. Investments will be regarded as commencing on the date the commitment to invest is entered into, rather than on the date on which the funds are actually paid over to the Counterparty.

This Prudential Indicator is intended to limit the Council's exposure to the possibility of loss that might arise as a result of it having to seek early repayment of sums invested. It consists of the amount that it is considered prudent to have invested for a period greater than 364 days in each of the next three years. The limits as set out in the table below will apply:

	£000's
Beyond 31/03/15	5,000
Beyond 31/03/16	5,000
Beyond 31/03/17	5,000

It should be noted that in practice the sums available for investment are unlikely to be sufficient to allow amounts of this magnitude to be invested for such extended periods.

4.0 Return on Investments (Yield)

4.1 Current Economic Climate

Due to ongoing global economic uncertainties, investment returns are likely to remain relatively low during 2015/16. Interest rates on Instant access deposit accounts and Notice accounts have previously been more attractive than interest rates being offered by the market. However, banks have now reduced the rates they offer on their instant access and notice accounts.

4.2 Prudent Investments

Priority will be given to the security and liquidity of all investments. Consistent with achieving the proper levels of security and liquidity, the highest rate of return will be sought for any investment made.

5.0 Specific Strategy 2015/16

5.1 Capital Receipts in Hand and Balances Held in Reserves

Amount Available for Investment

It is estimated that the amount of receipts in hand, plus reserve balances, and available for investment at 1 April 2015 will be in the region of £5,000,000.

Period of Investment

This will be determined in accordance with 3.0 (Liquidity of Investments) above.

Forward Commitment

This involves agreeing in advance to place an investment with a borrower at a future specified date at an agreed interest rate. It is done in order to obtain the benefit of what are considered to be better rates than might be available later, when physical funds are likely to be available. No forward commitment has taken place to date in 2014/15. It is possible that forward commitment may be employed in 2015/16 in instances where market conditions warrant it.

Return on Investment

The overriding consideration is safeguarding the Council's capital. At all times the risk to the Council will be minimised. Within these constraints, the aim will be to maximise the return on investments.

5.2 Investment of Money Borrowed in Advance of Need

It is not the Council's intention to undertake any borrowing in advance of need during 2015/16.

5.3 Other Temporary Surpluses

Amount Available for Investment

In addition to the receipts and reserve balances referred to above, the Council will, from time to time, find itself in possession of funds in excess of its immediate requirements. This may occur, for example, if income is received at a faster rate than expenditure is incurred or if grant payments are made to the Council in advance of the expenditure being incurred to which they relate. This is not a permanent state of affairs and the extent to which it will occur and, therefore, the amounts available at any time cannot be predicted.

Prudent financial management dictates that these temporary surpluses should be invested or used to redeem temporary loans if any are outstanding. Such surpluses may be placed in short term deposit accounts and current accounts, or, where the size of the surplus warrants, short term investments will be made in the market.

Capital receipts which arise during the year, as a result of asset sales, will be held in the Capital Receipts Account pending use until the monies are invested. When useable receipts are required to finance capital expenditure, or for any other purpose, the amount will be disinvested and utilised.

Period of Investment

All temporary surplus funds will be invested on a short term basis in order that they will be available for use as and when required. This requirement has been recognised in the calculation of the Prudential Indicator relating to total principal sums invested for periods longer than 364 days set out earlier.

Return on Investment

The aim will be to obtain the maximum rate of return which is available at the time the investment is made with an external body. This must, however, be consistent with the safeguarding of the Council's capital. At all times the risk to the Council will be minimised.

5.4 Current Treasury Management Advisors-view on Interest Rates

Part of the service provided by the Council's treasury management advisors is to assist the Council in the formulation of a view on interest rates; the following gives their view of the Bank of England base rate for financial year ends:

- 31st March 2016 – 1.00%
- 31st March 2017 – 1.50%
- 31st March 2018 – 2.50%

There are negative risks to these forecasts (i.e. increases in Bank Rate occur later) if economic growth weakens. However, should the pace of growth quicken, there could be benefits.

The Council's treasury management advisors suggested budgeted investment earnings rates, for returns on investments placed for periods up to 100 days, during each financial year for the next three years are as follows:

- 2015/16 – 0.90%
- 2016/17 – 1.50%
- 2017/18 – 2.00%

Counterparty Listing Criteria

The Council uses the creditworthiness service provided by the Council's treasury management advisors. 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;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches, credit outlooks in a weighted scoring system for 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 duration for investments and are therefore referred to as durational bands. The Council will therefore use counterparties within the following durational bands:

- Yellow (5 years);
- 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).

The creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue superiority to just one agency's ratings. All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the advisor's 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 (where applicable) against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

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 government support for banks and the credit ratings of that government support. The Council will also consider using other Local Authorities when making fixed investments.

Country Limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide).

Counterparty Limits

In accordance with Treasury Management Practice (TMP) 4 – Approved Instruments, Methods and Techniques, a £7,000,000 counterparty limit will be used during 2015/16. This limit will not apply to the Government's Debt Management Account Deposit Facility offered by the Debt Management Office.

Minimum Revenue Provision Policy**1.0 Background**

- 1.1** In instances whereby Local Authorities have a positive Capital Financing Requirement, they are required to set aside a minimum amount from revenue to fund the repayment of debt, this is known as the Minimum Revenue Provision. This means that the Council would be required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement) through a revenue charge (the Minimum Revenue Provision).

Department of Communities and Local Government (DCLG) Regulations and Guidance have been issued which require the Full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, who can make their own choice, so long as there is a prudent provision.

2.0 Minimum Revenue Provision Policy in respect of Finance Leases

- 2.1** The introduction of International Financial Reporting Standards in 2011/12 resulted in some leases being reclassified as finance leases instead of operating leases. This resulted in a positive Capital Financing Requirement and as such the need to set aside a Minimum Revenue provision.

In accordance with the revised DCLG Guidance this Council will set aside an annual MRP equal to the amount of the lease that has been taken to the Balance Sheet to reduce the finance lease liability i.e. the principal amount of the finance lease. This approach will produce an MRP charge which is the same as Option 3 in the guidance (Asset Life Method – annuity method). The revised guidance aims to ensure that authorities are in the same position as if the change in accounting standards had not occurred.

3.0 Minimum Revenue Provision Policy – Other Capital Expenditure**3.1 Capital Financing Requirement (CFR)**

The Council's Capital Financing Requirement is currently negative. This means that there is no requirement to set aside a MRP for the redemption of external debt. The Prudential Indicator for the CFR, shown at 2.2 in the Treasury Management Strategy, indicates that the CFR will become positive within the period covered by the Strategy. This is based on the assumption that there will be a general overall increase in expected capital expenditure, which cannot be funded from revenue or capital resources. Accordingly, the Council needs to determine the option it will employ to make the necessary MRP in respect of the amount borrowed, if this occurs.

3.2 Option for making Minimum Revenue Provision.

The most appropriate of the four options permitted by the Regulations is Option 3, the Asset Life Method, within which there are two further options, an equal instalment method and an annuity method of which the equal instalment method would be the more appropriate. This provides for the Council to make revenue provision over the estimated life of the asset for which the borrowing is undertaken, in effect the charge will be the amount borrowed in respect of the asset divided by the number of years of estimated life of the asset. It will result in an equal annual amount to be charged as MRP. Accordingly, if any borrowing does take place, this method of calculation of MRP will be used. It should be noted that MRP does not commence until the year following that in which the asset concerned became operational.

Treasury Management – Glossary of Terms

- **Basis Points** – there are 100 basis points to 1%.
- **CDS** – ‘Credit Default Swap’ is an additional assessment of credit worthiness by providing a risk analysis of changes in credit quality as perceived by the market.
- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations.
- **Counterparty** – an institution with whom a borrowing or investment transaction is made.
- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. The main rating agencies are Fitch. Standard and Poor’s and Moody’s.
- **Capital Adjustment Account** – an account that reflects the difference between the costs of fixed assets consumed and the capital financing set aside to pay for them.
- **DCLG** – Department for Communities and Local Government.
- **Deferred Capital Receipts** – these represent amounts derived from the sale of assets which will be received in instalments over agreed periods of time.
- **Depreciation** – the measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
- **DMADF and DMO** – the DMADF is the ‘Debt Management Account Deposit Facility’ which is a highly secure fixed term deposit account with the Debt Management Office, part of Her Majesty’s Treasury.
- **Forward Commitments** - agreeing in advance to place an investment with a borrower at a future specified date at an agreed interest rate.
- **GILTS** – the name given to bonds issued by the UK Government. Gilts are issued bearing interest at a specified rate, however, they are traded on the markets like shares and their value rises or falls accordingly. The ‘yield’ on a gilt is the interest paid divided by the market value of that gilt.
- **IFRS (International Financial Reporting Standards)** – International accounting standards that govern the treatment and reporting of income and expenditure in an organisation’s accounts, which came fully into effect from 1 April 2010.
- **Impairment Charges** – a reduction in the value of a fixed asset below its carrying amount on the balance sheet.
- **Intangible Assets** – non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. Specifically purchased software licenses are included in this category of asset.

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- **iTraxx Benchmark** – iTraxx is the name of a credit default swap index used to inform credit risks. Credit default swap indexes are benchmarks for protecting investors against default, and traders use them to speculate on changes in credit quality.
- **Leasing** - a lease is a contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset.
- **Liquidity** – relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.
- **Money Market Funds (MMF)** – Money Market Funds are investment funds that are invested by a Fund Manager in a wide range of money market instruments. MMF's are monitored by the official ratings agencies and due to many requirements that need to be fulfilled; the funds usually receive the highest quality rating (AAA) so provide minimal risk. They are very flexible and can be withdrawn in the same way as any other call deposit.
- **MRP** – the Minimum Revenue Provision represents the revenue charge for the repayment of debt.
- **PWLB** – the Public Works Loan Board is a statutory board that is run within the UK Debt Management Office (DMO), its function is to lend money to Local Authorities and other prescribed bodies.
- **Revaluation Reserve** – this reserve records unrealised net gains from asset revaluations made after 1 April 2007.
- **Section 151 Officer** – it is a legal requirement that councils must appoint a named accountant to give them financial advice. The accountant in question is usually a chief finance officer, director of finance or treasurer.
- **Supranational Bonds** – bonds issued by institutions such as the European Investment Bank.

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Report to Council 25 February 2015

Capital Strategy

Submitted by Head of Finance

Portfolio Finance and Resources

Wards Affected All

Purpose

To consider and approve the Capital Strategy 2015 to 2019.

Recommendations

- a) That the Capital Strategy be approved.
- b) That in future the Capital Strategy be approved by the Cabinet, without Council approval being required.
- c) That, in respect of recommendation b), Financial Regulation B1 (a) be amended by the deletion of "Capital Strategy" from the list of elements of the policy framework which are to be approved by Full Council and that Procedural Regulation Bf23 be amended by deleting the words in italics below:

Bf23 The Executive Director (Resources and Support Services) shall ensure that a Capital Strategy is produced and revised annually. He shall submit the Strategy to the Cabinet for *consideration and to the Full Council for approval.*

Reason

The Capital Strategy sets out how the Council proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives.

1. Background

1.1 The previous Capital Strategy was approved by the Council on 26 February 2014. It covered the period 2014 to 2018. When Full Council considered revised Financial Regulations on 25 February 2009 it resolved that following discussion by the Cabinet the Capital Strategy be approved by Full Council. The Cabinet have proposed a change to this arrangement in respect of future approval of Capital Strategies, set out in paragraph 3.1.

1.2 The purpose of the Capital Strategy is to set out how the Council proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and stakeholders with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council's revenue budget. It covers

the period 2015 to 2019. It will serve as a useful point of reference when determining or reviewing the Council's Capital Programme.

2. Issues

2.1 The 2015 to 2019 Capital Strategy is appended to this report at Appendix 1.

2.2 The Strategy was considered by Cabinet on 14 January 2015 and is recommended to you for approval. A joint meeting of the Finance, Resources and Partnerships and Economic Development and Enterprise Scrutiny Committees considered the Strategy on 16 December 2014 and raised no issues for consideration by Cabinet.

2.3 Two key reports to Cabinet concerning the Newcastle Capital Investment Programme (Cabinet 5 February 2014) and Funding the Council's Capital Investment Programme (Cabinet 15 October 2014) are included as annexes to the Strategy because they provide extensive background in relation to the Council's current and medium term position with regard to the need to make essential capital investment and to fund that investment. The Cabinet meeting on 12 November considered reports in relation to proposed asset sales as a follow up to the above funding report it approved on 15 October.

2.4 The Newcastle Capital Investment Programme report set out the investment needed over the period spanning 2015/16 to 2018/19 in order to replace or maintain operational assets so that services can continue to be provided in accordance with corporate priorities and to ensure the safety and comfort of customers and staff and to comply with statutory provisions. There is also a need to maintain the stock of investment assets, such as shops and industrial units in order to comply with landlord responsibilities and safeguard future income from these assets. Over the four year period total investment required, grouped into six themed categories, is estimated at £18.859m, as shown in the table below:

Investment Type	2015/16	2016/17	2017/18	2018/19	Totals
	£'000s	£'000s	£'000s	£'000s	£'000s
Improving Housing in the Borough	425	425	425	425	1,700
Investing in community facilities	1,168	835	276	275	2,554
Community centres	314	326	101	208	949
Safeguarding the Borough's heritage	180	578	98	200	1,056
Investing for the future	1,594	1,763	2,342	2,826	8,525
Vehicles and Plant	948	2,302	419	406	4,075
TOTAL	4,629	6,229	3,661	4,340	18,859

The report shows the composition of the totals categorised above by itemising, in separate tables, the individual investment projects needed. It noted that a number of major projected schemes were not included in this estimate, for example the cost of setting up a new waste recycling service through the purchase of vehicles and equipment and alterations to facilities. The addition of some or all of these projects would significantly increase the amount of the investment needed.

2.5 The report highlighted the very significant shortfall in funding available to fund this investment and set out strategies for dealing with this, summarised as follows:

- a) A critical review of all the projected capital expenditure categorising it as essential, desirable, long term etc. and developing a prioritised rating;
- b) Rescheduling of projects being aware of dangers inherent in this such as possibly costing more in the long run, greater likelihood of unexpected breakdown/repairs; perpetuation of inefficiencies, health and safety implications, etc;
- c) Prioritisation of projects;
- d) Looking at opportunities in respect of “invest to save”;
- e) Exploring opportunities for alternative service delivery linked in with the revenue budget and the work being undertaken as part of the Newcastle 2020 project;
- f) working with others in line with the co-operative council agenda;
- g) Assessing any requirement for the use of temporary borrowing to cover shortfalls;
- h) Assessing the use of Reserves to cover shortfalls with Reserves being “repaid” when resources become available (limited by available amounts held in reserves)
- i) Creation of rotating or sinking funds to provide for cyclical replacements;
- j) Evaluating options for leasing of items such as vehicles instead of purchase.

Work is currently in progress to develop and implement these strategies, co-ordinated by the Assets Review Group chaired by the Chief Executive.

2.6 The Funding the Council’s Capital Programme report set out options for funding the capital investment identified in the preceding report. It concluded that the only realistic option to meet investment needs is a systematic programme of surplus land disposal, which will also enable the Council to deliver its policy objective of bringing forward more affordable and social housing by the release of some of its land holdings. The alternative of borrowing to part fund the programme is seen to be a more expensive option owing to the cost of servicing the debt. Accordingly Cabinet resolved: ***“That Cabinet agrees with the principle that the Council, as a first resort, will seek to fund its future known capital programme needs through the annual asset management planning process by the identification of land or property in its ownership that is capable of, and appropriate for, disposal”***.

3. Future Approval of Capital Strategies

3.1 When the Cabinet approved the Capital Strategy at its meeting on 14 January, it also resolved that: *“in the future the Capital Strategy be approved by Cabinet in line with other relevant strategies”*. This means that in future the Capital Strategy will not be approved by Full Council; rather Cabinet will have the power to do so, without further reference to Full Council, in a similar way to other strategies. This requires approval by Full Council as set out at recommendation b).

3.2 If approval is to be by Cabinet, Financial Regulations require amendment to reflect this change, as set out at recommendation c). Financial Regulation B1, which sets out those elements of the Council’s policy framework which shall be approved by the Full Council, requires deletion of the Capital Strategy from this list. Procedural Regulation Bf23 also needs amending to permit approval by Cabinet alone.

4. Financial and Resource Implications

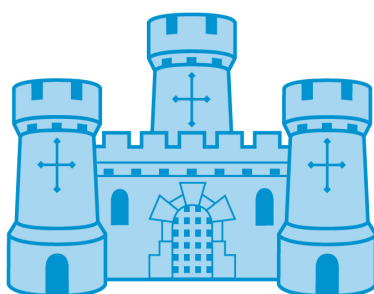
4.1 There are none deriving directly from the Strategy.

5. Appendices

Capital Strategy 2015 to 2019 - Appendix 1.

	<u>Signed</u>	Dated
Financial Implications Discussed and Agreed		
Risk Implications Discussed and Agreed		
Legal Implications Discussed and Agreed		
H.R. Implications Discussed and Agreed		
ICT Implications Discussed and Agreed		
Report Agreed by: Executive Director/ Head of Service		

CAPITAL STRATEGY 2015 to 2019



**NEWCASTLE
UNDER LYME
BOROUGH COUNCIL**

CONTENTS

1. INTRODUCTION

2. KEY OBJECTIVES AND PRIORITIES

3. FACTORS INFLUENCING THE CAPITAL PROGRAMME

4. LINKS WITH OTHER STRATEGIES, POLICIES AND PLANS

5. EXTERNAL INFLUENCES, PARTNERS AND CONSULTATION WITH OTHER INTERESTED PARTIES

6. RESOURCES AVAILABLE TO FINANCE CAPITAL INVESTMENT

7. REVENUE IMPLICATIONS

8. APPRAISAL OF INVESTMENT PROPOSALS

9. MONITORING ARRANGEMENTS AND PROJECT MANAGEMENT

10. STATUTORY FRAMEWORK

11. PROCUREMENT

12. FUTURE CAPITAL PROGRAMME

ANNEXES

A. DEFINITION OF CAPITAL EXPENDITURE

B. CABINET REPORT: THE NEWCASTLE CAPITAL INVESTMENT PROGRAMME

C. CABINET REPORT: FUNDING THE COUNCIL'S CAPITAL PROGRAMME

1. INTRODUCTION

- 1.1 The purpose of the Capital Strategy is to set out how the Council proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and interested parties with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council's revenue budget. It will serve as a useful point of reference when determining or reviewing the Council's Capital Programme.
- 1.2 The Council's current detailed capital investment plan is contained in its Approved Capital Programme. A two year programme was approved by Full Council on 26 February 2014. This programme provides for £7.242m of investment over the two-year period in projects across all of the Council's priority areas, of which £2.238m was programmed to be spent in 2014/15. Since then, programmed expenditure for 2014/15 has been reviewed, resulting in a revised 2014/15 programme of £4.067m being agreed. This takes account of slippage coming forward from 2013/14. and is summarised below, showing the constituent categories of projects:

Project Categories	Planned Expenditure £m
Regeneration, Planning and Town Centres Development	0.805
Housing Related Projects	1.441
Safer Communities	0.040
Culture and Leisure	0.720
Environment and Recycling	0.129
Operational Equipment	0.680
Investment in Technology	0.157
General Projects	0.095
Total	4.067

- 1.3 Full Council will consider a capital programme to continue investment beyond 2014/15 on 25 February 2015.
- 1.4 The Strategy has been prepared against a background of continuing reductions in funding provided to local authorities by central government and its agencies, arising from the need to restrain public expenditure owing to the ongoing economic conditions and to rebalance public finances. At the same time, the Council's own resources available to finance capital projects have reduced to a low level and will need replenishing before any substantial further capital investments can be made. As a result the Council is considering and consulting upon a programme of asset disposals to address this situation. In the interim period, before asset sales can provide these additional resources, the current approved Capital Programme was restricted to cover a two year period, 2013/14 to 2014/15. In 2014/15 this included only £1.039m of new projects funded from the Council's own resources, together with £0.515m additional housing related projects, all funded from the New Homes Bonus. All of these new projects are essential to maintain operational continuity.

2. KEY OBJECTIVES AND PRIORITIES

2.1 The Council's Priorities contained in the Council Plan are:

A Clean, Safe and Sustainable Borough
A Borough of Opportunity
A Healthy and Active Community
A Co-operative Council delivering high quality, community driven services

2.2 Capital investment projects will be included in the Council's Capital Programme on the basis that they address issues arising from one or more of these Priority Areas. An indication is shown against each project in the Programme of the area or areas it addresses.

2.3 New proposals for capital investment will be assessed against the corporate priorities to ensure that they will contribute towards achieving the aims expressed. This assessment will be carried out as part of the appraisal process for new projects.

2.4 The Council will also endeavour, through its programme of capital investment, to maintain its assets to a standard such that they remain fit for purpose, enabling continuity of service delivery. In particular, it will carry out regular surveys of its stock of buildings and structures to ascertain their state of repair and any remedial works which may be necessary. Repair or improvement works arising from such surveys will be carried out subject to the availability of resources and consideration of the role the building plays in service delivery and the need to continue the relevant service in order to contribute to meeting corporate priorities. If a building is no longer required for service delivery, it will either be considered for alternative use by the Council or its partners or disposed of and the proceeds made available for future capital investment in priority areas. All property assets are held to either (i) provide Council services, (ii) provide an investment return or (iii) to further regeneration projects.

2.5 An Assets Review Group has been established, chaired by the Chief Executive. This Group keeps the Council's capital investment strategy under continuous review, including the prioritisation of projects for inclusion in future capital investment programmes over the medium term. Regular reviews of the property portfolio will be carried out by the Group to identify properties or land which could potentially be disposed of, following a consultation process in the case of significant proposals, and a capital receipt obtained from the sale. Mindful of the currently poor market conditions arising from the economic downturn whereby it is possible that significant sales will be slow to arise in the short term, both because of lack of demand and the need to obtain the best sale price, the Group will monitor progress in relation to assets approved for sale.

2.6 Where suitable "Invest to Save" projects can be identified the Council will actively pursue such projects as it recognises the benefits, in the form of reduced costs falling on the General Fund Revenue Account, that can result from such investment.

2.7 The Council will seek, where practicable and economically justifiable, to develop its investment projects having regard to principles of sustainability, for example in relation to materials used and environmentally friendly modes of operation once in use, following construction or purchase.

3. **FACTORS INFLUENCING THE CAPITAL PROGRAMME**

3.1 Projects for inclusion in the capital programme arise from a variety of sources, some of them internally generated and some arising from external factors. The more significant of these can be summarised diagrammatically as follows:

<u>INTERNAL</u>	<u>EXTERNAL</u>
Corporate Priorities, as set out in the Council Plan	Government sponsored programmes, e.g. Disabled Facilities Grants
Investment identified in Strategies, Policies and Plans	Unforeseen Emergency Works
Work needed to maintain Property Assets	Works required to comply with legislation, e.g. re disabled access, health and safety
Vehicles, Plant and Equipment replacement needs	Projects resulting from Partnership Activity
ICT Investment and Replacement	Availability of External Funding
Invest to Save Projects	Public expectation that works should be carried out

These are discussed in greater detail in Sections 4 and 5 below

4. **LINKS WITH OTHER STRATEGIES, POLICIES AND PLANS**

4.1 As well as the Council Plan and the Capital Programme the Capital Strategy has clear links to many other strategies, policies and plans, the most significant of which are shown in the following table:

Key Strategies
Economic Development Strategy
Health and Wellbeing Strategy
Stronger and Safer Communities Strategy
Other Strategies
Asset Management Strategy
Medium Term Financial Strategy
Service and Financial Plans
Procurement Strategy
North Staffs Green Spaces Strategy
Co-Operative Strategy
Private Sector Housing Renewal Strategy
Housing Strategy
Arts and Cultural Strategy
Customer Access Strategy
Energy Efficiency and Climate Change Strategy and Carbon Reduction Plan
Treasury Management Strategy
Sustainable Community Strategy
North Staffs Core Spatial Strategy

- 4.2 An important link is to the Asset Management Strategy (AMS) in that many capital investment projects are related to the Council's fixed assets, such as its stock of buildings. Needs and priorities identified in the AMS will require consideration for inclusion in the Council's Capital Programme and have wider financial consequences. Equally important is the opportunity to generate capital receipts from the disposal of land/property where there is no current or likely future operational need.
- 4.3 The Medium Term Financial Strategy will take account of the revenue effect of capital investment.
- 4.4 Appraisal, procurement and management of capital projects needs to be carried out with regard to the objectives and methodologies and the principles and practices set out in the Procurement Strategy.
- 4.5 The various service based strategies will inform the Council's capital investment process through their identification of areas for action and of priorities within individual service areas.
- 4.6 The Treasury Management Strategy needs to reflect planned capital spend, particularly with regard to setting limits for tying up money over the longer term and the limits relating to the amount of permitted borrowing.
- 4.7 In addition the Capital Strategy will be influenced by the results of any Service Reviews which have been carried out by the Council, either as part of the budget preparation process or as one-off exercises. Where these reviews identify areas of service which are to be discontinued, this may give rise to assets which will be available for disposal and possibly generate a capital receipt which will be available for funding further capital investment. Alternatively reviews may identify areas for investment, including potential "invest to save" projects, some of which may be capital investment.

5. EXTERNAL INFLUENCES, PARTNERS AND CONSULTATION WITH OTHER INTERESTED PARTIES

- 5.1 The Council's capital investment plans are influenced by a number of external parties and factors: central government and its agencies, legislation requiring capital works, partner organisations, businesses, developers and by the needs and views of other interested parties, particularly those of Borough residents.
- 5.2 Government sponsored initiatives and programmes will influence the projects which the Council will include in its capital investment plans. In particular, its Housing Investment Programme in which the Council participates with regard to Disabled Facilities Grants is a major area of investment where funding is provided by Government to meet a proportion of the costs of some of these activities. This funding currently consists mainly of grant payments to partially meet the cost of disabled facilities grants payable to eligible applicants. From 2015/16 grant funding for disabled facilities grants will no longer be provided by the government but will come from the new Staffordshire Bettercare Fund. Whilst the 2015/16 grant is set at similar levels to previously, there is no guarantee that these historic levels will be maintained in later years now that the Council is competing with other health related needs and organisations for funding from the whole Bettercare funding pot within Staffordshire.
- 5.3 Where it may be required by legislation to carry out works of a capital nature, such as to comply with the Disablement Disability Act or Health and Safety requirements, or anti-pollution regulations, the Council will consider the most effective way to discharge its

obligations and appropriate provision will be made in its Capital Programme once it has determined that it shall carry out the necessary work and that this should be capitalised.

- 5.4 The Council works with a wide range of partners from the public, private, voluntary and community sectors, all of which have an influence over its spending priorities. Relationships with partners, including those concerning capital matters, will be governed by the Council's Partnerships Code of Practice. Wherever possible the Council will seek to work in partnership with others to deliver its capital investment programme in order to provide facilities which meet its own and partners needs. When working with the private sector, the objective will be to maximise the benefits to the Council and the community from any projects, both in terms of outputs and in relation to obtaining funding for the project.
- 5.5 The Council is a participant in the Local Strategic Partnership (LSP) and will have regard to the content of its Sustainable Community Strategy together with any other elements of the partnership which relate to capital investment and may be able to use the capital programme as a means of fulfilling some of its obligations to the LSP.
- 5.6 Projects for consideration for inclusion in the Capital Programme may arise from the Council's participation in the Staffordshire and Stoke on Trent Local Enterprise Partnership (LEP) or similar sub-regional partnerships which seek to stimulate economic growth.
- 5.7 The Council has established a Town Centre Partnership, together with relevant parties such as representatives of retailers and businesses in the town centres of Newcastle and Kidsgrove. The partnership may identify proposals for town centre improvements which could place demands upon future capital programmes where such works align with the Council's economic development objectives. It may also present an opportunity for costs to be shared between the parties likely to benefit from their implementation.
- 5.8 The availability of external funding will also influence the projects which the Council will include in its capital investment plans. This is referred to in the following section of the Strategy.
- 5.9 Regard will be had to the Council's obligations under Disabled Access requirements in putting forward proposals for capital investment and in the design of any facilities which are proposed.
- 5.10 Wherever possible the principles of financial and environmental sustainability will be incorporated into any capital projects.

6. RESOURCES AVAILABLE TO FINANCE CAPITAL INVESTMENT

- 6.1 The following diagram shows the main sources of funding which are available to the Council to finance its capital investment. Individual projects may be financed solely by one of these or by a combination of a number of them.

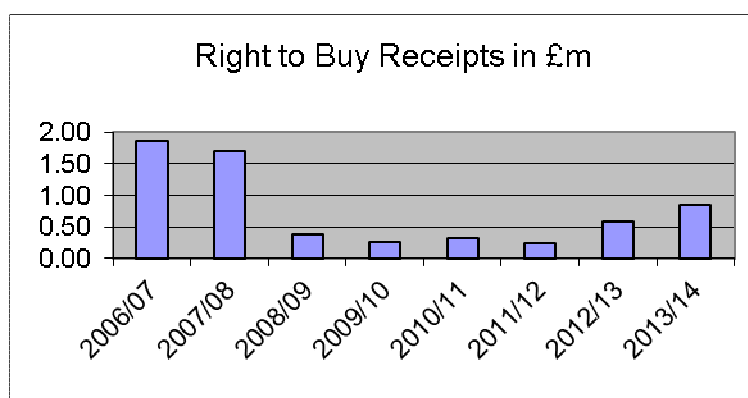
INTERNAL	EXTERNAL
Capital Receipts in Hand	Government Grants
Reserves	Other Grants, e.g. Heritage Lottery Fund
Contribution from Revenue Account	New Capital Receipts from Asset Sales
	Contributions from Partners
	Other Contributions
	Borrowing
	Private Finance Initiative or Similar

Lighter shades indicate sources which are not currently used

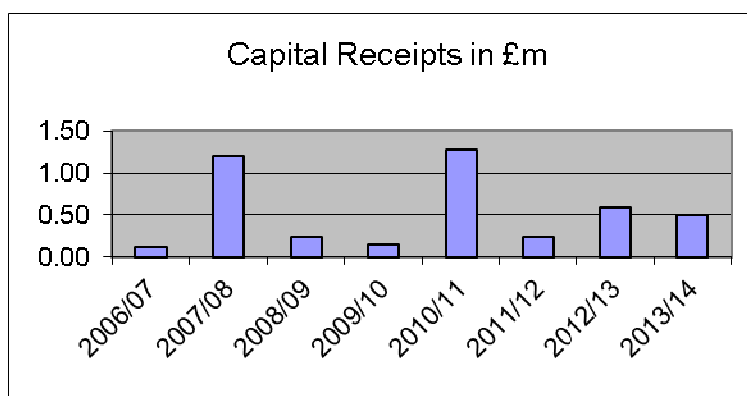
More details of these funding sources are given in the following paragraphs.

6.2 Capital Receipts have been the major source of funding for the Capital Programme in recent years. The amount of useable capital receipts in hand at 1 April 2014 was £3.4m. The majority of capital receipts are committed to finance the currently approved Capital Programme. Additional capital projects may be financed from capital receipts obtained by asset sales or other new capital streams.

6.3 A previously significant source of capital receipts has been the Council's continuing right to a share of receipts arising from tenants of Aspire Housing under the Right to Buy legislation. However, Right to Buy sales have diminished from historically high levels, as shown in the chart below, both because of the present depressed property market and there being fewer potential purchasers as time goes by. There was a small increase in sales in 2012/13, which trend continued in 2013/14, probably arising from government changes to the rules governing sales and the improving property market.



6.4 In addition there are usually some small receipts from the sale of minor pieces of land or property but these are unlikely to be significant in amount over the next few years. Indeed, as may be seen from the chart below, capital receipts from sales of land and property (including covenant release payments) have been relatively modest in recent times.



- 6.5 The ICT Development Fund is specifically earmarked for meeting the costs of ICT development, both capital and revenue. The balance on the Fund at 1 April 2014 was £0.3m. This balance is fully committed to financing projects included in the current ICT Development Programme plus certain ongoing revenue costs. Accordingly, the revenue budget provides for an annual contribution of £0.05m to be made to the Fund in order to replenish it. There are no other reserves currently available to finance capital investment.
- 6.6 The use of capital receipts and reserves to finance new capital projects has an effect upon investment income receipts and hence the General Fund Revenue Account. At current investment interest rates of around 0.5%, every £100,000 of such capital receipts or reserve balances used will cost £500 to the revenue account on an ongoing basis. The use of capital receipts and reserves to finance the Capital Programme 2013/14 to 2014/15 was taken account of in the Medium Term Financial Strategy and in the 2014/15 Revenue Budget. Any receipts generated from the sale of assets will be invested until they are required to finance capital expenditure.
- 6.7 Wherever Government grants are available to meet all or part of the cost of capital projects the Council will ensure that these are applied for and used to maximise the amount of investment which can be made and the benefit which will result from that investment. Currently Council policy is to apply New Homes Bonus grant partly in support of the revenue budget and partly to finance housing capital projects included in the housing investment element of the capital programme, the respective proportions depending on the relative needs of the capital programme and revenue budget.
- 6.8 Wherever possible and appropriate, funding will be sought towards the cost of capital projects from external parties. These will include property developers, government agencies, funding from the European Union (normally channelled via a UK Government Department), funding bodies such as the National Lottery or the Football Foundation, and partner organisations that may join with the Council to bring forward particular projects of mutual benefit. In the current climate, however, the Council may find such sources of funding to be limited compared with previous years.
- 6.9 There remains the potential for the Council to introduce a Community Infrastructure Levy. This may provide funding for capital investment required as a result of a development taking place, for example new roads or footpaths. It will partially replace "Section 106" contributions payable by developers as a condition of being granted planning permission.
- 6.10 As a result of changes to the treatment of business rates collected by councils (as implemented by the Local Government Finance Act 2012), which allow part of the amount collected to be retained by them, a Stoke on Trent and Staffordshire Business Rates Pool has been established to pool retained rates relating to a number of Staffordshire authorities, including Newcastle Borough Council. This has benefits with regard to maximising the total amount retained, with the additional amount gained by pooling being available to participating authorities in a number of ways. One of the

features of the pooling arrangement is the establishment of an investment fund to finance projects which will contribute to economic regeneration within the areas of the participating authorities.

- 6.11 The Council is presently debt free, having no long term loans outstanding. Its current policy, expressed in its Treasury Management Strategy for 2014/15, approved by Council on 26 February 2014, is that it is not intended to utilise borrowing to fund the capital programme in view of the Council currently possessing sufficient reserves and useable capital receipts to finance capital expenditure from those sources. It is stated that borrowing may become an option in future years if these resources become sufficiently depleted that they are insufficient to finance proposed capital expenditure and, if the costs of borrowing compare favourably with those of alternatives such as using unapplied capital receipts, i.e. if in fact there is a sufficient business case to do so. It is possible that for a period of time during the span of the Capital Strategy capital resources will be depleted to the extent that they are insufficient to finance further significant capital investment, including projects necessary to ensure operational continuity. In considering the "Funding the Council's Capital Programme" report (see Annex C) on 15 October 2014, the Cabinet resolved that known capital programme needs will in the first resort be met through the proceeds of land disposal.
- 6.12 There is no intention to charge any capital investment directly to the General Fund Revenue Account.
- 6.13 The Council does not presently intend to consider the use of Private Finance Initiative type arrangements or tax increment financing to meet the cost of capital investment.
- 6.14 The Executive Director (Resources and Support Services) will prepare estimates of the resources which are presently in hand plus those likely to be available in future to finance capital investment. He will keep these estimates up to date and periodically report upon them to Cabinet and Council, particularly when the Capital Programme is being considered. The Council will decide on the appropriate form of financing for projects included in the Capital Programme based on advice from the Executive Director as to availability and the consequences and costs of use of the various options.
- 6.15 The need to have available liquid funds to be used to pay for capital projects will be borne in mind when drawing up the Council's Treasury Management Strategy. An appropriate limit will be placed on long term investments based on predictions of the capital spending profile over the period covered by the Strategy so that there are likely to be enough readily available easily cashable investments to meet requirements.

7. REVENUE IMPLICATIONS

- 7.1 The impact, if any, upon the General Fund Revenue Account, which will arise from capital investment proposals will be calculated and considered at the time projects are placed before Cabinet or Full Council for inclusion in the Approved Capital Programme or for specific approval. Such impact may be in the form of reduced interest receipts, where projects are to be financed from capital receipts or reserves, borrowing costs, if loan finance is to be employed, or additional running costs arising from the provision of a new or altered facility. Offset against these costs will be any savings which might accrue, for example from "invest to save" projects.
- 7.2 In accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital, which the Council has adopted, the incremental impact of the Capital Programme will be calculated and considered when that programme is placed before Full Council for approval, in February each year.

7.3 The Council will always have regard to the affordability of its proposed capital investments, in terms of the revenue implications arising.

7.4 The revenue implications of the capital programme will be taken account of in the Council's Medium Term Financial Strategy.

8. APPRAISAL OF INVESTMENT PROPOSALS

8.1 In accordance with the Council's Financial Regulations proposals for new capital investment estimated to cost more than £20,000 will be subject to an appraisal process, whereby a business case will be made out for the proposal, considering its contribution towards meeting corporate objectives and service priorities, its outputs and milestones, its cost and sources of and its effect, if any, upon the revenue budget in future years. Less significant projects costing below £20,000 will be subject to a simplified process. All new capital investment proposals must be appraised by the Capital Programme Review Group prior to specific Cabinet approval being requested. Before any project may be commenced Specific Cabinet approval must be obtained and the project must be included in the Approved Capital Programme, after considering its priority relative to other proposed projects and the overall level of resources available to fund the Capital Programme as a whole.

8.2 A Risk Assessment, in the approved corporate format, will be completed for all capital projects subject to the Benefits Management Model process.

9. MONITORING ARRANGEMENTS AND PROJECT MANAGEMENT

9.1 Progress in relation to individual projects will be monitored through the Council's arrangements for the monitoring of capital projects, which entail quarterly monitoring reports to be received by the Cabinet. The Capital Programme Review Group will also review project progress and corrective action will be initiated where projects fall behind schedule, appear likely to overspend or otherwise give cause for concern. Individual Project Forms will be maintained in respect of each project by the Executive Director (Resources and Support Services) which will track the progress of projects and be available to officers and members with an interest in reviewing progress of those projects.

9.2 All projects will be assigned to a named officer who will be responsible for overseeing the project, including project monitoring and control and implementing exception reports and, where appropriate, corrective action if the project deviates from its planned progress or cost.

9.3 Where complex major projects are to be carried out, consideration will be given to employing the Prince2 project management methodology.

9.4 All capital projects will be subject to Internal Audit review to ensure correct procedures have been followed and sums have been paid out in accordance with Financial Regulations and Standing Orders as they relate to contracts. Where projects have received funding from government or quasi-governmental sources, the expenditure will also be subject in many cases to external audit. European Union funded projects may also be subject to audit by auditors on behalf of that body. Where monitoring returns or claims for reimbursement of expenditure are required to be sent to funding bodies, these will be completed and forwarded promptly to the relevant body in compliance with any deadlines laid down by them.

9.5 All capital investment proposals and project progress and management are subject to the Council's scrutiny arrangements.

10. STATUTORY FRAMEWORK

10.1 The Council's capital investment is carried out within the statutory framework laid down by the Local Government Act 2003 and regulations under that Act. Accordingly, only expenditure which fits the definition of capital expenditure contained in the Act or Regulations pursuant to it will be capitalised.

10.2 Capital expenditure is defined by the 2003 Act as that which falls to be capitalised in accordance with proper practices, which means in accordance with the Code of Practice on Local Authority Accounting, published by the Chartered Institute of Public Finance and Accountancy (CIPFA), applicable to all local authorities. Annex A sets out a summarised version of the definition provided by the Code. In addition there are a number of other types of expenditure that have been defined by Regulations as being treatable as capital in nature. Generally these do not apply to this Council.

10.3 It should be noted that the Act and Regulations are framed in a permissive way, allowing local authorities to capitalise expenditure which fits the definition but not forcing them to capitalise such expenditure. The Council will decide, therefore, whether to include a project meeting the capital definition in its capital programme or to meet its cost from a revenue account.

10.4 The Council does not set a minimum amount for the capitalisation of expenditure (de minimis level). Accordingly, any expenditure complying with the above definition may be capitalised.

10.5 Capital Finance Regulations stipulate that amounts of less than £10,000 may not be treated as capital receipts. Accordingly, any such sums received, although otherwise capital in nature, will be credited to a revenue account.

11. PROCUREMENT

11.1 Regard will be had to the contents of the Council's Procurement Strategy when considering the delivery of capital projects.

11.2 Where estimated project contract costs exceed the relevant European Union threshold, the appropriate EU tendering procedures will be followed.

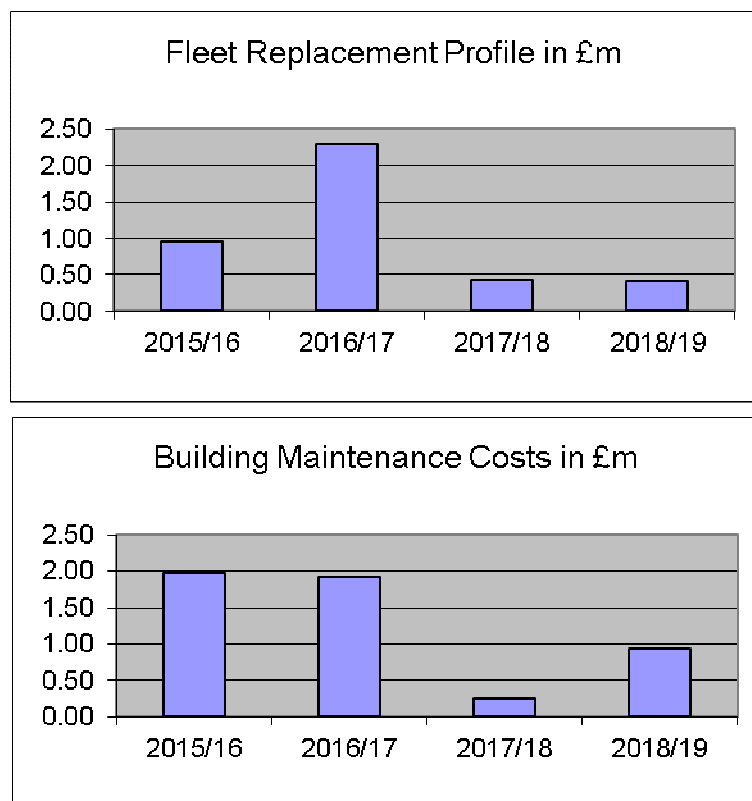
11.3 Standing Orders relating to contracts will apply to all contracts proposed to be let in relation to capital projects, together with Financial Regulations and the provisions of the Council's scheme of Delegation.

11.4 The achievement of Value for Money will be a guiding principle in the procurement of capital works and services and in managing contracts.

12. FUTURE CAPITAL PROGRAMME

12.1 During the period covered by this Strategy, there will be a need for some items of capital investment to be made in order to ensure continued service delivery or to comply with statutory requirements or to ensure health and safety of staff and public. Examples of these include: operational building repairs and maintenance; replacement of vehicles, plant and equipment required to deliver services; disabled facilities grants.

12.2 The following charts illustrate the scale of expenditure which the Council will need to fund over the next few years, in respect of fleet replacement, where existing items reach the end of their allotted life and in respect of operational building maintenance works, based on stock condition surveys carried out.



It may be possible to extend the lives of some of the vehicles, if they are in a fit condition when their replacement date is reached. Similarly some of the maintenance/improvement works to the Council's operational properties may be capable of being deferred; periodic stock condition surveys will inform any decisions in this regard. Additionally, some properties may be deemed surplus to operational requirements and eligible for disposal in their current condition.

12.3 In addition to the essential works outlined in paragraph 12.2, there are significant amounts of expenditure which need to be incurred:

- in respect of the commercial portfolio in order to keep properties in a state of repair such as to continue to obtain a reasonable rental income.
- to maintain various engineering structures such as walls, bridges, drains, and reservoirs to ensure safety to the public

Over the period 2015/16 to 2018/19 it is estimated that £3.47m (commercial properties) and £2.10m (engineering structures) need to be spent.

12.4 Funding for additional projects not essential to operational continuity will depend on capital receipts from asset sales. Reports concerning proposed asset sales were considered and recommendations approved by the Cabinet on 12 November 2014.

12.5 Work is ongoing to compile a basic programme containing those projects which it can be foreseen will be necessary to ensure service delivery or to comply with statutory requirements or ensure health and safety. The programme will also contain projects

which are fully funded by external parties and which meet corporate priorities. The overall size of the programme will be determined by the resources estimated to be available to fund it.

12.6 It will be essential to apply a robust prioritisation process to determine which projects are included in the capital programme and are subsequently proceeded with. No projects should be considered in isolation. They must be required to be measured against all other competing projects to determine which should go forward. This process should also apply to any projects which are proposed subsequent to the approval of the programme, to ensure that only those projects with a high priority are proceeded with and funds are not diverted to projects of a lesser priority.

12.7 Funding for this basic programme is likely to be available to some extent from the following sources:

- Further capital receipts from asset sales
- Right to Buy capital receipts
- Government grants
- Other external contributions

All of the above funding sources are likely to be limited so the programme can only include affordable basic projects.

12.8 Current estimates of the amount required to be invested in projects to ensure continued service delivery compared with forecasts of likely receipts from asset sales and other available resources indicate that there may be insufficient resources available to fund all of these requirements in the short term. If significant sales of assets cannot be achieved within this timeframe, the Council may have to review its stance with regard to borrowing, if this proves to be the only practical means of funding necessary investment, particularly if a major unforeseen item of capital expenditure were to materialise, for example major repairs to enable an operational building to continue to be used or new legislation requiring capital spending.

12.9 The Cabinet considered two reports concerning the Council's capital investment needs over the period 2015/16 to 2018/19 and how the consequent expenditure could be funded. Owing to the significance of these reports and as an aid in understanding the detailed issues they have been included as annexes to the Capital Strategy, as follows:

- Annex B: The Newcastle Capital Investment Programme (Cabinet 5 February 2014);
- Annex C: Funding the Council's Capital Programme (Cabinet 15 October 2014)

In summary, the first report set out the investment needed over the four year period 2015/16 to 2018/19, totalling an estimated £18.859m, in order to maintain service continuity and for health and safety reasons and to safeguard income from the commercial portfolio. It highlights the very significant shortfall in resources available to finance this investment and sets out a number of strategies for dealing with this. The second report set out options for funding the capital investment identified in the first report. It concluded that the only realistic option to meet investment needs is a systematic programme of surplus land disposal, which will also enable the Council to deliver its policy objective of bringing forward more affordable and social housing by the release of some of its land holdings. The alternative of borrowing to part fund the programme is seen to be a more expensive option owing to the cost of servicing the debt. Accordingly Cabinet resolved: "That Cabinet agrees with the principle that the Council, as a first resort, will seek to fund its future known capital programme needs through the annual asset management planning process by the identification of land or property in its ownership that is capable of and appropriate for disposal".

**DEFINITION OF CAPITAL EXPENDITURE INCLUDED IN THE CODE OF PRACTICE ON
LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM**

All expenditure that can be directly attributed to the acquisition, creation or enhancement of items of property, plant and equipment or the acquisition of rights over certain longer-term intangible benefits is accounted for on an accruals basis and capitalised as a non-current asset. It must be probable that the future economic benefits or service potential associated with the item will flow to the Council - the Council does not have to own the item but it must be more than likely that it has gained the right to use the item in the provision of services or to generate cash from it. In addition it must be possible to measure the cost of the item reliably.

Expenditure that should be capitalised will include expenditure on the:

- Acquisition, reclamation or laying out of land
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels

In this context, the definition of enhancement contained in the previous Code of Practice (SORP) is still applicable and means the carrying out of works which are intended to:

- Lengthen substantially the useful life of the asset, or
- Increase substantially the market value of the asset, or
- Increase substantially the extent to which the asset can or will be used for the purpose or in conjunction with the functions of the local authority concerned.

Under this definition, improvement works and structural repairs should be capitalised, whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance should be recognised in the revenue account as it is incurred. Expenditure on existing fixed assets should be capitalised in three circumstances:

- Enhancement - see above
- Where a component of the fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful life is replaced or restored
- Where the subsequent expenditure relates to a major inspection or overhaul of a fixed asset that restores the benefits of the asset that have been consumed by the authority and have already been reflected in depreciation

Assets acquired on terms meeting the definition of a finance lease should be capitalised and included together with a liability to pay future rentals.

Where an asset is acquired for other than cash consideration or where payment is deferred the asset should be recognised and included in the balance sheet at fair value.

CABINET REPORT 5 FEBRUARY 2014 “THE NEWCASTLE CAPITAL INVESTMENT PROGRAMME”

THE NEWCASTLE CAPITAL INVESTMENT PROGRAMME

Submitted by: Executive Management Team

Portfolio: Finance and Resources; Economic Development and Town Centres

Ward(s) affected: All

Purpose of the Report

To review the projected capital expenditure requirements over the four year period 2015/16 to 2018/19 and the resources likely to be available to finance this expenditure. To develop a number of different strategies to deal with these financial challenges.

Recommendations

(a) That the contents of the report and appendix be noted.

(b) That strategies are developed to find solutions to meet the financial challenges in respect of the medium term capital expenditure requirements.

(c) That consideration is given to the formulation of a cabinet panel to develop and oversee the process required.

Reasons

The Council needs to be aware of future capital commitments over the medium term and whether it will have the resources available to finance them and to consider all available options in respect of its assets and future liabilities associated with them.

1. Background

- 1.1 At its meeting on 15 January 2014 the Cabinet approved the Asset Management Strategy and recommended the Capital Strategy for approval at the full Council meeting on 26 February. This report seeks to bring together the two documents in developing the detailed strategies in delivering the Council’s objectives in the medium term. The Council has an ongoing need to incur capital expenditure in order to replace or maintain its operational assets so that services can continue to be provided in accordance with corporate priorities and to ensure the safety and comfort of customers and staff and to comply with statutory provisions. It also needs to maintain its stock of investment assets, such as shops and industrial units in order to comply with its landlord responsibilities and safeguard future income from these assets.
- 1.2 There are currently very limited resources available to finance capital expenditure. A part of the annual New Homes Bonus grant (£0.515m in 2014/15) is presently used to finance housing capital activities, principally disabled facilities grants, in excess of other grant funding. With the exception of the ICT Development Fund, which is fully committed to financing ICT development and replacement of essential ICT systems, all of the Council’s capital reserves have been used. Capital receipts will, therefore, be the main source of funding for future capital requirements. Following the use of £0.954m of receipts to fund new projects included in the 2014/15 capital programme,

there will remain only £0.700m of receipts available for future use and it is prudent to keep this as a contingent sum for emergency situations. Continued capital investment, therefore, is largely dependent upon generating further capital receipts in the quantities, and at the time, required.

2. **Issues**

2.1 Based on current information eg service demands, recent stock condition surveys etc. the attached Appendix sets out projected capital expenditure requirements of £18.859m over the period 2015/16 to 2018/19. The expenditure is that which is considered necessary to:

- enable the Council to continue to provide its services in accordance with corporate priorities and/or approved strategies eg. vehicles and plant, repairs to operational buildings;
- fulfil its environmental and heritage responsibilities;
- comply with legislation, e.g. health and safety, disabled facilities grants;
- maintain its income from its investment properties, eg. shops, offices, industrial units

2.2 All of this expenditure will have to be financed by the Council itself from its own resources, since it is not anticipated that it will be funded by external bodies, or it is expenditure required over and above any likely external contribution, for example in respect of disabled facilities grants. It should be borne in mind that these estimates represent the minimum amounts that the Council is required to spend – or is likely to have to spend.

2.3 With the exception of some of the projects included in the “Investing in Community Facilities” section it does not include the provision of new facilities or other development expenditure, for example, in respect of economic development activities or a modern leisure facility in Kidsgrove (to replace the out-dated facility provided at Clough Hall School). The facility is currently managed by the Borough Council on behalf of Staffordshire County Council and Clough Hall School. An ambitious plan for a comprehensive replacement of the facility has been discussed by both councils which would see the investment of new capital monies to replace the leisure centre. An outline business case has indicated that both councils can reduce their revenue cost liability by investing in a new facility although this will require the necessary capital funding package to be assembled. The current estimates are £4.75m for a refurbishment and £7.75m for a replacement. It is hoped that both the County Council and Sport England will contribute to these costs but any amount that the Borough Council has to fund will be in addition to the £19m of expenditure identified in the attached appendix.

2.4 Similarly, if the Council wished to invest in the Museum with a view to it being in a condition where it would be feasible to transfer it to a Trust in 5 years’ time, this could require an investment of around £3.5m. Funding towards this would be sought from the Lottery Fund but any Borough Council funding would again add to the figures already outlined.

3. **Funding**

3.1 As highlighted in paragraph 1.2, capital resources are currently very limited. Councils fund capital expenditure in a number of ways. As significant owners and users of land and buildings, councils carry out regular reviews of their assets and make decisions about which are surplus to their needs. The Audit Commission has produced a number of studies on councils’ stewardship of assets and recommends that councils

keep their assets under review. In Newcastle a comprehensive asset management system is operated and through the annual Asset Management Strategy land and property is identified for disposal. The majority of councils fund their capital development requirements through the disposal of surplus assets. Where there is a shortfall of available assets to dispose of, councils will use borrowing as the alternative mechanism for funding capital development. Councils may also use grant funding from a range of sources to supplement their own capital funding for particular schemes.

- 3.2 Cabinet approved the marketing for sale of a number of sites at its meeting on 15 January 2014, which could realise receipts of up to £8.000m. Between now and 31 March 2019 other sites or assets will have to be approved for sale and opportunities may arise to realise receipts from one-off sales. It may take some time for this activity to result in actual receipts being received and in the meantime there may be urgent works which need to be carried out. However, these receipts are essential to fund the items in the Appendix to the benefit of the Borough.
- 3.3 Contributions towards the cost of capital projects may be obtained from partner organisations or from other bodies or via Section 106 Planning payments or, in future, the Community Infrastructure Levy. These are, however, unlikely to be towards the cost of projects concerned with maintaining the operational capability of the Council and any such projects are likely to be additional to those included in the tables contained in the Appendix and funded entirely, or almost so, from such external contributions. It is not anticipated that there will be any significant amount of external funding forthcoming in respect of any of the projects included in the Appendix.

4 Development of Strategies and Actions

- 4.1 Strategies and actions are required for dealing with the possible shortfall of resources to meet the cost of the projected capital expenditure contained within the Appendix. These should encompass the following:
- A critical review of all the projected capital expenditure detailed in the Appendix categorising expenditure as essential, desirable, long term etc. and developing a prioritised rating;
 - Rescheduling of projects being aware of dangers inherent in this such as possibly costing more in the long run, greater likelihood of unexpected breakdown/repairs; perpetuation of inefficiencies, health and safety implications, etc;
 - Prioritisation of projects;
 - Looking at opportunities in respect of “invest to save”;
 - Exploring opportunities for alternative service delivery linked in with the revenue budget and the work being undertaken as part of the Newcastle 2020 project;
 - Seeking opportunities of working with others embracing one of the Council’s priorities of a co-operative council;
 - Assessing any requirement for the use of temporary borrowing to cover shortfalls;
 - Assessing any requirement for the use of Reserves to cover shortfalls with Reserves being “repaid” when resources become available (limited by availability of and amounts held in reserves)
 - Creation of rotating or sinking funds to provide for cyclical replacements eg vehicles;
 - Evaluating options for the leasing of items such as vehicles as an alternative to capital purchase.

- 4.2 It is proposed that the Assets Review Group, comprising officers from a variety of asset related disciplines, which is attended by the Cabinet Portfolio Holder for Economic Development, Regeneration and Town Centres, should develop these strategies and that Cabinet gives consideration to the formulation of a Cabinet Panel to develop and oversee the process required.

5 Financial and Resource Implications

- 5.1 These are set out throughout this report and in the attached Appendix.

6 Major Risks

- 6.1 The overall risk is that insufficient resources will be available to finance the capital expenditure needed over the period, with a secondary risk that resources, particularly capital receipts, may not match the timing of the expenditure.

- 6.2 If projects set out in the Appendix are not carried out a number of risks may arise, depending upon which projects are concerned:

- Service continuity suffers or service may not be able to be provided at all;
- Customers, staff and the general public are exposed to unacceptable health and safety risks, e.g from unsafe buildings and structures;
- Council fails to fulfil its statutory responsibilities;
- Council fails to meet its legal obligations, e.g. with regard to property leases;
- Income is lost because commercial properties become unlettable or cannot obtain acceptable rentals.

7 List of Appendices

Appendix - . Newcastle Capital Investment Programme 2015/16 to 2018/19.

The Newcastle Capital Investment Programme



The Council's capital expenditure requirements can be split over a number of different headings, namely:

Improving Housing in the Borough
Investing in Community Facilities
Community Centres
Safeguarding the Borough's Heritage
Investing for the Future
Vehicles and Plant

Improving Housing in the Borough

The Council has statutory duties relating to housing provision and management. It has historically allocated significant sums in its capital programme to undertake a range of activities to support these objectives. Over the next five years the council wishes to deliver a range of programmes to continue to deliver affordable housing for people in the Borough, to ensure that private rented stock is maintained in a good condition and that support is provided to the most vulnerable households in the community. This will continue to require support through capital investment to enable the Council to allocate resources to the following areas.

Scheme	Timescale	£'000s
Disabled facilities grants - expenditure in excess of grant from government	£300k each year 2015/16 - 2018/19	1,200
Warm zone affordable warmth	£30k each year 2015/16 - 2018/19	120
Emergency Repair Assistance	£50k each year 2015/16 - 2018/19	200
Empty Homes	£20k each year 2015/16 - 2018/19	80
Home Improvement Agency	£20k each year 2015/16 - 2018/19	80
Landlord Accreditation	£5k each year 2015/16 - 2018/19	20
Total		1,700

Investing in Community Facilities

The Borough Council manages a large number of parks and open spaces. These facilities are valued greatly by the community and are significant resources for formal and informal recreation. Continuing to invest in the parks and open spaces and the facilities within them makes a considerable demand upon the council's capital programme. Officers have formulated a programme of works – should resources be available - relating to each of the major parks and open spaces which will maintain a good standard of recreational amenity of these facilities.

Parks and Open Spaces	Timescale	£'000s
Footpath Repairs	£75k each year 2015/16 - 2018/19	300
Play Area Refurbishment	£75k each year 2015/16 - 2018/19	300
Railing/Structures Repairs	£50k each year 2015/16 - 2018/19	200
Queen Elizabeth Park/Castle Motte	2015/16	100
Tree Preservation Order	£50k 2015/16, £25k p.a thereafter	125
The Wammy Neighbourhood Park	2015/16	25
Chesterton Park	2015/16	50
Pool Dam LNR	2015/16	25
Lyme Brook Greenway	2015/16	300
Kingsbridge Avenue	2015/16	50
Bradwell Lodge	2015/16	50
Bradwell Woods	2015/16	25
Thistleberry Parkway	2015/16	10
Bateswood LNR	2015/16	10
Westomley Wood	2015/16	50
Westlands Sports Ground	2015/16 - 2016/17	100
Silverdale Park	2015/16	50
Bathpool Park	2015/16	25
Wye Road District Park	2016/17	500
Clough Hall Park	2015/16	50
Memorial Survey	£10k each year 2015/16 - 2018/19	40
Alexandra Road Changing Rooms Wolstanton	2015/16	22
Silverdale Park Pavilion	2016/17	17
Ski Slope car park and path replacements	2015/16	14
Birchenwood Sports Complex - pavilion shower replacement and tiling	2016/17	21
Queen Elizabeth park - door and frame replacements	2016/17	12
Westlands Sports Ground - treatment of bowls pavilion	2015/16	3
Clough Hall Park – Pavilion roof repairs, repointing and path repairs	2017/18 - 2018/19	23
Chesterton Park Pavilion - minor refurb	2018/19	14
Bradwell Park - toilets repairs and minor refurb pavilion	2018/19	12
Westlands Sports Ground - footpath and external works	2017/18	5
Roe lane Pavilion - shower refurb	2018/19	5
Wolstanton Marsh pavilion and changing rooms	2017/18	21
Total		2,554

Community Centres

The Council's recently completed review of Community Centres has confirmed the significant financial liabilities which exist for these facilities. The council's stock condition survey has identified that these facilities collectively require investment in maintenance and repair works totalling in the region of £870,000 over the next five years. Whilst the condition of individual facilities varies, nonetheless this is a significant maintenance liability.

The review itself has suggested that it is desirable for management committees to take greater responsibility for the running and operation of community centres, recommending Management Committees take on full repairing leases. However, in practical terms where facilities have a significant maintenance backlog it is understandable that Management Committees will be cautious about taking on such liabilities. However, if capital investment could be made in these facilities to bring these up to a good condition, then the option to encourage Management Committees to take full repairing leases could more realistically be pursued.

Community Centre	Timescale	£'000s
Crackley - Major alterations to roof & parapet walls	2015/16 and 2017/18	67
Chesterton	2015/16	168
Wye Road Clayton - Window replacement and major roof replacement	2016/17	35
Clayton - Re-roofing	2016/17	43
Knutton - Roof and Windows	2015/16 and 2017/18	98
Poolfields - Car Park fencing & internal decs	2016/17	26
Silverdale Social	2016/17	153
Silverdale	2017/18 - 2018/19	132
Butt Lane - Brickwork & Roof repairs/repainting	2016/17 - 2017/18	31
Audley - Kitchen & Toilet refurbs	2016/17 and 2018/19	20
Westlands	2016/17	14
Marsh Hall	2016/17 - 2017/18	15
Apedale Rd Wood Lane	2016/17 - 2017/18	17
Ramsey Road Community Centre - internal and external redecoration, boiler replacement and electrical refurb	2016/17 - 2017/18	30
Bradwell Lodge - window replacement and electrical refurb	2018/19	100
Total		949

Safeguarding the Borough's Heritage

The Borough Council is responsible for a number of key heritage features. Whilst these provide a significant community resource and enrich the area's cultural heritage, by definition these facilities are costly to maintain. It is considered that a prudent level of capital funding spent on these facilities over the coming four years could safeguard these facilities for the future. Further, such capital funding could help reduce the level of revenue budget demand which these facilities make.

Detail	Timescale	£'000s
Museum	2016/17	83
Audley Churchyard - boundary wall	2016/17	40
St. Giles Churchyard	2015/16	15
Mucklestone Churchyard	2015/16	15
Brampton Aviary	2016/17	15
Newcastle Cemetery - Retaining Wall	2016/17 - 2017/18	60
Newcastle Cemetery - Path & Ground Works	2016/17 - 2017/18	15
Newcastle Cemetery - Chapel - Stonework Repairs	2016/17	75
Cemetery Loomer Road	2016/17	12
Cemetery Knutton	2016/17	12
Guildhall - Re-roofing	2016/17	120
Guildhall - Repairs to brickwork	2016/17	50
Guildhall - Damp treatment	2015/16	30
Victoria Hall/Kidsgrove Town Hall - window replacement and electrical refurb	2015/16 - 2018/19	185
Chesterton Cemetery	2018/19	4
Closed Churchyards: All Saints, Madeley; Attwood St Cemetery; Holy Trinity Chesterton; St Andrews Porthill; St Georges, Brampton; St Lukes, Silverdale; Loomer Rd Cemetery; St Thomas, Mow Cop	2016/17 and 2018/19	75
Public Railings - painting	2015/16 - 2018/19	250
Total		1,056

Investing for the Future

The Borough Council owns a significant number of buildings. Many of these are let out commercially. A significant part of the council's commercial property estate is managed to support economic regeneration objectives. The council also delivers a significant number of its services through buildings. These, like all properties, need continuous investment to ensure that they remain fit for purpose. A number of the council's primary properties are now reaching a stage in their operational life where they need significant capital investment. The council's property stock condition survey indicates the level of investment required in these buildings. A comprehensive review has been undertaken to assess the options for these premises. In some cases there will be a business case to make capital investment in these buildings in order to give them a longer operational life, for others the analysis will indicate that a particular building should be disposed of as it is no longer economic for it to be retained. As part of this strategy there may be a business case for the council to acquire some additional properties or to build or rebuild certain facilities. Additionally there may be cases where investment in energy efficiency measures in some buildings would be advisable to not only reduce carbon emissions but help to keep energy costs down (see the Carbon Management Plan).

Property	Timescale	£'000s
Commercial Portfolio	2015/16 - 2018/19	3,476
Civic Offices - window replacement	2016/17	270
Civic Offices - refurbishment	2017/18 - 2018/19	662
Knutton Depot - reroofing, window replacement, baling shed/garage, refencing compound	2015/16 - 2017/18	400
Jubilee Baths/Knutton Recreation Centre Site Clearance	2015/16 - 2016/17 (Knutton) 2018/19 (Jubilee)	286
Engineering Structures	2015/16 - 2018/19	2,100
Carbon Management Plan	£100k each year 2015/16 – 2018/19	400
Other	2015/16 - 2018/19	931
Total		8,525

Vehicles and Plant

There will be a need for some items of capital investment to be made in order to ensure continued service delivery. Current indications are that the following investment will be required.

Type of Expenditure	Timescale	£'000s
Streetscene Vehicles	2015/16 - 2018/19	1,436
Waste Vehicles	2015/16 - 2018/19	2,166
Other Vehicles and Plant	2015/16 - 2018/19	73
Waste Bins	2015/16 - 2018/19, £100k p.a.	400
Total		4,075

Funding

Councils fund capital expenditure in a number of ways. As significant owners and users of land and buildings, councils carry out regular reviews of their assets and make decisions about which are surplus to their needs. The Audit Commission has produced a number of studies on council's stewardship of assets and recommends that councils keep their assets under review. In Newcastle a comprehensive asset management system is operated and through the annual Asset Management Strategy, land and property is identified for disposal. The majority of councils fund their capital development requirements through the disposal of assets. Where there is a shortfall of available assets to dispose of, councils will use borrowing as the alternative mechanism for funding capital development. Councils may also use grant funding from a range of sources to supplement their own capital funding for particular schemes. Receipt of funding from Section 106 agreements and other schemes such as the New Homes Bonus may also provide sources of funding for capital expenditure.

The Council's most recent asset management strategy has identified a schedule of surplus land assets which can be disposed of over the medium term and which can be used to fund the capital requirements set out above.

Timescales

The capital funding requirements set out above indicate the following capital requirements over the next four years:

Investment Type	2015/16	2016/17	2017/18	2018/19	Totals
	£'000s	£'000s	£'000s	£'000s	£'000s
Improving Housing in the Borough	425	425	425	425	1,700
Investing in community facilities	1,168	835	276	275	2,554
Community centres	314	326	101	208	949
Safeguarding the Borough's heritage	180	578	98	200	1,056
Investing for the future	1,594	1,763	2,342	2,826	8,525
Vehicles and Plant	948	2,302	419	406	4,075
TOTAL	4,629	6,229	3,661	4,340	18,859

CABINET REPORT 15 OCTOBER 2014 “FUNDING THE COUNCIL’S CAPITAL PROGRAMME”

FUNDING THE COUNCIL’S CAPITAL PROGRAMME

Submitted by: Executive Management Team

Portfolio: Finance and Resources; Economic Development and Town Centres

Ward(s) affected: All

Purpose of the Report

To review the options for funding the capital investment required over the next four years (2015/16 to 2018/19) and means of providing a continuing sustainable funding flow into the future.

Recommendations

(a) That the contents of the report be noted;

(b) That Cabinet agrees with the principle that the Council, as a first resort, will seek to fund its future known capital programme needs through the annual asset management planning process by the identification of land or property in its ownership that is capable of, and appropriate for, disposal;

(c) That officers report back to the next Cabinet meeting with a list of potential development sites to be used as the basis for a formal response by the Council as a land owner to the local planning authority’s “call for sites” (as part of the Local Plan process) and used as a basis for programming future land/property disposals through annual Asset Management planning, beginning with the Asset Management Strategy 2015/16;

(d) That the principle of engaging a development partner to bring forward the larger sites be agreed.

Reasons

The Council has significant investment needs over the next four years (and beyond) whilst the resources available to fund this investment fall considerably short of what is required. It is necessary, therefore, to consider options for meeting this shortfall and propose the most effective means to achieve this to a future Cabinet meeting for approval. Because of the size of the shortfall and the early need to fund investment, this needs to be done as soon as practicable.

1. Background

1.1 The Cabinet considered a report at its meeting on 5 February 2014 ‘Newcastle Capital Investment Programme’. This report set out a comprehensive list of the known or likely capital expenditure requirements which the Council will be required to fund over the next 4 years. It provided comprehensive data down to individual scheme level and also indicated the timescale within which such expenditure would be required to be committed (acknowledging that in some instances the Council is not obligated to proceed with the schemes).

- 1.2 This report highlighted that currently the council's capital resources are very limited. It recorded that at its meeting on 15 January 2014 the Cabinet had approved the marketing for sale of a number of sites which could realise capital receipts of up to £8m in the foreseeable future. It also noted other sources of potential capital income but as these sources are at this stage undefined, since they relate to Section 106 or partner contributions, these cannot be quantified or considered to be confirmed.
- 1.3 In relation to the current capital programme the February report set out a set of strategies and actions required to deal with the possible shortfall of resources to meet the programme of capital works set out in the report. This work is in hand and an Assets Review Group chaired by the Chief Executive has been established to bring forward this programme.
- 1.4 However, whilst work to review capital demands will assist the Council to prioritise future capital expenditure, it will not address the widening gap between the potential capital expenditure demands and the sources of funding which the Council has to meet these commitments.

2. The Council's Capital Programme and other capital requirements

- 2.1 Whilst the programme of asset disposals approved by the Cabinet in January 2014 has the potential to realise receipts of up to £8m over the next three or four years this is still at a level considerably below that of the overall potential capital expenditure demands which the council will face in the immediate and medium term future (notwithstanding the potential scope for the Council to realise significant receipts from two or three opportunistic disposals referred to elsewhere in your agenda).
- 2.2 The Cabinet has identified further high priority projects over and above those schemes set out in the Newcastle Capital Investment Programme which will require significant capital expenditure. In short this may mean a capital programme expenditure requirement of around £30m over the next four years or so. In some cases these capital expenditure requirements are needed to invest in measures which will give the Council longer term revenue cost savings, the main example being the proposed new waste collection service (to operate from July 2016) which has the potential to provide an ongoing revenue saving of £500k p.a. but which will require capital investment of over £4m over the next two financial years to implement.
- 2.3 There are other potential "invest to save" opportunities such as the re-provision of the leisure facilities at Kidsgrove which similarly will require considerable capital investment to realise revenue cost savings. Additionally, at the Cabinet meeting held on 23 July, a report on the future of the former Keele Golf Centre was considered at which it was noted that in the absence of any short or long term continuing use of the facility, it was agreed that the area would be the subject of a master plan to consider the longer term use for the site and the surrounding area. The report noted that the cost involved in the preparation of a master plan would be in the order of at least £100k, funding for which is not yet allocated in the council's budget or future expenditure plans.
- 2.4 The Capital Investment Programme 2015/19 summarised that the capital requirements over the next 4 years was nearly £19m. These requirements are summarised in the table below.

Investment Type	2015/16	2016/17	2017/18	2018/19	Totals
	£'000s	£'000s	£'000s	£'000s	£'000s
Improving Housing in the Borough (mainly DFGs)	425	425	425	425	1,700
Investing in community facilities	1,168	835	276	275	2,554
Community centres	314	326	101	208	949
Safeguarding the Borough's heritage	180	578	98	200	1,056
Vehicles and Plant	948	2,302	419	406	4,075
TOTAL	4,629	6,229	3,661	4,340	18,859

- 2.5 In addition to these identified demands upon the Council's capital resources, the Council faces the need to find significant savings to contain its revenue budgets within available resources as identified in the Medium Term Financial Strategy for the period. Over the next five years around £5m of savings or additional income will need to be found. This has two significant implications for capital resources. Firstly, one option or source for capital expenditure is to borrow. Whilst this council has been able to avoid borrowing because other sources of funding have been available, the situation of the Council's capital resources makes borrowing in the short and potentially the longer term an inevitability (unless substantial receipts can be generated from land/property disposals into at least the medium term). Whilst at present borrowing can be undertaken at relatively low cost, this debt does require to be serviced from the revenue budget thereby placing additional demands upon these resources. Secondly, in order to make the necessary reductions in the revenue budgets as central government grant is reduced the council may need to incur capital expenditure in order to deliver efficiency improvements in order to balance the revenue budget. Good examples are investment in ICT, equipment and facilities which can improve revenue spending efficiency, however, these require capital expenditure which is often required up front. The Council currently has limited provision for a capital investment programme which it could use to deliver revenue budget efficiency savings.

3. Funding capital expenditure

- 3.1 As has been indicated above, the Council can derive capital monies from a number of sources. Most councils will routinely review their asset portfolio and sell land and property assets which are no longer required to fund the capital programme. This council has a well developed process for doing this through the annual Asset Management Strategy review process which is linked to the Council's budget setting process.
- 3.2 Councils will also routinely borrow money to fund capital works and this can be done either through the Public Works Loan Board (PWLB) or commercial financial institutions. As councils generally have a good credit score they are able to secure very good loan rates and the PWLB also acts as a moderating influence in respect of all public sector borrowing. Whilst at present borrowing can be undertaken at relatively low cost it is expected that rates of interest will rise in the medium term from the current historically low levels.
- 3.3 Historically Councils have also been able to derive capital funding for specific projects or infrastructure improvements through Section 106 planning payments. Funding under

Section 106 is derived in the main from developers and in simple terms it has to relate to their development proposals in scale, nature and location although members will be aware of the decreasing levels of funding available from this source (for a number of reasons); such funding will diminish significantly from April next year because of legislative changes. There is the potential in the future to secure such infrastructure investment from the emerging Community Infrastructure Levy, although this is unlikely to be in place until around 2018. District councils may also be in receipt of capital programme funding from their respective county council and on occasions from other public sector partners such as health. Whilst these sources do add significantly to the capital programme of this Council they are always granted for specific purposes and therefore cannot be vired to other capital projects that are this Council's responsibility. These resources are therefore considered to be ringfenced and, whilst representing an element of the council's capital programme, do not provide support for the council's wider capital expenditure requirements.

- 3.4 The New Homes Bonus has been developed by central government as an incentivisation programme to encourage councils to bring forward housing development. Through this programme the government makes a grant payment to councils for every completed residential unit. New Homes Bonus is unringfenced grant and can be spent by councils as they consider most appropriate to local circumstances. Nevertheless the original objective of Government was to use at least some of the funds derived on additional improvements to community infrastructure, promoting it as a reward to communities for accepting new development. In any event it is considered unlikely that this funding mechanism will continue into the long term.

4. Prudent use of assets and the Asset Management Strategy

- 4.1 Councils are under a statutory duty to maintain good stewardship of their assets. It is good practice, actively encouraged by successive Governments, for councils to keep their assets under review and to release assets which are no longer required for service or other uses and to recycle the receipts from these into priority spend areas. This Council has a process of assets review which is undertaken annually through the Asset Management Strategy.
- 4.2 When councils dispose of assets they are under a duty to achieve "best consideration" for that asset. This enables councils to balance financial receipt with broader social, economic and environmental considerations, but the council will always need to ensure that it has achieved an optimum financial return in the public interest.

5. Housing land supply in the Borough

- 5.1 As the Local Planning Authority for this area, the Borough Council has a responsibility to prepare and maintain an up-to-date Development Plan for its area to meet forecast demands for growth and to facilitate economic growth, including a 5-year housing land supply.
- 5.2 Due to the demand for new housing and as a consequence of Government policies which require that sufficient land is brought forward for new housing development, the Council's Planning Committee has faced a series of very difficult decisions regarding a number of major housing land applications in recent months. The prevailing national planning policy framework means that the Council's Planning Committee has come under considerable pressure to grant consent for developments on sites and in locations which may be sub-optimal when assessed against key policy considerations.
- 5.3 An option which the council has not considered thusfar is whether it has sites within its own land ownership which could be brought forward for development and which provide better alternative sites for housing development than those which are being generated by market demand. The scale and widespread nature of the Council's own land holding may mean that it could offer sites in locations where there is market demand for housing but on sites which are preferable in broad planning policy terms to those being provided by the market.

5.4 Given that the Council as local planning authority is under a requirement to provide a five year housing land supply and if the market is finding this difficult to deliver, or is delivering housing sites which are very controversial in communities, then the council could assist this situation by offering alternative sites in more sustainable and appropriate locations. The Council could reduce the undersupply of housing sites by bringing forward sites in its own ownership as a means of meeting the housing land supply target. The recent Peer Review of the Council's Planning function highlights the importance of achieving greater alignment between resource planning and town planning functions.

6. Provision of affordable and social housing

6.1 The Council has a stated policy objective to bring forward more affordable and social housing within the Borough. As the Local Planning Authority, the Council has a policy requirement for the provision of 25% affordable homes on development sites of 15 dwellings or more.

6.2 The Council has committed to the preparation of a new Local Plan, which includes the assessment of housing need with a Strategic Housing Market Assessment being commissioned as one of the key parts of the evidence base upon which the Plan will be developed. Through reviewing the housing register there is still a need for affordable housing and it is believed that the 2015 Housing Strategy will continue to support the current strategy approach to enable the delivery of affordable housing. A snapshot of the Housing register shows that there is continuing need for affordable homes particularly smaller units with 4.5 households wanting each 1-bed vacancy.

Bedroom	Applicants on Hou	Lettings	Ratio of Applicant Lettings
Bedroom 1	1,464	325	4.5 : 1
Bedroom 2	598	270	2.2 : 1
Bedroom 3	211	132	1.6 : 1
Bedroom 4	39	15	2.6 : 1

(Data as at 1/4/14)

Whilst the applicants in housing need for larger properties are fewer in number there remains evidence of significant unmet demand for affordable housing.

6.3 The Council has an established approach for the identification of assets for disposal and annually updates the Asset Management Strategy. This approach enables the Council to regularly review and maximise the use of assets for service delivery and importantly financial consideration.

6.4 Amongst other things the current Asset Management Strategy provides supports for the delivery of affordable housing. Firstly, through sale of land, this can include sale to a Registered Provider for the development of affordable housing or sale of land to developers where affordable housing needs to be provided to meet planning requirements. This occurs on sites of more than 15 properties in the urban area and sites of 5 or more in the rural area, triggering the delivery of up to 25% affordable homes (at the developer's expense, subject to commercial viability; and it should be understood that this will normally reduce the value of the capital receipts). Secondly the Asset Management Strategy has identified that disposal of three sites will be specifically used to bring forward the development of affordable housing as the primary objective and contributing to the regeneration of key areas. The table below

outlines how the current sites approved for disposal are used to deliver the twin key objectives of housing and capital receipts.

Sites within the Asset Management Strategy 2014/17		
	Disposal sites targeted for Affordable Housing	Disposal Sites for primarily general housing and income receipt
Less 15 units in the urban area or 5 in the rural area	Kinnersley Street, Kidsgrove	Gloucester Road, Kidsgrove *
	Cotswold Avenue, Knutton	Hillport Avenue, Porthill *
		St. Edmunds Avenue, Porthill
		Sandy Lane / Brampton Road, May Bank
		Church Lane, Knutton
		Wedgwood Avenue, Westlands
		Gallowstree Lane, Thistleberry *
		Stafford Avenue, Clayton
More than 15 properties in the urban area and sites of 5 or more in the rural area, triggering the delivery of 25% affordable homes	Heathcote Street, Kidsgrove	Bower End Lane, Madeley
		Market Drayton Road, Loggerheads
		Eccleshall Road, Loggerheads

*These sites are adjacent to land suitable for redevelopment owned by others, whereby consideration will be given to joint disposal to achieve best consideration.

6.5 During the past year the Council has worked closely with its largest registered provider of social housing, Aspire Housing, to review land in the ownership of the two organisations with the objective of bringing forward additional affordable housing in the Borough. The initial partnership work with Aspire did consider the potential for the two organisations to bring forward housing on adjacent sites which were owned by the respective parties. Due to the legislation governing public sector procurement joint development of land could not be undertaken without having gone through a procurement process. A report was endorsed by the Cabinet at its meeting in June 2014 which explained the most appropriate approaches for Aspire to bring forward affordable housing over the next few years (taking account of the National Affordable Housing Programme provisions and process). This piece of work with Aspire did help to clarify the potential nature and extent of the Council's role in supporting Registered Providers in such circumstances. The Council continues to engage with other registered providers with a view to bringing forward similar programmes on land within their ownership.

6.6 In summary the Council has, for many years, used its own land holding to lever further social and affordable housing development in the Borough. Whilst release of land assets for this purpose has been beneficial to achieve such outcomes, in the main the Council has had to

forgo most or all of the potential capital receipt from such sites in order to realise the housing development policy priority. Looking forward there may be a need to introduce a slightly more refined process that seeks to achieve an appropriate balance between the competing policy objectives.

7. Potential housing and employment land sites

- 7.1 The Borough Council has a number of sites which have current or future housing / employment development potential. As part of the new local plan preparation process, the Council as local planning authority has made a public call for potential development sites (for housing, employment and other purposes). As a major landowner and for reasons cited above it is considered that the Council should respond to this request. Officers have begun the preparation of a list of potential sites which are considered appropriate for inclusion in a formal response to this call for sites. At this stage this would not commit the Council to a disposal but it would enable the local planning authority to consider the suitability and planning merits of our land in the context of other options put forward by private and other public land owners.
- 7.2 On a related note, it is intended to use this exercise to identify the Council-owned land that should feed into the proposed master-planning exercise on land to the west of Newcastle's urban area (centred around the former Keele Golf Centre). It is considered that this would enable a comprehensive treatment of these parcels of land that would best achieve delivery of any infrastructure improvements.

8. Lessons from former land disposal programmes

- 8.1 In 2009 the Council developed a programme to dispose of seven sites under the Newcastle Development Programme. The Council received a high degree of criticism for this programme from those residents who lived in the vicinity of those sites due to the approach adopted to publicity and consultation which had surrounded the proposed disposals. The Newcastle Development Programme was the subject of a major scrutiny review and a full report setting out recommendations on the handling of future programmes was made. In turn subsequent versions of the Asset Management Strategy have taken account of the key findings.
- 8.2 The most recent Asset Management Strategy process has enabled a first tranche of sites to come forward for disposal. These sites have been subjected to public consultation and the results of this have recently been considered by the Cabinet (along with desk-top technical research). Whilst there will always be concern from local residents and Ward Councillors about development on particular sites, the most recent process has demonstrated that consultation can provide a valuable means of drawing out specific limitations of particular sites such as ground conditions, amenity considerations and access. This allows the Council as a land owner to consider whether it is appropriate to proceed with a disposal.
- 8.3 It was perhaps an unfortunate consequence of the manner in which the Newcastle Development Programme proposals became public that the Council was not able to explain how the various sites were intended to be developed. In particular it was always the intention to include an element of public amenity within the larger sites and to lay these out in a manner which retained areas of open space and landscaping. Unfortunately the debate about these sites became overly polarised between the development of the land for housing over their retention as publicly accessible areas of open space. In progressing any future land disposal programme it is important that the Council is clear about the form of development which is proposed and the intended provision of public amenity which will be provided as part of the development.

9. Methods to bring forward sites for development

9.1 The council has a range of options to bring forward land for development:

(a) Sell land with planning permission

Under this approach the Council seeks planning approval for development on land within its ownership prior to selling it. This route will normally net a premium capital receipt.

(b) Sell land subject to planning permission

The Council can sell land without planning permission but on that basis that a relevant planning permission will be secured by the purchaser/developer. This may net a high capital receipt but will normally leave risk with the Council since a prospective purchaser will normally have reversion rights in the event that the planning permission is not secured.

(c) Sale of land through a procurement process

Where a council wishes to sell larger or a number of plots it may use a procurement process to secure a development partner or partners who will implement development of the site or group of sites. In such circumstances a council would normally have secured the relevant planning permissions on the land prior to engaging in the procurement process. Often the capital receipts are derived over the course of the development linked to phasing. There may be scope to derive a regular revenue income on a ground lease mechanism on such large sites.

(d) Sale of land without specific end use or planning permission

The Council may sell land without planning permission for a particular end use but this will normally net a significantly lower receipt than land sold with a specific planning permission, given that the risk shifts to the prospective purchaser / developer. In some instances a public auction will be used as the most efficient disposal method.

10. Borrowing to fund capital expenditure

10.1 In an earlier part of the report brief consideration was given to the option to borrow to fund in whole or part the Council's capital expenditure requirements. Whilst this remains an option and indeed in the current prevailing period of low interest rates may be an attractive option, nonetheless, any borrowing would create a corresponding call upon revenue funds to repay the debt. It is considered that whilst the Council has surplus assets which can be disposed of to generate capital receipts that this should be considered as a matter of principle to be the preferred option over borrowing to fund the Council's capital requirements.

11. A programme of capital receipts

11.1 In order to fund the capital expenditure set out in the Newcastle Capital Investment Programme, to fund identified policy priorities and to provide a level of capital funding to enable the Council to realise its medium term planned efficiency savings, it will require capital funding of about £30m. At present there is approximately £1m of uncommitted money within the Council's current capital resources (although a proportion of this should be retained as a contingency). As indicated above there is a reasonable prospect of generating about £10m worth of receipts from "agreed" disposals (including the disposals referred to in reports elsewhere on this agenda). The Council therefore needs to approve an assets disposal programme of at least £20m to deliver the necessary capital receipts between now and late 2017/18 to early 2018/19 (profiled to match the expenditure requirements).

11.2 Of course it should be noted that there are risks associated with the realisation of capital receipts from land disposals. Most importantly there can be no guarantees of planning permissions being forthcoming and market values are liable to fluctuate due to a number of external factors. Additionally unknown technical constraints, such as abnormal ground conditions, would impact negatively upon the value of receipts. Consequently it would be prudent to establish a realistic disposals programme taking account of such factors. In

practice this would mean over-programming to optimise the prospects of adequate capital funding being available at the times it is required.

12. Timescales and processes

- 12.1 The table at para. 2.4 indicates the timescales within which capital resources are required to be committed. It is anticipated that the available capital receipts will not be sufficient to meet the known/likely capital programme demands for 2015/16 (see table under paragraph 6.4). So it would be necessary for the next iteration of the Council's Asset Management Strategy to identify some 'early win' sites to meet the forecast gap. In addition the said Strategy must identify other sites which are required to be released in order to meet the level of expenditure that is known or likely over the following three financial years, plus a contingency figure of say 20%. The sites should be ranked in priority order on the basis of their ability to be bought forward (taking account of salient/current planning policies). The sites will be derived from the list of sites to be brought to your next meeting in response to the local planning authority's call for sites (some of which it is understood are very long term in nature due to relevant Planning Policy constraints and/or service-based policy considerations).
- 12.2 It is intended that in future years the Council's Capital Programme proposals will be supported by clear and deliverable plans showing how they can be funded through a realistic programme of land/property disposals (where that is possible and appropriate).
- 12.3 It is proposed that as a matter of principle, in order to bring forward the larger sites, the Council engages a development partner to be selected through a competitive procurement process. At this stage there are no such sites available given the prevailing Development Plan policy context. Nevertheless the principle of the approach can be endorsed at this stage.

13. Consultation

- 13.1 There will be full consultation in relation to each site to be disposed of. The process followed will be that used by the Council for the sites which are currently being disposed of. Typically this will involve letters being sent to local Councillors, local residents and, where relevant, Town/Parish Councils and any known Residents' Associations, providing information about the proposals and giving them a period of up to six weeks to submit representations. In addition site notices will be placed in prominent publicly accessible locations providing similar information. Any information derived from such consultation is taken into account, along with a desk-top technical site evaluation, before any final disposal decision is made.

14. Conclusion

- 14.1 This report has demonstrated that there is now a priority for the Council to identify the means by which it can fund its medium term financial capital commitments. The report has also explained that as a result of other policy considerations the Council needs to embark upon a systematic programme of surplus land disposals in order to meet the known future capital expenditure requirements. The option for the Council to borrow money to fund future capital requirements has been considered but it has been noted that the cost of servicing the debt which this would produce makes this a far less favoured or justifiable option whilst the Council has surplus assets which it can dispose of. As the report has shown a systematic programme of surplus land disposals would not only provide funding to meet the Council's known future capital expenditure requirements but would also enable it to deliver its policy objective to bring forward more affordable and social housing. Further, by bringing forward land within its own ownership for housing development the Council can directly address the current pressure which it faces as the local planning authority to meet the housing supply requirement. It is also considered that by bringing forward certain of its own surplus land holdings the Council can ensure that a greater share of new housing is delivered into the most appropriate (sustainable) locations.

14.2 The report seeks the approval of Members to bring forward a programme of surplus land disposals which match the Council's stated medium term capital financial needs. In so doing the Council can also help address the known housing land shortage and also accelerate the provision of additional social and affordable housing in the Borough.

15 Financial and Resource Implications

15.1 Implications have been set out under the relevant sections of this report. In particular, the suggested programme of surplus land disposals will provide capital receipts to enable implementation of the Council's capital investment programme. With regard to staff capacity / resources it is intended to assimilate the tasks identified into the relevant service's work programmes (as a high priority task). Any need to supplement existing resources because of shortages in either capacity or specialist skills will be reported if and when such situations arise.

16 Major Risks

16.1 The major risk is that, for one reason or another, land approved for disposal is not sold or there is a significant delay in so-doing. In particular there has to be sufficient market demand at the time of marketing and there may be a shortfall against the Council's valuation. There may be some situations where the grant of planning permission is either not secured or that there are significant costs arising from the imposition of conditions. Additionally the necessary legal and administrative processes must be completed by both parties and this can sometimes cause delays.

16.2 In the event that insufficient capital receipts are generated as they are needed or there is a delay in this happening, this will mean that it would be necessary to either abandon, or postpone investment or to find an alternative source of funding, most likely to be borrowing. The availability of a long list of sites will help to mitigate this.

16.3 If projects included in the capital investment programme are not carried out a number of other risks may arise, depending on which projects are concerned

- Service continuity suffers or service may not be able to be provided at all;
- Customers, staff and the general public are exposed to unacceptable health and safety risks, e.g. from unsafe buildings and structures;
- The Council fails to fulfil its statutory responsibilities;
- The Council fails to meet its legal obligations, e.g. with regard to property leases;
- Income is lost because commercial properties become unlettable or cannot obtain acceptable rentals.

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE COUNCIL

25 February 2015

1. LOCALISM ACT 2011 – PUBLICATION OF A PAY POLICY STATEMENT FOR 2015/16

Submitted by: Chief Executive

Portfolio: Finance and Resources

Ward(s) affected: Not applicable

Purpose of the Report

The Localism Act 2011 requires local authorities to prepare and publish a pay policy statement for each financial year. The statement should set out the authority's policies relating to the remuneration of its chief officers, the remuneration of its lowest paid employees and the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers.

Recommendation

That the Pay Policy Statement attached at Appendix A to this report be approved and published on the council's website by 31 March 2015.

Reasons

To ensure the council complies with the requirements of the Localism Act 2011 and in accordance with the guidance issued by the Department for Communities and Local Government 'Openness and Accountability in Local Pay'.

1. **Background**

- 1.1 The Government is committed to strengthening councillors' powers to vote on large salary packages for council officers and has recently taken steps to increase transparency about how taxpayers' money is used, including the pay and reward of public sector staff.
- 1.2 This commitment resulted in part of the Localism Act being designed to increase accountability, transparency and fairness in the setting of local pay. The Act came into force on 15 January 2012.

2. **Issues**

- 2.1 To promote accountability, the Act requires pay policy statements, and any amendments to them, to be considered by a meeting of full council. In addition, full council should be offered the opportunity to vote before large salary packages are offered in respect of new appointments where remuneration is £100,000 and over.
- 2.2 For the purposes of transparency, it is considered that when the full council is discussing the pay policy statement, such discussions should be open to the public. Approved pay policy statements must be published on the authority's website and in any other manner that the

authority thinks appropriate, as soon as is reasonably practicable after they are approved or amended.

- 2.3 With regard to fairness, the government recommends the publication of an organisation's pay multiple – the ratio between the highest paid employee and the median average earnings across the organisation – as a means of illustrating that relationship. Any policies on performance related pay must be included in the pay policy statement and authorities are encouraged to consider whether an element of the basic pay of senior staff should be subject to meeting pre-arranged objectives. The statement must also include the authority's policy on whether they permit individuals to receive salary and pension at the same time so that taxpayers can have the opportunity to question whether they are getting value for money from arrangements where it could appear that the authority is paying an individual twice for doing the same job.
- 2.4 The council's current approach to pay policy is set out at Appendix A.

3. **Options Considered**

- 3.1 A Pay Policy Statement could have been prepared based purely on the guidance received from the Department for Communities and Local Government 'Openness and Accountability in Local Pay'. However, in 2012 West Midlands Councils produced a Model Pay Policy Statement which drew together drafts from several authorities in the region with a view to a common approach being adopted. This format was adopted for the previous three years' Statements and has been adopted again for this year's Statement.

4. **Proposal**

- 4.1 It is proposed that the council approves the content of the Pay Policy Statement for 2015/16 based on the same format used for the last two years, as set out at Appendix A, with a view to this being published on the council's website by 31 March 2015. This will ensure that the appropriate information will continue to be made available to the public in accordance with the requirements of the Localism Act 2011.

5. **Reasons for the Preferred Solution**

- 5.1 The view of the West Midlands Employers is that there is value to continuing to adopt a common approach to the production of Pay Policy Statement, as far as this is practically and reasonably possible, as this will be beneficial for future benchmarking and monitoring purposes.

6. **Outcomes Linked to Sustainable Community Strategies and Council Priorities**

- 6.1 Future benchmarking and monitoring of pay policy and an annual review will ensure accountability, transparency and fairness in the setting of levels of pay that are appropriate to local circumstances and which deliver value for money for local taxpayers.

7. **Legal and Statutory Implications**

- 7.1 Preparation of a Pay Policy Statement for 2015/16 is a requirement under section 38(1) of the Localism Act 2011.
- 7.2 Under Section 40(1) of the Act, Authorities must have regard to the guidance issued by the Department for Communities and Local Government in preparing and approving pay policy statements.
- 7.3 Before it takes effect, the Pay Policy Statement must be approved by a resolution of the authority. This must be done no later than 31 March 2015.
- 7.4 Following approval, the statement must be published as soon as possible on the authority's website (and in any other manner the authority thinks fit).
- 7.5 An authority may amend its Pay Policy Statement and this also requires resolution.

8. **Equality Impact Assessment**

- 8.1 The Statement at Appendix A sets out council's current approach to pay policy. No changes are incorporated and so there is no potential for any adverse impact on particular groups of employees.

9. **Financial and Resource Implications**

- 9.1 The Statement at Appendix A sets out the council's current approach to pay policy. No changes are incorporated and so there are no additional revenue costs or resource implications.

10. **Major Risks**

Not applicable.

11. **Sustainability and Climate Change Implications**

Not applicable.

12. **Key Decision Information**

The report is a key decision as defined in the council's constitution. The item is included in the Forward Plan.

13. **Earlier Cabinet/Committee Resolutions**

Council – 19 May 2010 – Resn 12/11
Establishment of the Chief Officer Appointment, Review and Appeals Committee.
Council – 28 March 2012 – Item 7
Approval of 2012/13 Pay Policy Statement
Council – 27 February 2013 – Item 9
Approval of 2013/14 Pay Policy Statement
Council 26 February 2014 – Item 9
Approval of 2014/15 Pay Policy Statement

14. **List of Appendices**

Appendix A – Pay Policy Statement 2015/16

15. **Background Papers**

- Department of Communities and Local Government – Openness and Accountability in local pay: Draft guidance under Section 40 of the Localism Act.
- Local Government Association and Association of Local Authority Chief Executives – Localism Act: Pay Policy Statements Guidance for Local Authority Chief Executives.
- West Midlands Councils – Model Pay Policy Statement/Supplementary Notes and Guidance.

Newcastle-under-Lyme Borough Council

DRAFT

Pay Policy Statement – 2015/16

Introduction and Purpose

Under section 112 of the Local Government Act 1972, the council has the “power to appoint officers on such reasonable terms and conditions as authority thinks fit”. This Pay Policy Statement (the ‘statement’) sets out the council’s approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011. The purpose of the statement is to provide transparency with regard to the council’s approach to setting the pay of its employees by identifying:

- the methods by which salaries of all employees are determined;
- the detail and level of remuneration of its most senior staff i.e. ‘chief officers’, as defined by the relevant legislation;
- the (Committee/Group/Panel or officer) responsible for ensuring the provisions set out in this statement are applied consistently throughout the council and recommending any amendments to the full council.

Once approved by the full council, this policy statement will come into immediate effect and will be subject to review on at least an annual basis in accordance with the relevant legislation prevailing at that time.

Legislative Framework

In determining the pay and remuneration of all of its employees, the council will comply with all relevant employment legislation. This includes the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations. With regard to the Equal Pay requirements contained within the Equality Act, the council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed Job Evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

Pay Structure

Based on the application of the Job Evaluation process, the council uses the nationally negotiated pay spine (further details can be found at Appendix i) as the basis for its local grading structure. This determines the salaries of the large majority of the workforce, together with other nationally defined rates where relevant. The council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases negotiated in the pay spine.

The National Joint Council pay spine was last increased in January 2015. Prior to this there had been no increases in the national pay spine since April 2013.

All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by council Policy. In determining its grading structure and setting remuneration levels for all posts, the council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector.

Senior Management Remuneration

For the purposes of this statement, senior management means 'chief officers' and also 'deputy chief officers' as defined within S43 of the Localism Act. The Localism Act definition is based on the definition in the Local Government and Housing Act 1989 in which a Chief Officer is defined as a statutory chief officer (ie, Head of the Paid Service, Section 151 Officer, Monitoring Officer) and any post reporting directly to the Head of the Paid Service (other than secretarial/support posts). Deputy Chief Officers are any posts (other than secretarial/support posts) reporting directly to any chief officer post.

The posts falling within the statutory definition are set out below, with details of their basic salary as at 1 April 2015;

National Joint Council (JNC) Chief Officers

- a) Chief Executive (Head of the Paid Service)
The current salary of the post is £99,736. This is a spot salary. There is no incremental point range.

- b) Executive Directors – 3 posts as follows:
 - Executive Director – Resources and Support Services (Section 151 Officer)
 - Executive Director – Operational Services
 - Executive Director – Regeneration and Development

The salaries of posts designated as Executive Directors fall within a range of 4 incremental points between £80,314 rising to a maximum of £85,673.

- c) Heads of Service – 2 non-statutory chief officer posts as follows:

Heads of Service Band 1 – 1 post

Head of Business Improvement & Partnerships

The salaries of Band 1 posts fall within a range of 5 incremental points between £50,546 rising to a maximum of £56,174.

Heads of Service Band 2 – 1 post

Head of Communications

The salaries of Band 2 posts fall within a range of 5 incremental points between £45,493 rising to a maximum of £50,518.

Deputy Chief Officers

- a) *Heads of Service Band 1 – 5 posts*

Head of Customer and ICT Services

Head of Leisure and Cultural Services

Head of Operations

Head of Planning and Development

Head of Recycling, Waste and Fleet Services

The salaries of Band 1 posts fall within a range of 5 incremental points between £50,546 rising to a maximum of £56,174.

Heads of Service Band 2 – 5 posts

Head of Finance

Head of Human Resources

Head of Revenues and Benefits

Head of Environmental Health Services

Head of Housing & Regeneration Services

The salaries of Band 2 posts fall within a range of 5 incremental points between £45,493 rising to a maximum of £50,518.

- b) Grade 13 - 1 post, salary within a range of 5 incremental points between £40,217 rising to a maximum of £43,868

Audit Manager and Monitoring Officer

- c) Grade 12 - 4 posts, salary within a range of 4 incremental posts between £36,571 rising to a maximum of £39,267

Democratic Services Manager

Partnerships Manager

Principal Solicitor x 2

- d) Grade 11 - 1 post, salary within a range of 4 incremental points between £32,778 rising to a maximum of £35,662

Business Improvement Manager

- e) Grade 10 - 2 posts, salary within a range of 4 incremental points between £30,178 rising to a maximum of £32,778

Communications Team Leader

Design and Print Team Leader – Part time 17.5 hours

- f) Grade 9 - 1 post, salary within a range of 4 incremental points between £27,924 rising to a maximum of £30,178

Land Charges and Information Team Leader

- g) Grade 8 - 1 post, salary within a range of 4 incremental points between £25,440 rising to a maximum of £27,924

Research and Development Officer

The pay spines for JNC chief officers increased in January 2015. Prior to this, the previous increase was in 2008.

The pay spines for NJC employees increased in January 2015. Prior to this, the previous increase was in April 2013.

Pay award pending for Chief Executive.

Recruitment of Chief Officers

The council's Chief Officer Appointment, Review and Appeals Committee is responsible for processing appointments of members of the Executive Management Team (the Chief Executive and Executive Directors). Appointments to Heads of Service posts are made by the appropriate Executive Director having consulted with the appropriate Portfolio Holder. Appointments to Deputy Chief Officer posts are made by the appropriate Executive Director/Head of Service. When recruiting to all posts, the council will take full and proper account of its own Equal Opportunities Recruitment and Redeployment Policies. The determination of the remuneration to be offered to any newly appointed chief officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment. Where the council is unable to recruit to a post at the designated grade, it will consider the use of temporary market forces supplements in accordance with its relevant policies. The council does not currently have any chief officers who are being paid temporary market forces supplements.

Where the council remains unable to recruit chief officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive chief officer post, the council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The

council does not currently have any chief officers engaged under such arrangements.

Additions to Salary of Chief Officers

The council does not apply any bonuses or performance related pay to its chief officers with the exception of progression through the incremental scale of the relevant grade being subject to satisfactory performance, which is assessed on an annual basis, the level of remuneration is not variable dependent upon the achievement of defined targets.

In addition to basic salary, set out at Appendix ii, are details of other elements of 'additional pay' which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfillment of duties.

Payments on Termination

The council's approach to [statutory and] discretionary payments on termination of employment of chief officers, prior to reaching normal retirement age, is set out within its policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006.

Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made by the full council or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.

Flexible Retirement

The council's approach to Flexible Retirement for members of the Local Government Pension Scheme is set out at Appendix (iii).

Publication

Upon approval by the full council, this statement will be published on the council's Website, alongside data required under the Transparency Code 2014. In addition, for posts where the full time equivalent salary is at least £50,000, the council's Annual Statement of Accounts will include a note setting out the total amount of:

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any bonuses so paid or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above

Lowest Paid Employees

The lowest paid persons employed under a contract of employment with the council are employed on full time (37 hours) equivalent salaries in accordance with the National Living Wage which is set independently annually each November. As at 1 January 2015, the lowest paid employee will be paid at the Living Wage hourly rate of £7.85 which equates to a full-time equivalent salary of £15,144.93.

The council employs Apprentices who are not included within the definition of 'lowest paid employees' as they are employed under the National Apprenticeship Scheme.

The relationship between the rate of pay for the lowest paid and chief officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the authority's workforce.

The current pay levels within the council define the multiple between the lowest paid (full time equivalent salary) employee and the Chief Executive as 1:6.72 and; between the lowest paid employee and average chief officer (excluding the Chief Executive, including deputy chief officers) as 1:3.33. The multiple between the median (average) full time equivalent earnings and the Chief Executive as 1:4.33, and; between the median (average) full time equivalent earnings and average chief officer as 1:2.14.

As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the council will use available benchmark information as appropriate.

Accountability and Decision Making

The Chief Executive, as the Head of Paid Service, is required to report to full council 'the number and grade of officers required for the discharge of (the Authority's) functions ...'

In accordance with the Constitution of the council, the Chief Officer Appointment, Review and Appeals Committee is responsible for processing the appointments of members of the Executive Management Team (the Chief Executive and Executive Directors) and reviewing their terms and conditions of appointment.

The advertising of and recruitment to all vacancies is carried out in accordance with the council's Standing Orders relating to Personnel Matters and the council's approved Recruitment, Selection and Induction Code of Practice and the Restructuring and Redundancy Policy and Procedure except where the council otherwise determines.

Under the council's Scheme of Delegation, decision making in relation to pay and terms and conditions for employees other than the Executive Management Team is delegated to the Chief Executive as follows:

'To determine the establishment of the council's departments within the departmental budgets set by Cabinet, and to determine the terms and conditions of new posts. No new post shall be created nor any person employed in addition to a department's approved establishment unless the financial arrangements have been agreed by Cabinet.'

With regard to severance arrangements in relation to employees of the council, Cabinet is responsible for the policy on the discretionary powers to be adopted and used where employment is terminated on the grounds of redundancy or early retirement.

Date of Statement: 25 February 2015

SALARY SCALES FROM 01.01.2015

APPENDIX i

Grade	Spinal Column Point	Spinal Column £ Salary Point	Grade	Spinal Column Point	Spinal Column £ Salary Point	Grade	Spinal Column Point	Spinal Column £ Salary Point
Grade 1	5	13,500	Grade 6	21	19,742	Grade 11	38	32,778
	6	13,614		22	20,253		39	33,857
	7	13,715		23	20,849		40	34,746
	8	13,871		24	21,530		41	35,662
				25	22,212			
Grade 2	6	13,614				Grade 12	42	36,571
	7	13,715	Grade 7	25	22,212		43	37,483
	8	13,871		26	22,937		44	38,405
	9	14,075		27	23,698		45	39,267
				28	24,472			
Grade 3	10	14,338				Grade 13	46	40,217
	11	15,207	Grade 8	29	25,440		47	41,140
	12	15,523		30	26,293		48	42,053
	13	15,941		31	27,123		49	42,957
				32	27,924		50	43,868
Grade 4	13	15,941						
	14	16,231	Grade 9	32	27,924	Grade 14	49	42,957
	15	16,572		33	28,746		50	43,868
	16	16,969		34	29,558		51	44,803
	17	17,372		35	30,178		52	45,759
Grade 5	16	16,969	Grade 10	35	30,178			
	17	17,372		36	30,978			
	18	17,714		37	31,846			
	19	18,376		38	32,778			
	20	19,048						
	21	19,742						

Additions to Salary of Chief Officers**Car Lease Subsidy**

The council's car leasing scheme is in the process of being phased out. Chief officers who have an existing lease car are entitled to a car lease subsidy, the value of which is currently £2,750 per annum, reduced as follows:

Employee Grade	% Subsidy Reduction
Executive Directors	50
JNC 1 & 2	40
NJC 10 – 14*	30
NJC 8 – 9	20
NJC 5 – 7	10

* (Includes NJC 9 with market supplements)

Five chief/deputy chief officers have opted not to receive the subsidy.

No alternative payment is made to chief officers who chose not to receive the subsidy.

The mileage rate paid to those in receipt of the subsidy is 11 pence per mile. The rate paid to those who do not receive the subsidy is 65 pence per mile (inside the Borough), 43.3 pence per mile (outside the Borough). This is currently under review.

Fees paid for Returning Officer Duties**Chief Executive**

There is a Borough Council Election in 21 wards in May 2015, with the possibility of a combination with Parish Elections in 12 of those wards. The maximum amount for all parish wards and borough wards are estimated to be £10,000.

In addition there is a UK Parliamentary Election in May 2015. The exact details of Returning Officer payments have yet to be received from Central Government, however, the amount is likely to be in the region of £3,500.

This would make the total payment in the region of £13,500.

Evening Meetings

Chief officers, together with other council employees, are entitled to an allowance when attending evening meetings as follows:

<u>Finish time of meeting</u>	<u>Payment</u>
Up to 9pm	£32.93
9.01 – 10pm	£43.87
10.01 – 11pm	£54.91
After 11pm	£65.91

This is currently under review.

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**FLEXIBLE RETIREMENT FOR MEMBERS OF THE
LOCAL GOVERNMENT PENSION SCHEME****POLICY STATEMENT**

1. This policy is made in accordance with the Local Government Pension Scheme (Amendment) (No. 2) Regulations 2006 and the Local Government Pension Scheme (Benefits, Membership and Contributions Regulations) 2007 and will normally be reviewed annually. If the council decides to change its policy it will publish a statement of the amended policy within one month of the date of its decision.
2. In formulating and reviewing its policy, the council:
 - i) has regard to the extent to which the exercise of its discretionary powers (in accordance with the policy), unless properly limited, could lead to a loss of confidence in the public service; and
 - ii) is satisfied that the policy is workable, affordable and reasonable having regard to the foreseeable costs.
3. In response to written requests from eligible employees for Flexible Retirement, the council will:
 - i) Consider all requests for flexible retirement. The key factors that will be taken into account are:
 - There will be no detrimental effect on service delivery
 - There is alternative work at a lower grade or reduced hours
 - The arrangement is fair and equitable to other employees
 - Pension strain costs are affordable and can be justified
 - The employee is fully aware of the implications of drawing the pension early particularly where there is an actuarial pension reduction.
 - ii) Approve requests only when it is in the council's interests to do so. All costs falling on the council as an employer must be affordable and within existing budget limits. Where this is not achievable, the proposal should be accompanied by a plan detailing how any costs will be recovered.
 - iii) A request should typically involve a reduction in salary of at least 40%, either through reduced hours or level of responsibility (grade) or a combination of these.
 - iv) The employee's contract of employment will be amended by mutual agreement to reflect the new hours or grade, as agreed, and continuity of service will be preserved for terms and conditions purposes.
 - v) The council will not agree to waive pension benefit reductions.

- vi) Following the reduction in hours or grade, the council will not offer alternative employment to top-up the loss of income.
- vii) Be sympathetic to requests involving a phased reduction in working hours, subject to any such arrangements being operationally practicable. However, the council can not agree to requests that would, overall, lead to the employee being better off than before flexible retirement and will only consent to the release of the accrued benefits if this is the case.

Note *Retirement benefits drawn on flexible retirement must include all of those which may have accrued in respect of active membership under the 1997 Regulations and may, according to the wishes of the employee, include all or part of none of the benefits accrued in respect of membership under the 2008 Scheme.*

4. **Approval Process**

- 4.1 Applications must always be in writing to the Executive Director (Resources and Support Services) stating the reasons for the request and the details of what is being requested.
- 4.2 When considering requests, the Executive Director (Resources and Support Services) will take into account the impact on the organisation or the service, proposals to cover any change, staff resource issues and, if necessary, details of how any costs will be recovered.
- 4.3 The Executive Director (Resources & Support Services) will approve the request only when satisfied that the flexible retirement is in the overall interests of the council and after consultation with the Portfolio Holder (Finance and Resources).
- 4.4 Appeals regarding any decision taken in 4.3 (above) to be determined by the council's Appeals Panel.

5. **Review**

- 5.1 The Policy is to be reviewed annually.

Approved December 2008	- Cabinet
Reviewed April 2009	- No changes
Reviewed April 2010	- No changes
Reviewed December 2011	- No changes
Reviewed July 2013	- Reference to Miscellaneous Regulations (2012) added at 3(vii)
	- Reference to Age Retirement Procedure deleted at 3(iv)
	- Reference to requests for phased reduction in hours to be treated sympathetically added at 3(vii) and 'will not' replaced by 'can not' at line 3
	- Note clarifying options for claiming benefits added after 3(vii) (Approved – Staffing Committee 9 July 2013)
Reviewed January 2015	- No changes

COUNCIL 25 FEBRUARY 2015

1. PROPOSED REVISIONS TO PLANNING SCHEME OF DELEGATION

Submitted by: Head of Planning

Portfolio: Planning and Assets

Ward(s) affected: All

Purpose of the Report

To update the current Planning Scheme of Delegation to reflect recommendations arising following the recent Planning Peer Review.

Recommendation

That the revised Planning Scheme of Delegation set out in the Appendix to this report be adopted by the Council

1. **Background**

The Planning Peer Review Team gave a recommendation to the Council that it re-examine the Scheme of Delegation to allow the Planning Committee to focus on major applications. In giving their feedback the Review Team commented as follows

“Rates of delegated decisions have dropped below 90 per cent. This results in more applications being taken at the planning committee. During the on-site phase of the peer challenge we attended the planning committee which spent a long time discussing reserved matters applications. To ensure that the capacity of the committee is focused on strategic decision making we recommend that the Council reviews its codes and protocols to seek to increase rates of delegation to match the best in England.”

Cabinet on the 12th November in resolving to agree an Action Plan in response to the Planning Peer Review Team’s report agreed to the following action - that the Council should review its Scheme of delegation (of its Planning functions) with particular reference to telecom apparatus, consultations by other authorities and historic building grant applications

The Scheme of Delegations forms part of the Council’s Constitution and any changes made will therefore need to be approved by Full Council. The Scheme of Delegation is part of the legal framework set by the Council governing the way it conducts its business. An appropriate Scheme of Delegation supports good governance and budgetary compliance

The Planning Committee at its meeting on the 3rd February considered a report on the proposed changes and it is recommending to Council that the changes, set out in Appendix A to this report, be adopted by Council.

2. **Issues**

This report is to request the consideration of Council to changes to certain delegations.

3. The existing Scheme of delegations of planning functions

The Scheme lists an extensive number of functions and indicates whether these functions, or authority to exercise a particular power, are to be exercised by the Planning Committee, by the Executive Director of Regeneration and Development, or in certain instances by both of the above.

The focus of this report is mainly on the authority to deal with applications, although the authority to deal with certain types of applications makes up a relatively small part of the Scheme of Delegation insofar as Planning functions are concerned.

With respect to the planning applications the position at present is that applications broadly fall to be determined by the Executive Director - i.e. under delegated powers, unless they are for Major Development, as defined by the Department for Communities and Local Government (DCLG), for the demolition of any Listed Building (of whatever Grade), and for the alteration or extension of a Grade 1 or 2* Listed Building. Such applications **automatically** come before the Planning Committee, regardless of any member interest expressed or judgement by officers.

In addition to these criteria set out in the Scheme of Delegation, in the case of several delegated functions (with respect to applications) there is a right of two or more Members to 'call in' an application for determination by the Planning Committee. Such call-ins have to be made within 10 working days of the publication of the weekly list of applications received. Those who have called in an application are also provided, where there is the opportunity to do so, with the ability to withdraw such a call in (by the provision to them of a draft of the report to the Committee).

There are other criteria which lead to applications being brought to the Planning Committee – principally relating to issues of probity and transparency

As indicated above the Planning Peer Review Team made comment about the fact that the Planning Committee observed by them (on the 15th July 2014) considered applications for the approval of reserved matters of several Major Developments. Their view, it would appear, was that given that such developments had already outline planning permission the Committee, by considering the subsequent reserved matters, was not sufficiently focussed on strategic decision making. As Members will be aware an outline planning permission can reserve for subsequent decision making a number of matters – scale, layout, appearance, access and landscaping. Each of these terms is defined in legislation.

Your Officer's view is that to remove from the list of applications which automatically come before the Planning Committee those for the approval of reserved matters for major developments would not be justified – in that these are still applications for Major Development. There is however one suggested exception. In recent years, principally in order to defer the significant additional fees associated with of applications for full planning permission it has been the practice of some agents to make applications for outline planning permission with the **only** reserved matter being the landscaping details of the development. It is considered that recognising the limited likely interest of landscaping matters, and the often technical nature of judgements, it would be appropriate to no longer require such applications automatically to come before the Planning Committee. This is **Proposal No.1** within this report. Such applications could still of course be "called in".

At present all applications for the prior approval of telecommunication apparatus (i.e. those which do not require planning permission) automatically come before the Planning Committee. With respect this appears, to your Officer, to be serving, no clear purpose and whilst the number of such applications has varied considerably over time, they do insofar as they require Members of the Committee to read the reports upon them divert the attention of

Members, and a change to the Scheme of Delegation appears appropriate. This is **Proposal No.2** within this report.

Whilst not covered by the existing Scheme of Delegation Members may wish to note that it has been the practice of your Officer to automatically bring any applications for planning permission for telecommunication development to the Planning Committee for determination. Such a practice has been in line with a recommendation of the former Telecommunications Working Party which met in 2006, and a subsequent resolution of the Planning Committee at its meeting on the 14th March 2006. Your Officer's view is that such an approach is no longer appropriate in that the evidence is that telecommunication apparatus applications are, it would appear, no longer matters of such controversy as they may have been in the mid 2000's. Members if they wish will be able to call in such applications for consideration by the Planning Committee

As indicated above most of the delegated functions, at least with respect to applications, are subject to a right of call in. At present upon the receipt of sufficient number of call in requests, in writing and by the due date, the application, unless the call-in is subsequently withdrawn, proceeds to be determined by the Committee. In some authorities the Chairman has the right, reflecting their role with respect to the business of the Committee, to reject requests by Members that an application be considered by the respective Planning Committee. Whether the existence of this right would make any substantive difference to the business of the Committee is of course entirely a matter for speculation. Your Officer acknowledges that in the absence of agreed criteria (for the rejection of call -ins) it would place the Chair in a difficult position with respect to the Members who were wanting the application to be considered by the Committee. Devising and defining such criteria would be fraught with difficulty. Your Officer is not, for this reason, putting forward this proposal.

Examination of call in records suggest that whilst Members are strongly encouraged to speak to officers before submitting a call in, this does not happen in a significant number of cases. It is only speculation but this could be because the Members concerned know that they will be able to decide later on to withdraw their call in, or it may relate to difficulties officers and Members have in making contact at short notice for such discussions. There is the possibility that by lengthening the period (currently 10 days) to say 15 days, Members might feel more able to take a more considered view on whether or not to call in an application, and this could reduce the number of call ins coming to the Committee. The period within which an application can be called in commences upon the publication of what is termed the weekly list of applications received. Such lists are currently normally produced on the Friday of the following week - which can mean that an application does not appear on such a list until up to 11 days have passed – if it has been received and was valid on the preceding Monday. For an application to be found valid it has to go through various checks by Support officers and in the case of Major applications by Senior Planning Officers. To avoid a situation, with an extended 15 day call in period where it frequently became inevitable that if an application was called in it would not come to the Committee until after the 8 week date, a change in the day of the week when the weekly list is produced is essential. This will be challenging for the Service, but necessary. **Proposal No.3** is therefore to extend the call in period to 15 working days, with it becoming a precondition of a call in that each Member involved has spoken beforehand either to the Planning Officer or to the Development Management Team Leader.

As Members will note the existing scheme of delegation seeks to allow for the exercise of delegated authority only to where the decision is in accordance with the development plan and other relevant material considerations, most notably national guidance. The redrafting of this section of a general delegated authority requires updating to reflect current national guidance anyway and this is **Proposal No.4**.

Members will have noted that because of this requirement that delegated decisions must be in accordance with the development plan and other relevant considerations, including

national guidance, officers are bringing quite frequently to the Committee decisions on extensions to dwellings and equestrian developments because the conclusion reached, by officers, that the developments constitute inappropriate development within the Green Belt. It is considered that little value is added by this particular process in general so **Proposal No.5** would enable officers to determine, with respect to inappropriate development consisting of either domestic extensions or what might be termed small scale equestrian development, such applications. Again the possibility that such applications might be 'called in' remains.

The existing scheme of delegation requires that if the Council is consulted, by another adjoining Local Planning Authority, or by the County Council, upon any application for Major Development, determination of the Council's comments can only be made by the Planning Committee. Given that the Borough Council is not acting as the Local Planning Authority in such instances it would appear unnecessary for the Planning Committee to be asked for its views on consultations on applications for approval of reserved matters – the Borough Council having already had the opportunity to comment on the principle of the development at Outline stage. This is **Proposal No.6**. Such consultations are not subject to a right of 'call in'.

The Government is strongly promoting the use of Planning Performance Agreements by Local Planning Authorities. Such agreements are entered into by applicants and Local Planning Authorities and deal with matters of process – for example the timescale within which an intended application is to be brought to the Committee, or how quickly an applicant is to respond to requests for additional information. In that there is perhaps some uncertainty as to whether there is a clear authority to enter into such agreements, the agreed Action Plan arising from the Planning Peer Review includes an action that this uncertainty should be resolved and this is **Proposal No.7**.

Some minor miscellaneous amendments to the existing scheme of delegated – for example including for the first time the authority to determine applications for certificates of lawfulness of works to Listed Buildings (**Proposal No.8**) – arising from a recent amendment to the Listed Buildings and Conservation Areas Act – have been included in the proposals.

The Action Plan following the Planning Peer Review indicated that particular consideration should be given to whether decisions on the award of Historic Building Grants should continue to be made by the Planning Committee. It can be confirmed that such decisions, according to the Council's Constitution, fall within the remit of the Planning Committee, rather than Cabinet. The authority to determine such applications is not referred to in the existing scheme of delegations (which includes delegations both to the Planning Committee and the Executive Director). The current procedure is that the Planning Committee receives a report on each application, and is provided with the views of the Council's Conservation Advisory Working Party on that application. Given the relatively limited number of such applications per annum, the limited resources available within the Heritage Fund, and the difficulty of devising a set of criteria to determine which projects should receive funding and which should not (beyond those criteria which are already agreed) it is considered that such decisions could remain within the remit of the Planning Committee, without harm to the objective of a focus on applications for Major development and no change is recommended in this respect.

4. The proposed changes

In summary the proposals being recommended to Council, which have been endorsed by the Planning Committee, and are indicated in Appendix A are as follows

Proposal No.1 – That Reserved Matters applications for Major development, where the only reserved matter is landscaping, would not automatically require to come before the Planning Committee

Proposal No.2 - That applications for telecommunication apparatus would not automatically require to come before the Planning Committee

Proposal No.3 – To extend the call in period to 15 working days, with it being a precondition of a call in that at least each Member involved has spoken beforehand either to the Planning Officer or to the Development Management Team Leader about the application.

Proposal No.4 – To redraft the general statement concerning the requirement for delegated decisions to be made in accordance with the development plan and other material considerations

Proposal No.5 – That notwithstanding Proposal No.4 Officers have delegated authority to determine applications for extensions to dwellings and small scale equestrian developments, even if they are considered to constitute inappropriate development in Green Belt terms

Proposal No.6 – That consultations from adjoining Councils or the County Council on applications for the approval of reserved matters of outline planning permissions for Major Development are able to be responded to by the Executive Director

Proposal No.7 – That the authority to enter into a Planning Performance Agreement be given to the Executive Director

Proposal No.8 – That the authority to determine applications for certificates of lawfulness of works to Listed Buildings be given to the Executive Director

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SPECIFIC FUNCTIONS

PLANNING FUNCTIONS

	FUNCTION	EXERCISED BY
(2) (a)	<p>To determine applications for planning permission, consent or approval (i.e. outline permission, full permission, change of use, temporary permission, listed building consent, approval of reserved matters or approval of details, (unless required by the conditions of an express grant of planning permission)) for which permission or approval may be granted or refused in accordance with the policies of the approved development plan for the area, <u>local finance considerations and any other material considerations, all of the above so far as material to the application, national guidance, the emerging development plan and supplementary planning guidance having regard to the appropriate weight to be given to each of these in accordance with S.70(2) of the Town and Country Planning Act 1990, as amended and S.38(6) of the Planning and Compulsory Purchase Act 2004 and in the case of applications for householder developments and small-scale equestrian developments without such limit; unless</u> two or more Members by notice in writing within <u>10-15</u> working days of the date of publication of the weekly list of applications received, require the application to be referred to the Planning Committee <u>subject to the requirement that each Member who has called in the application has spoken beforehand either to the Planning Officer dealing with the application or the Development management Team Leader about the application.</u></p> <p>This class to exclude:</p> <p>(i) All Major Developments (major residential proposals are those involving 10 or more dwellings or, where the number is not known, half an hectare <u>and</u>; For for all other uses, a Major Development is one where the floorspace to be built is 1000 square metres or more or where, if the floorspace is not known, the site area is one hectare or more) <u>unless the application is only for approval of the reserved matter of landscaping.</u></p> <p>(ii) Any proposals for the demolition, as defined in national guidance, of a Listed Building</p>	Executive Director (Regeneration and Development)

	(iii) Any proposals for the alteration or extension of a Grade 2* or Grade 1 Listed Building	
2(b)	To determine applications for approval of details where required by the conditions of an express grant of planning permission (except for applications for approval of reserved matters of an outline planning permission) for which approval may be granted or refused in accordance with the policies of the approved development plan for the area, <u>local finance considerations and any other material considerations, all of the above so far as material to the application, national guidance, the emerging development plan and supplementary planning guidance having regard to the appropriate weight to be given to each of these in accordance with Section 70(2) of the Town and Country Planning Act 1990, as amended and Section 38(6) of the Planning and Compulsory Purchase Act 2004 ;</u>	Executive Director (Regeneration and Development)
2(d)	To determine whether or not <u>(a) the prior approval of the Council will be required and (b) if it is whether or not that</u> prior approval is to be given with respect to otherwise permitted development within the following Classes – IA (change of use of shops to dwellings), J (change of use of offices to dwellings), K (change of use of buildings to schools), M (change of use to a flexible use), MA (change of use of agricultural buildings to schools and nurseries) and Class MB (change of use of agricultural buildings to dwellings) - of Part 3 of Schedule 2 of the Town and Country Planning (General Permitted Development) Order; <u>unless</u> two or more Members by notice in writing within 150 working days of the date of publication of the weekly list of applications received, require the application to be referred to the Planning Committee <u>subject to the requirement that each Member who has called in the application has spoken beforehand either to the Planning Officer dealing with the application or the Development management Team Leader about the application.</u>	Executive Director (Regeneration and Development)
(2)(e)	To determine whether or not <u>(a) the prior approval of the Council will be required and (b) if it is whether or not that</u> prior approval is to be given with respect to otherwise permitted development under Parts 6 and 7 to the Town and Country Planning (General Permitted Development) Order (agricultural and forestry buildings and associated developments); <u>unless</u>	Executive Director (Regeneration and Development)

	two or more Members by notice in writing within 150 working days of the date of publication of the weekly list of applications received, require the application to be referred to the Planning Committee <u>subject to the requirement that each Member who has called in the application has spoken beforehand either to the Planning Officer dealing with the application or the Development management Team Leader about the application.</u>	
(2)(f)	To determine whether or not <u>(a) the prior approval of the Council will be required and (b) if it is whether or not that</u> prior approval is to be given with respect to otherwise permitted development under Part 24 to the Town and Country Planning (General Permitted Development) Order being any development by Telecommunications Code system Operators that includes antennas installed on a building or structure <u>unless two or more Members by notice in writing within 15 working days of the date of publication of the weekly list of applications received, require the application to be referred to the Planning Committee subject to the requirement that each Member who has called in the application has spoken beforehand either to the Planning Officer dealing with the application or the Development management Team Leader about the application</u>	<u>Planning Committee Executive Director (Regeneration and Development)</u>
(2)(g)	To determine whether or not <u>(a) the prior approval of the Council will be required and (b) if it is whether or not that</u> prior approval is to be given with respect to otherwise permitted development under Part 24 to the Town and Country Planning (General Permitted Development) Order being any development by Telecommunications Code System Operators, that does not include antennas installed on a building or structure	Executive Director (Regeneration and Development)
(2)(h)	To determine whether or not <u>(a) the prior approval of the Council will be required and (b) if it is whether or not that</u> prior approval is to be given to otherwise permitted development under Part 31 to the Town and Country Planning (General Permitted Development) Order 1995 – demolition of buildings; <u>unless</u> two or more Members by notice in writing within 150 working days of the date of publication of the weekly list of applications received, require the application to be referred to the Planning Committee <u>subject to the requirement that each Member who has called in the application has spoken beforehand either to the Planning</u>	Executive Director (Regeneration and Development)

	<u>Officer dealing with the application or to the Development management Team Leader about the application</u>	
(3) (a)	To comment on County Matters (This class to exclude all Major Developments – where the floorspace to be built is 1000 square metres or more or, where the floorspace is not known, the site area is one hectare or more.) <u>unless the application is for the approval of reserved matters of an outline planning permission</u>	Executive Director (Regeneration and Development)
(3) (b)	To comment on County Matters that are for Major Development – where the floorspace to be built is 1000 square metres or more or, where floorspace is not known, the site area is one hectare or more <u>unless the application is for the approval of reserved matters of an outline planning permission</u>	Planning Committee
(4)	To identify planning applications on which the County Planning Authority <u>or neighbouring Councils</u> should be consulted (Local Government Act 1972, Sch.16 (as amended))	Executive Director (Regeneration and Development)
(10) (a)	To comment favourably or otherwise on proposals for development submitted by the County Council in accordance with the terms of the Town and Country Planning General Regulations. This class to exclude:	Executive Director (Regeneration and Development)
(i)	All Major Developments <u>unless the application is for the approval of reserved matters of an outline planning permission</u> . Major residential proposals are those involving 10 or more dwellings, or where the number is not known, half a hectare <u>and</u> - fFor all other uses, a Major Development is one where the floorspace to be built is 1000 square metres or more or, where the floorspace is not known, the site area is one hectare or more	
(ii)	Any proposals for the demolition, as defined in national guidance, of a Listed Building	
(iii)	Any proposals for the alteration or extension of a Grade 2* or Grade 1 Listed Building	
(10) (b)	To comment favourably or otherwise on proposals for development submitted by the County Council in accordance with the terms of the Town and Country Planning General Regulations which are for:	Planning Committee
(i)	All Major Developments <u>unless the application is for the approval of reserved matters of an</u>	

<p>(ii)</p> <p>(iii)</p>	<p><u>outline planning permission</u>. Major residential proposals are those involving 10 or more dwellings, or where the number is not known, half a hectare <u>and- f</u>For all other uses, a Major Development is one where the floorspace to be built is 1000 square metres or more or, where the floorspace is not known, the site area is one hectare or more</p> <p>Any proposals for the demolition, as defined in national guidance, of a Listed Building</p> <p>Any proposals for the alteration or extension of a Grade 2* or Grade 1 Listed Building</p>	
<p>(11) (a)</p> <p>(i)</p> <p>(ii)</p> <p>(iii)</p>	<p>To comment favourably or otherwise on proposals for development on which the Council is consulted by a neighbouring authority based upon relevant planning policies and the likely impact upon the interests of the Borough. This class to exclude:</p> <p>All Major Developments <u>unless the application is for the approval of the reserved matters of an outline planning permission</u>. Major residential proposals are those involving 10 or more dwellings, or where the number is not known, half a hectare <u>and- f</u>For all other uses, a Major Development is one where the floorspace to be built is 1000 square metres or more or, where the floorspace is unknown, the site area is one hectare or more</p> <p>Any proposals for the demolition, as defined in national guidance, of a Listed Building</p> <p>Any proposals for the alteration or extension of a Grade 2* or Grade 1 Listed Building</p>	<p>Executive Director (Regeneration and Development)</p>
<p>(11) (b)</p> <p>(i)</p>	<p>To comment favourably or otherwise on proposals for development on which the Council is consulted by a neighbouring authority based upon relevant planning policies and proposals and the likely impact upon the interests of the Borough, such proposals being for:</p> <p>All Major Developments <u>unless the application is for the approval of the reserved matters of an outline planning permission</u>. Major residential proposals are those involving 10 or more dwellings, or where the number is not known, half a hectare <u>and- f</u>For all other uses, a Major Development is one where the floorspace to be built is 1000 square metres or more or, where the floorspace is unknown, the site area is one hectare or more</p>	<p>Planning Committee</p>

(ii)	Any proposals for the demolition, as defined in national guidance, of a Listed Building	
(iii)	Any proposals for the alteration or extension of a Grade 2* or Grade 1 Listed Building	
(27)	To exercise all the Council's powers under the provisions of the Town and Country Planning Act 1990 and Regulations made thereunder relating to the revocation and modification of planning permission; the discontinuance of use or alteration of buildings or works; Directions under Article 4 of the Town and Country Planning (General Permitted Development) Order 1995; and termination of planning permission by reference to time limits (Completion Notices)	Planning Committee
(28)	To determine whether the prior approval of the Council will be required in relation to developments proposed under the following Classes— IA (change of use of shops to dwellings), J (change of use of offices to dwellings), K (change of use of buildings to schools), M (change of use to a flexible use), MA (change of use of agricultural buildings to schools and nurseries) and Class MB (change of use of agricultural buildings to dwellings)—of Part 3 of Schedule 2 of the Town and Country Planning (General Permitted Development) Order unless two or more Members by notice in writing within 10 working days of the date of publication of the weekly list of applications received, require the application to be referred to the Planning Committee	Executive Director (Regeneration and Development)
(29)	To determine whether the prior approval of the Council will be required in relation to developments proposed under Parts 6 and 7 of Schedule 2 to the Town and Country Planning (General Permitted Development) Order 1995— agricultural/forestry buildings and operations ; unless two or more Members by notice in writing within 10 working days of the date of publication of the weekly list of applications received, require the application to be referred to the Planning Committee	Executive Director (Regeneration and Development)
(30) (a)	To determine whether the prior approval of the Council is required in relation to developments proposed under Part 24 of Schedule 2 to the Town and Country Planning (General Permitted Development) Order 1995, as amended, for any development by Telecommunications Code	Planning Committee

	System Operators, that includes antennas installed on a building or structure	
(31) (b)	To determine whether the prior approval of the Council is required, in accordance with Part 24 of Schedule 2 to the Town and Country Planning (General Permitted Development) Order 1995, as amended, for any development by Telecommunications Code System Operators, that does not include antennas installed on a building or structure	Executive Director (Regeneration and Development)
(32)	To determine whether the prior approval of the Council will be required in relation to developments proposed under Part 31 of Schedule 2 to the Town and Country Planning (General Permitted Development) Order 1995 – the demolition of buildings; unless two or more Members by notice in writing within 10 working days of the date of publication of the weekly list of applications received, require the application to be referred to the Planning Committee	Executive Director (Regeneration and Development)
(30)(36)	To determine applications submitted under the Anti-social Behaviour Act 2003 (Part 8, High Hedges) unless two or more Members by notice in writing within 150 working days of the date of publication of the weekly list of applications received require the application to be referred to the Planning Committee <u>subject to the requirement that each Member who has called in the application has spoken beforehand either to the Planning Officer dealing with the application or the Development management Team Leader about the application.</u>	Executive Director (Regeneration and Development)
(35)	To determine applications for a certificate of lawfulness of works to a Listed building (Listed Buildings and Conservation Areas Act, as amended)	Executive Director (Regeneration and Development)
(36)	To enter in Planning Performance Agreements on behalf of the Council	Executive Director (Regeneration and Development)
(37)	To authorise the making of a Local Development Order	Planning Committee

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<u>REPORT TITLE</u>	<u>Review of the Council's Constitution</u>
<u>Submitted by:</u>	The Monitoring Officer
<u>Portfolio:</u>	Communications, Policy and Partnerships.
<u>Ward(s) affected:</u>	All

Purpose of the Report

To improve the efficiency and accessibility of the Constitution and to ensure that it is up to date and fully complies with the law.

Recommendations

a) That Council adopts the amendments to the Constitution recommended by the Constitution Review Working Group and endorsed by the Finance, Resources and Partnerships Scrutiny Committee as listed below:

- I. That the redrafted Member Code of Conduct be agreed,
- II. That the revised Elected Member/Officer Relations Protocol be adopted,
- III. That having been reviewed by the Finance, Resources & Partnerships Scrutiny Committee the updated version of Appendix 12 (Contract Procedure Rules) of the Constitution be adopted by Full Council,
- IV. That the suggested wording relating to the appointment of Honorary Aldermen be included in the Constitution.
- V. That both sections in the constitution that refer to urgency provisions be replaced with one new urgency clause as suggested in the report.
- VI. That diarised meetings of the Scrutiny Chairs and Vice Chairs Group are no longer required.

b) That the Constitution Review Working Group continues its review of the Constitution.

Reasons

The proposed amendments are considered necessary to improve the efficiency and accessibility of the Constitution and to ensure that it is up to date and fully complies with the law.

1. Background

- 1.1 At the Transformation and Resources Committee meeting on 7th June 2010 it was resolved to set up a working group to review the Constitution. The initial purpose of the review was to improve the Constitution so as to increase the understanding and accessibility of Members, officers and the public by recommending amendments and the removal of unnecessary provisions.
- 1.2 The Working Group has continued to meet throughout 2014/2015 and the recommendations contained within this report were considered and agreed by the Finance, Resources and Partnerships Scrutiny Committee at its meetings on 5th November 2014 and 21st January 2015.
- 1.3 The recommendations are intended to enhance the democratic processes of the Council; ensure that the Council is acting in accordance with statute; and ensure the Council's Constitution reflects the current processes of the Council. A full discussion on the

recommendations will ensure any changes are fully thought through, transparent and robust. It is recognised that some of the new processes may need to evolve over time to further enhance the democratic process

2. **Issues**

- 2.1 The Constitution is the set of rules that describe and constrain how the Council operates, how its decisions are made and the procedures to be followed.
- 2.2 The approach taken by the Working Group has been to:
 - (i) Remove obvious duplications
 - (ii) Identify contradictions and remove the parts that do not accord with local practice or law
 - (iii) Remove obsolete, inaccurate or unnecessary references to law or processes
 - (iv) Simplify wording and improve the indexing
 - (v) Take best practice from a number of other constitutions.

3 **Options Considered**

A. **Revised Member Code of Conduct**

- i. The current Member Code of Conduct was last reviewed and updated in 2012 to reflect the introduction of the Localism Act 2011.
- ii. Since July 2013 the Council has subscribed to the 'Standards Exchange' which is a network run by Hoey Ainscough Associates. This enables us to access to a wide network of advice and support in terms of Standards issues. In addition Hoey Ainscough have provided a number of training sessions for members of both the Borough and Parish councils in respect of Standards issues and the Code of Conduct. The training provided was based around the Council's existing Code and whilst it was accepted that generally the Code covered what it needed to, there were certain aspects that could have been left open to interpretation. For this reason it was decided to review the current Code and benchmark this against other codes that were in place at various other authorities. Research was undertaken via the Standards Exchange and examples of other codes of conduct were obtained. Taking these into account a new Code has been re-written to reflect best practice.
- iii. The main principles in terms of standards of conduct remain the same – these have just been rewritten to give more clarity.
- iv. The one major change is that which relates to gifts and hospitality. Currently the value at which Members are required to record the receipt of any gift, benefit or hospitality is £100. Having reviewed a number of other codes our limit was found to be considerably higher than these. It was therefore decided to align the limit to the same as that of the officers which is £10. As a general reminder, Members are advised that any gift or hospitality that is offered, irrespective of whether or not it is accepted, should be formally recorded. The register is maintained by the Monitoring Officer.
- v. A copy of the revised Code (Appendix A) is attached for your information. Due to the fact the new Code has been completely re-written and in a different layout/style it was not possible to provide a tracked changes version.

- vi. In addition to being considered and agreed by the Finance, Resources and Partnerships Scrutiny Committee, the revised Code of Conduct was also considered and agreed by the Standards Committee at its meeting on 28th January 2015.

Recommendation: That the redrafted Member Code of Conduct be agreed.

B. Revised Elected Member/Officer Relations Protocol

- i. The revised protocol was considered by the Finance, Resources and Partnerships Scrutiny Committee at its meeting on 21st January 2015.
- ii. The aim of the Protocol is to guide elected Members and Officers of Newcastle under Lyme Borough Council in the conduct of their working relationships, in order to ensure that these relationships remain productive and positive.
- iii. A strong, constructive, and trusting relationship between elected Members and Officers is essential to the effective and efficient working of the Council as a whole.
- iv. It is recognised that relationships between elected Members and Officers are very varied and can often be complex. Therefore, the Protocol does not seek to be prescriptive and may therefore not cover all situations. However, it is hoped that the framework it provides will serve as a guide to dealing with a wide range of circumstances.
- v. The Protocol forms a key part of the Council's approach to corporate governance and its commitment to uphold good standards in public life.

Recommendation: That the revised Elected Member/Officer Relations Protocol be adopted

C. Revised Contract Procedure Rules

- i. As part of this on-going review of the Constitution, the Council's Standing Orders in Relation to Contracts (Appendix 12 of the Constitution) have been examined. The Standing Orders document is currently split into three parts:

Part I – Extract from Statutes;

Part II – Standing Orders for the Regulation of the Proceedings of the Council and Committees; and

Part III – Standing Orders in Relation to Contracts.

Following initial discussions between the Borough Council's Business Improvement Manager, the Monitoring Officer and the Legal Practice Administrator, Standing Orders relating to Contracts have been reviewed.

- ii. As a result of this review, it was found that there was duplication in Parts I and II of information already contained in the Constitution.
- iii. Following on from this review of Parts I and II, consideration was also given to Part III – Standing Orders in relation to Contracts – and it was agreed that these should be updated

and renamed Contract Procedure Rules (Appendix 12) so as to align with the format of the current Constitution. Parts I and II would therefore be discarded.

- iv. In accordance with current best practice, Appendix 12 has now been updated and amended and a copy is attached as an appendix.

Recommendation: That having been reviewed by the Finance, Resources & Partnerships Scrutiny Committee the updated version of Appendix 12 (Contract Procedure Rules) of the Constitution be adopted by Full Council.

D. Protocol for conferring the title of Honorary Aldermen

- i. Under Section 249 of the Local Government Act 1972, a principal council may confer the title of Honorary Alderman on persons who have, in the opinion of the Council, rendered eminent services to the Council as past members of that Council, but who are not then Members of the Council.
- ii. Whilst the statutory provisions give an indication of the type of person upon whom the title of Honorary Alderman might be conferred many councils have adopted criteria which help guide these considerations to ensure that persons nominated meet the statutory provisions.
- iii. The following wording is recommended for inclusion in the Council's Constitution:

That an Honorary Alderman shall at least:

- a) Not be a serving Member of the Council
- b) Be a person of distinction who has rendered eminent services to the Council and the community
- c) Have served a period of not less than twelve years on the Council which may be continuous or discontinuous
- d) Have normally held a substantive office on the Council such as; Mayor, Committee Chair, Group Leader, or Cabinet Member

The title of Honorary Alderman is conferred on persons who meet these criteria and who are nominated and appointed by not less than a two thirds majority of Members voting at a special meeting of the Council called for this purpose.

There is a presumption that where the criteria are met by a nominated individual the appointment at Full Council will be agreed without debate. Due process will be undertaken with the aim of ensuring that this will happen.

Recommendation: That the above wording be included in the Constitution.

E. Urgency Provisions

- i. At present in the Constitution there are 2 sections relating to matters of urgency which are duplicated:

APPENDIX 4:

Matters of Urgency

1. *In the event of a matter which is not delegated by this Officer Scheme of Delegation requiring action when there is no scheduled meeting where the matter would be considered by the appropriate Cabinet or committee (and where the matter does not make or change policy), the Chief Executive or an Executive Director or the Monitoring Officer having consulted with the Leader or a Cabinet portfolio holder or the Chair of the appropriate committee (or in their absence the Vice Chair) shall have delegated authority to take such action*

2. *In the case of 1 above, the actions taken shall be reported to the next available meeting of the Council or committee as appropriate.*

and in PART 2, Section 7.6

When a decision regarding a Cabinet function requires attention as a matter of such urgency that formal reporting to Cabinet is not possible, the Leader or the Chief Executive or the Section 151 Officer or the Monitoring Officer or the appropriate Executive Director may take that decision in consultation with a member of Cabinet (not being the Leader in the case of a Leader decision)

Recommendation:

That both sections shown above be replaced with one new urgency clause as follows:

When a decision regarding a Cabinet or Committee function requires attention as a matter of such urgency that formal reporting to a meeting of Cabinet is not possible, in accordance with normal Cabinet reporting procedure a written report on the matter must be prepared setting out the reasons for the urgency.

Before drafting such a report, the individual responsible should first take advice from the Monitoring Officer, the s.151 Officer and, if necessary, the Legal team.

Any such advice given should be in written form and should be recorded appropriately.

The reasoning behind the required urgent decision (including the reasoning behind the urgency) and the consequences of that decision should be included in the written report, and the report should be appropriately signed off by the Chief Executive (Head of Paid Service) or an Executive Director. This sign off process should be completed having first consulted with the Leader and one other Cabinet portfolio holder. In a case where the decision maker is the Leader he/she should consult with the Deputy Leader and one other Cabinet Member.

The report setting out the urgent decision and the reasons for it should be made available publicly and therefore should be published in the usual way.

The report should also be presented at the next available meeting of the relevant Committee (usually the Cabinet) for formal ratification by the Cabinet and the decision should be recorded in the usual way.

F. Scrutiny Chairs and Vice Chairs Group

i. The Working Group had previously considered and recommended the abolition of the formal Overview and Scrutiny Co-ordinating Committee in favour of an informal Scrutiny Chairs and Vice Chairs Group. Having liaised with the Chairs and the Vice Chairs of the Scrutiny Committees there was agreement that diarised meetings of the new informal committee were not required.

ii. Should any concern arise regarding duplication or overlap of subject matter the Scrutiny Officer or Democratic Services Manager will liaise with the relevant Chairs to arrange an ad hoc meeting with the relevant Chairs or in extreme circumstances a meeting of all the Chairs and Vice Chairs.

The recommendation will not change the constitution but amend a convention that was previously agreed by the Constitutional Review Working Group.

Recommendation: That diarised meetings of the Scrutiny Chairs and Vice Chairs Group are no longer required.

4. **Proposal**

The report provides a number of recommendations for Members to consider and the background to explain how the Constitution Review Working Group has come to put forward these recommendations. The Constitution Review Working Group's 'parent' Committee is the Transformation and Resources Overview and Scrutiny Committee which has also endorsed all of the recommendations listed in the report.

5. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

The Constitution governs the way the Council works. These changes are intended to enable the public, Members and officers to engage more effectively with the decision making processes of the Council and also ensure that processes are lawful.

An effective Constitution contributes to the overall ethical wellbeing of the Council, and helps to ensure a culture of high ethical standards, which the public and the Council's partners can have confidence in.

6. **Legal and Statutory Implications**

The Council is required by common law and statute (principally the Local Government Acts 1972 and 2000, and the Local Government and Housing Act 1989) to regulate its proceedings and to have an up to date Constitution which is fit for purpose.

7. **Major risks**

That the Constitution will be inaccessible, procedures will be inefficient or decisions are vitiated by reason of unlawful procedure with consequential damage to the reputation, finances and objectives of the Council.

8. **Financial Implications**

No significant additional resources will be required in relation to the recommendations. The Constitution provides the framework and rules for ensuring value for money.

9. **Key Decision Information**

The Constitution affects all decisions and therefore all wards.

10. **List of Appendices**

Revised Member Code of Conduct

Revised Elected Member/Officer Relations Protocol
 Revised Contract Procedure Rules

11. **Background Papers**

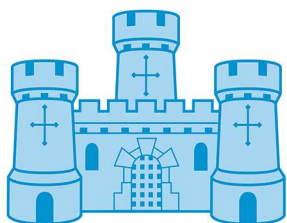
The Constitution
 Minutes of the Transformation and Resources Overview and Scrutiny Committee
 Minutes of the Constitution Working Group

12. **Management Sign-Off**

Each of the designated boxes need to be signed off and dated before going to Executive Director/Corporate Service Manager for sign off.

	Signed	Dated
Financial Implications Discussed and Agreed <i>Lead Officer – Dave Roberts</i>		
Risk Implications Discussed and Agreed <i>Lead Officer – Mark Bailey</i>		
Legal Implications Discussed and Agreed <i>Lead Officer – Mark Bailey</i>		
Equalities Implications Discussed and Agreed <i>Lead Officer – Mark Bailey</i>		
H.R. Implications Discussed and Agreed <i>Lead Officer –</i>		
Report Agreed by: Executive Director/ Head of Service		

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NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

CODE OF CONDUCT FOR MEMBERS - 2015

1. Application

1.1 This Code of Conduct applies to you whenever you are acting in your capacity as a Member of the Borough Council of Newcastle under Lyme, including:

- a. At formal meetings of the Council, its committees and sub committees and its Cabinet and Cabinet committees
- b. When acting as a representative of the Authority
- c. In taking any decision as a Cabinet member or Ward Councillor
- d. In discharging your functions as a Ward Councillor
- e. At briefing meetings with officers
- f. At site visits
- g. When corresponding with the Authority other than in a private capacity

1.2 When carrying out their public role, members should always have regard to the seven principles of public life;

- a. **Selflessness** – you must act solely in the public interest and must never use or attempt to use your position improperly to confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family or close associates.
- b. **Integrity** – you must not place yourself under a financial or other obligation to outside individuals that might seek to influence you in the performance of your official duties. You should exercise independent judgement and declare all interests and relationships.
- c. **Objectivity** – you must act and take decisions impartially, fairly and on merit, using the best evidence without discrimination or bias.
- d. **Accountability** - you are accountable to the public for your decisions and actions and must submit yourself to the scrutiny necessary to ensure this.
- e. **Openness** – you should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.
- f. **Honesty** – you should be honest and truthful.

- g. Leadership** – your own behaviour should exhibit leadership, actively supporting and demonstrating this, being willing to challenge poor behaviour where ever it occurs.

2. Behaviour

2.1 As a member you should;

- a. behave in such a way that a reasonable person would regard as respectful,
- b. not act in a way which a reasonable person would regard as bullying or intimidation,
- c. not seek to improperly confer an advantage or disadvantage on any person,
- d. use the resources of the council in accordance with its requirements,
- e. not disclose information which is confidential or where disclosure is prohibited by law,
- f. respect the impartiality of officers and not to influence them inappropriately.

3. Registration of interests

3.1 Within 28 days of this Code being adopted by the council, or the members election or the co-opted member's appointment (where that is later), Members must register with the Monitoring Officer the interests which fall within the categories set out in Appendices A and B.

3.2 Upon the re-election of a member or the re-appointment of a co-opted member, councillors must within 28 days re-register with the Monitoring Officer any interest's in Appendices A and B.

3.3 Members must register with the Monitoring Officer any change to interests or new interests in Appendices A and B within 28 days of becoming aware of it.

3.4 Members need not register any interest which the Monitoring Officer agrees is a 'sensitive interest'. A sensitive interest is one which, if made public, could lead to the councillor or a person connected with the councillor being subject to violence or intimidation.

4. Declaration of interests at meetings

4.1 Disclosable Pecuniary Interests

4.1.1 Where a matter arises at a meeting which relates to an interest in Appendix A members must declare their interest and not participate in a discussion or vote on the matter.

4.2 Other declarable interests

- 4.2.1 Where a matter arises at a meeting which relates to or affects an interest in Appendix B or a financial interest of the councillor, a friend, relative or close associate (and it is not a Disclosable Pecuniary Interest as defined in appendix A), councillors must declare the interest.
- 4.2.2 Where the matter affects the declarable interest of more than the majority of people in the area that will be affected by the decision and a reasonable member of the public would think the councillor's view of the public interest would be adversely affected, the councillor must not vote on the matter. They may speak on the matter only if members of the public are also allowed to speak at the meeting.
- 4.2.3 Where a matter arises at a meeting which is a sensitive interest as defined under paragraph 3.4 above, councillors do not have to declare the nature of their interest but must follow the rules regarding non-participation.

5. Dispensations

- 5.1 On a written request made to the council's monitoring officer, the council may grant a councillor a dispensation to participate in a discussion and/or vote on a matter at a meeting where they would otherwise not be allowed to if the council believes that the number of members otherwise prohibited from taking part in the meeting would impede the transaction of the business; or it is in the interests of the inhabitants in the council's area to allow the member to take part or it is otherwise appropriate to grant a dispensation.

6. Gifts and Hospitality

- 6.1 You must, within 28 days of receipt, notify the Monitoring Officer in writing of any gift, benefit or hospitality with a value in excess of £10 which you have accepted as a Member from any person or body other than the Authority.
- 6.2 The Monitoring Officer will place your notification on a public register of gifts and hospitality
- 6.3 This duty to notify the Monitoring officer does not apply where the gift, benefit or hospitality comes within any description approved by the authority for this purpose

Disclosable Pecuniary Interests (DPIs)

Interests defined by regulations made under section 30(3) of the Localism Act 2011 and described in the table below.

The duties to register, disclose and not to participate in respect of any matter in which a Member has a DPI are set out in Chapter 7 of the Localism Act 2011.

DPIs are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows:

INTEREST	PRESCRIBED DESCRIPTION
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority)
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority – (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged
Land	Any beneficial interest in land which is within the area of the relevant authority
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer
Corporate tenancies	Any tenancy where (to the Member's knowledge) – (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant authority has a beneficial interest
Securities	Any beneficial interest in securities of a body where – (a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and (b) either – (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in

	which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class
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For this purpose:

'the Act' means the Localism Act 2011

'body in which the relevant person has a beneficial interest' means a firm in which the relevant person is a partner or a body corporate of which the relevant person has a beneficial interest

'director' includes a member of the committee of management in an industrial or provident society

'land' excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income

'Member' includes a co-opted Member

'relevant authority' means the Member's Authority

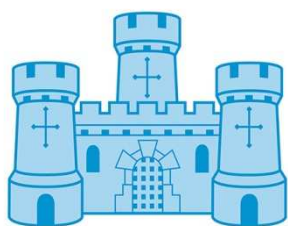
'relevant period' means the period of 12 months ending with the day on which a Member gives a notification for the purposes of Section 30(1) or 31(7) as the case may be, of the Act

'relevant person' means the Member or any other person referred to in Section 30(3)(b) of the Act

'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Councillors must register:

- 1 any body of which the councillor is in a position of general control or management and to which he/she is appointed or nominated by the Council;
- 2 any body -
 - a. exercising functions of a public nature;
 - b. directed to charitable purposes; or
 - c. one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which the member of the council is a member or in a position of general control or management;
- 3 any gifts or hospitality worth more than an estimated value of £10 which the member has received by virtue of his or her office.



NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

Elected Member/Officer Relations Protocol

1.0 INTRODUCTION

- 1.1 The aim of this Protocol is to guide elected Members (often referred to as 'Councillors') and Officers of Newcastle under Lyme Borough Council in the conduct of their working relationships, in order to ensure that these relationships remain productive and positive.
- 1.2 A strong, constructive, and trusting relationship between elected Members and Officers is essential to the effective and efficient working of the Council as a whole.
- 1.3 It is recognised that relationships between elected Members and Officers are very varied and can often be complex. Therefore, this Protocol does not seek to be prescriptive and may therefore not cover all situations. However, it is hoped that the framework it provides will serve as a guide to dealing with a wide range of circumstances.
- 1.4 This Protocol forms a key part of the Council's approach to corporate governance and its commitment to uphold good standards in public life.

2.0 INTERPRETATION OF THE PROTOCOL

- 2.1 Elected Members and Officers must observe this Protocol at all times.
- 2.2 The provisions of this Protocol will be interpreted after having regard to the requirements of the Members' Code of Conduct, the Officers' Code of Conduct, the Council's Constitution, the Council's Whistleblowing Policy and the Council's various Human Resources policies, procedures and processes, for example Dignity at Work.
- 2.3 Where there is a conflict or discrepancy between this Protocol and the Codes and Policies referred to in 2.2 (above) then those Codes and Policies shall have precedence. Conventions will also be taken into account in cases of conflict or discrepancy. Any questions over interpretation will be decided by the Council's Monitoring Officer in consultation with the Council's Chief Executive.

2.4 It is recognised that, in the period preceding any Council election or by-election, specific protocols are in place. These protocols, which are contained within the rules in relation to Purdah will take precedence over this Protocol where there is, again, conflict or a discrepancy. Details on the rules in relation to Purdah are annexed to the Council's Constitution.

2.5 This Protocol does not change any rights or protection which a person may have in law.

3.0 THE ROLE OF ELECTED MEMBERS

3.1 Elected Members are primarily accountable to the wider electorate who, periodically, determine the people they wish to represent them on the Borough Council of Newcastle-under-Lyme. Therefore, this Protocol recognises that Members of this Council are elected to serve the people of the Borough of Newcastle under Lyme.

3.2 Elected Members, as politicians, may express the values and aspirations of their particular party political groups but they must also recognise that, in their role as elected Members, they have a duty to always act in the public interest.

3.3 Elected Members may have a number of roles within the Borough Council and need to be alert to the possible conflicts of interest that may arise as they carry out these various roles.

3.4 At all times elected Members should be aware that the role(s) they are performing may impact upon the nature of their relationship with Officers and the expectations that Officers may have of them.

3.5 Elected Members are mainly responsible for:

- a) The political direction and strategic leadership of the Council;
- b) The determination of policies, plans and strategies;
- c) Ensuring appropriate actions are taken to give effect to or implement those policies, plans and strategies particularly in service delivery terms;
- d) Performing the Council's statutory and regulatory functions;
- e) Monitoring and reviewing, primarily via the Executive and Scrutiny functions, the Council's performance in implementing its policies, plans and strategies and in delivering its services;
- f) Ensuring and promoting effective working with partner organisations;
- g) Representing the Borough Council on local, regional and national bodies and organisations; and

- h) Representing the views of their wards, including the various communities and individual constituents living in these wards
- 3.6 Some elected Members will have additional responsibilities relating to their membership(s) of the Executive, Scrutiny Committees or other committees and sub-committees, including regulatory committees. Holding these various roles will undoubtedly involve different relationships with individual Officers in areas where the elected Member in question has particular roles and responsibilities.
- 3.7 Elected Members who serve on committees and sub-committees collectively have delegated responsibilities. These responsibilities may include deciding quasi-judicial matters which, by law, are excluded from the remit of the Council's Cabinet.
- 3.8 In turn, Officers can expect elected Members:
- a) To act within the policies, practices, processes and conventions established by the Council;
 - b) To work constructively in partnership with Officers acknowledging their separate and distinct roles and responsibilities;
 - c) To understand and support the respective roles and responsibilities of Officers and their associated workloads, pressures and reporting lines;
 - d) To give political leadership and direction and to seek to further agreed policies and objectives with the understanding that elected Members have the right to take the final decision on issues based on advice;
 - e) To treat them fairly and with respect, dignity and courtesy;
 - f) To act with integrity, to give support and to respect appropriate confidentiality;
 - g) To recognise that Officers work to the instructions of their senior Officers and not to individual Members or body of members;
 - h) To not subject Officers to intimidation, harassment, or put them under undue pressure. Elected Members will have regard to the seniority of Officers in determining what are reasonable requests, having regard to the relationship between the elected Member and Officer, and the potential vulnerability of Officers, particularly at junior levels;
 - i) To not request Officers to exercise discretion which involves acting outside the Council's policies and procedures;
 - j) To not authorise, initiate, or certify any financial transactions or enter into any contract, agreement or undertaking on behalf of the Council or in their role as an elected Member without proper and lawful authority;

- k) To not use their position or relationship with Officers to advance their personal interest or those of others or to influence decisions improperly; and
- l) To comply at all times with the elected Members Code of Conduct, the law, the Council's Constitution and such other policies, procedures, protocols and conventions agreed to by the Borough Council.

3.9 It is important that elected Members of the Council:

- a) Respect the impartiality of Officers and do not undermine the role of Officers in carrying out their duties;
- b) Do not ask Officers to undertake work, or act in a way which seeks to support or benefit a particular political party or gives rise to an Officer being criticised for acting in a party political manner; and
- c) Do not ask Officers to exceed their authority where that authority is given to them in law, by the Borough Council or by their Managers

3.10 The Head of Paid Service (often referred to as 'the Chief Executive'); the Monitoring Officer (in the case of Newcastle-under-Lyme Borough Council, the Head of Internal Audit); the Section 151 Officer (the Executive Director (Resources & Support Services); and other statutory officers have specific responsibilities placed on them by law. These responsibilities go beyond their obligations as employees of the Council. Where an Officer is discharging his/her responsibilities as part of any statutory office an elected Member shall not:

- a) Interfere¹ with or obstruct the Officer in exercising those responsibilities; and
- b) Victimise any Officer who is discharging or has discharged his/her responsibilities of the statutory office in question

4.0 THE ROLE OF OFFICERS

4.1 The primary role of Council Officers is to advise, inform and support all elected Members and to implement the lawfully agreed policies of the Council.

4.2 Officers are responsible for day-to-day managerial and operational decisions within the Council. Elected Members should avoid, where possible, inappropriate involvement² in such matters.

4.3 In performing their role Officers will act professionally, impartially and with political neutrality. Whilst Officers will consider an elected Member's view on any particular issue, they should not be influenced or pressured to make

¹ This is not intended to prevent members questioning officers for the purposes of being able to understand fully an issue, but the level and extent of such questions needs to be reasonable

² As footnote 1 above.

comments, or recommendations which are contrary to his/her professional judgement or views.

4.4 Officers should:

- a) Implement decisions of the Council and its subordinate bodies which are lawful, and have been properly approved in accordance with the requirements of the law and the Council's Constitution, and are duly recorded;
- b) Work in partnership with elected Members in an impartial and professional manner;
- c) Assist and advise all parts of the Council. Officers must always act to the best of their abilities in the best interests of the authority as expressed in the Council's formal decisions;
- d) Respond to enquiries and complaints in accordance with the Council's agreed standards;
- e) Be alert to issues which are, or are likely to be, contentious or politically sensitive, and be aware of the implications for elected Members, the media or other sections of the public;
- f) Act with honesty, respect, dignity and courtesy at all times;
- g) Provide support and learning and development opportunities for elected Members to help them in performing their various roles;
- h) Not seek to use their relationship with elected Members to advance their personal interests or to influence decisions improperly; and
- i) Comply, at all times, with the Council's Officer Code of Conduct, and other such Policies or Procedures approved by the Council

4.5 Officers have the right not to support elected Members in any role other than that of elected Member, and not to engage in actions incompatible with this Protocol. In particular, there is a statutory limitation on Officers' involvement in political activities.

4.6 Some Officers may be appointed to local, regional or national bodies because of their particular skills and expertise. They may be appointed specifically to represent the Council or in their professional capacity.

5.0 THE RELATIONSHIP: GENERAL

5.1 Elected Members and Officers are, first and foremost, servants of the public. They are indispensable to one another in carrying out this role. However, their responsibilities are distinct. Elected Members are accountable to the public, and their Group where one is formed, whereas Officers are

accountable to the Council as a whole and for operational purposes to their manager.

- 5.2 At the heart of the various Codes, and this Protocol, is the importance of mutual respect. Elected Member/Officer relationships are to be conducted in a positive and constructive way. Therefore, it is important that any dealings between elected Members and Officers should observe standards of courtesy and that neither party should seek to take unfair advantage of their position nor seek to exert undue influence on the other party.

6.0 THE RELATIONSHIP: SCRUTINY COMMITTEES

- 6.1 It is accepted that in carrying out the Council's scrutiny functions elected Members may require an Officer to attend to answer questions or to discuss issues.

- 6.2 It is recognised by this Protocol that challenge in a constructive and non-confrontational way is important in ensuring policies and performance are meeting the Borough Council's strategic objectives. Therefore, nothing in this Protocol is intended to stop elected Members from holding Officers to account for decisions made under delegated powers. Nor is it intended to affect the Council's scrutiny functions

- 6.3 When deciding whether to require an Officer to attend a meeting, the Scrutiny Committee will consider the seniority of the Officer in deciding who it would be appropriate to invite. There is a presumption against inviting Officers outside the senior Officer range to attend in this capacity. Requests for Officer attendance should be made to the appropriate Director concerned. Such requests should indicate in broad terms the areas which elected Members will want to discuss, and should give reasonable notice of the dates when attendance is required.

- 6.4 Where an Officer attends a Scrutiny Committee meeting, his/her contribution should be confined to matters of fact and explanation. However, an Officer may be asked to explain and justify advice which he/she has given prior to a decision having been taken, including decisions taken by him/her under delegated powers.

- 6.5 Officers should not be drawn, overtly or covertly, into discussions of a political nature which would be inconsistent with the political neutrality requirement. Any questioning of an Officer should not be reasonably interpreted as constituting harassment.

- 6.6 In scrutiny proceedings, the capability or competence of Officers must not be questioned. A distinction needs to be drawn between reviewing the policies, performance and decisions of the Council or its services and the appraisal of staff performance. The latter is not a function of scrutiny committees.

- 6.7 The approach here is consistent with the Scrutiny Procedure Rules as set out in the Council's Constitution.

6.8 In applying this part of the Protocol, account will be taken of any guidance agreed by Scrutiny bodies provided that guidance is consistent with the principles of this Protocol.

7.0 POLITICAL GROUPS

7.1 The Chief Executive, together with Executive Directors and Heads of Service and occasionally other employees (all with the permission of the Chief Executive) may at times request to attend or be invited to attend a political group meeting with a view to briefing and advising on the formulation of policy. This may be on his/her initiative or at the request of a political group. However, the decision on whether he/she should attend is the Chief Executive's, in either case.

7.2 If the Chief Executive decides that he/she or another Officer may attend a political group meeting and it concerns a proposed significant policy change which is about to be presented to a meeting of the Council, Executive Group or committee, then he/she must offer the facility to all other political groups within the Authority, indicating the area of policy upon which he/she is offering to brief/advise. He/she will inform the leader of the political group with whom he/she is having the meeting that he/she will be offering the facility to the other political groups represented on the Council.

7.3 Certain points must be clearly understood by all those participating in this process, elected Members and Officers alike. In particular:

(a) Officer support in these circumstances must not extend beyond providing information and advice in relation to matters of Council business. Officers must not be involved in advising on matters of party business. The observance of this distinction will be assisted if Officers are not expected to be present at meeting, or parts of meeting, when matters of party business are to be discussed;

(b) Political group meetings, whilst they form part of the preliminaries to Council decision-making, are not empowered to make decisions on behalf of the Council. Conclusions reached at such meetings do not therefore rank as Council decisions and it is essential that they are not interpreted or acted upon as such; and

(c) Similarly, where Officers provide information and advice for a political group meeting in relation to a matter of Council business, this cannot act as a substitute for providing all necessary information and advice to the, Council Cabinet or relevant committee when the matter in question is considered.

7.4 Special care needs to be exercised whenever Officers are involved in providing information and advice to a political group meeting which includes persons who are not elected Members of the Council. Such persons will not be bound by the Members Code of Conduct (in particular, the provisions

concerning the declaration of interests and confidentiality) and for this and other reasons Officers may not be able to provide the same level of information and advice as they would to an elected Members only meeting.

- 7.5 Officers must respect the confidentiality of any political group discussions at which they are present in the sense that they should not relay the content of any such discussions to another political group.

8.0 ACCESS TO PREMISES

- 8.1 Officers have the right to enter the Council's land and premises to carry out their work. Some Officers have the legal power to enter property in the ownership of others.

- 8.2 Unless authorised to do so as part of an authorised committee site visit, Members are not entitled to inspect land or premises which the Council has the right or duty to inspect. Nor may they enter, or issue orders relating to, works being carried out by or on behalf of the Council (for example building sites).

9.0 USE OF COUNCIL RESOURCES

- 9.1 Elected Members should not ask Officers to provide resources or support which they are not permitted to give, for example support or resources:

- a) Which are to be used for business which is solely to do with a political party;
- b) For work in connection with a ward or constituency party political meeting or electioneering;
- c) For work associated with an event attended by an elected Member in a capacity other than as a Member of the Council;
- d) For private personal correspondence;
- e) For work in connection with another body or organisation where an elected Member's involvement is other than as a member of the Council; and
- f) Which constitutes support to an elected Member in his/her capacity as a member of another authority

10.0 ACCESS TO INFORMATION

- 10.1 The legal rights of Members to inspect Council documents are covered partly by statute and partly by the common law. The information set out in Appendix 11 (Access to Information Rules) of the Constitution explains the position in detail.

- 10.2 Members have all the rights available to members of the public and may request individual copies of any agendas of the Executive and of Committees, Sub-Committees or Panels of which they are not members. Additionally, Members' rights to information are subject to legal rules and, if a Member has a legitimate interest in a matter and is able to demonstrate a "need to know", in his or her role as a Borough Councillor, employees should provide the relevant information, including confidential information, to that Member. Approaches for information on this basis should normally be directed to the Director or another senior employee of the Executive Director concerned.
- 10.3 Special care needs to be taken when a Member has a significant personal or business relationship with a constituent about whom he or she is seeking information. An appropriate option may be that another Member could act for the constituent.

11.0 POLITICAL ACTIVITY

- 11.1 Senior employees, except those politically exempted, cannot be local authority councillors or MPs, nor can they 'speak or publish written work for the public at large or to a section of the public with the apparent intention of affecting public support for a political party'.
- 11.2 Employees are employed by the Council as a whole. They serve the Council and are responsible to the Chief Executive and their respective Executive Directors, and not to individual Members of the Council whatever office they might hold.
- 11.3 It is obviously important though for there to be regular contact between the Chief Executive, Executive Directors, senior employees and the leaders of political groups on matters affecting the Council, and between Executive Directors, other senior employees, the Leader of the Council and members of the Cabinet and Committee Chairs on matters affecting their respective responsibilities.
- 11.4 Council decisions can only be made in accordance with the Constitution and through the formal processes of the Council. Only decisions made at formal meetings or under delegated powers can be acted upon by officers.

12.0 BREACHES OF THE PROTOCOL

- 12.1 Where an elected Member is dissatisfied with the conduct, behaviour or performance of an Officer, the matter should be raised with the appropriate Executive Director or Head of Service. Where the Officer concerned is an Executive Director, the matter should be raised with the Chief Executive, and, in the case of a Head of Service, with the appropriate Executive Director. Where the employee concerned is the Chief Executive, the matter should be raised with the Monitoring Officer.

- 12.2 On the elected Member's side, where the relationship between elected Members and Officers breaks down or becomes strained, every effort should be made to resolve matters informally, through conciliation by an appropriate senior manager or Members. Officers will also have recourse to the Grievance Procedure or to the Council's Monitoring Officer, as appropriate, in certain circumstances. In the event of a grievance or complaint being upheld, the matter will be referred to the Chief Executive who, having advised the Leader of the Council and the other appropriate Group Leaders, will decide on the course of action to be taken, following consultation with the Council's Standards Committee if appropriate.
- 12.3 Breaches of the protocol by an elected Member may also constitute a breach of the Members Code of Conduct.

13.0 STATUS OF THIS PROTOCOL

- 13.1 This Protocol was approved by Full Council on *****. It now forms part of the Council's Constitution. As such, it is binding on all elected Members including co-opted and independent Members, and Officers.
- 13.2 This Protocol shall apply, as appropriate and necessary, to any person appointed individually or on behalf of a body or organisation to advise support or assist the Authority in its work.

APPENDIX 12

CONTRACT PROCEDURE RULES

Contents

1.	INTRODUCTION	1
2.	COMPLIANCE WITH CONTRACT PROCEDURE RULES	3
3.	NORMAL PROCEDURE	5
4.	EXCEPTIONS TO CONTRACT PROCEDURE RULES	10
5.	CONTRACTS UNDER £5,000	12
6.	CONTRACTS VALUED £5,000 TO £50,000 INCLUSIVE	12
7.	CONTRACTS OVER £50,000	13
8.	CONTRACTS OVER EU THRESHOLDS.....	15
9.	RECEIPT AND CUSTODY	17
10.	OPENING TENDERS	17
11.	LATE TENDERS	18
12.	ALTERATIONS	18
13.	ACCEPTANCE	19
14.	NEGOTIATIONS FOLLOWING RECEIPT OF TENDERS	20
15.	NOMINATED/NAMED SUB-CONTRACTORS AND SUPPLIERS	21
16.	ENGAGEMENT OF CONSULTANTS	21
17.	CONTRACT CONDITIONS	22
18.	EXTENDING EXISTING CONTRACTS	24
19.	CANCELLATION OR DETERMINATION	25
20.	SIGNATURE OF CONTRACTS.....	25
21.	REGISTER OF CONTRACTS.....	25
22.	SEALING	26
23.	BONDS AND PARENT COMPANY GUARANTEES.....	26
24.	OTHER REQUIREMENTS	27
ANNEX 1		
	EXCEPTIONS TO CONTRACT PROCEDURAL RULES – TEMPLATE.....	29

1. INTRODUCTION

1.1 Procurement is the process by which the Council manages the acquisition of all its goods, services and works. It includes the identification of need, consideration of options, the actual procurement process and the subsequent management and review of the contracts.

1.2 These Contract Procedure Rules provide a corporate framework for the procurement of all goods, services and works for the Council. The Rules are designed to ensure that all procurement activity is conducted with openness, probity and accountability. Above all, the Rules are designed to ensure that the Council obtains value for money and the required level of quality and performance in all contracts that are let.

1.3 In these Rules, the following definitions apply:

Contract Means any form of contract, agreement or other arrangement for the supply of goods, services or work

Council Means the Borough Council of Newcastle-under-Lyme

Code of Practice Means the Council's Code of Practice for Procurement – this includes accompanying guidance

Services Includes all services which the Council purchases or obtains including advice, specialist consultancy work, agency staff, etc.

Works Includes all construction and repairs in respect of physical assets (buildings, etc.)

Strategic Procurement Team Means officers responsible for strategic procurement support (Business Improvement Manager and/or Business Improvement Officer Performance and Procurement)

Lead Officer The officer within the Council taking the lead on the procurement exercise

Chief Officer(s) Means (one of) the following:

Chief Executive
Executive Director (Operational Services)
Executive Director (Regeneration and Development)
Executive Director (Resources and Support Services)

who together as a group form the Council's Executive Management Team (EMT) and have responsibility for the day to day management of the Council and its officers

Section 151 Officer Is a statutory position under Section 151 of the Local Government Act 1972. The Executive Director (Resources and Support Services) currently holds this position

Monitoring Officer Is a statutory position under Section 5 of the Local Government and Housing Act 1989, as amended by

Schedule 5, paragraph 24 of the Local Government Act 2000. The Audit Manager currently holds this position and the Democratic Services Manager is the Deputy Monitoring Officer

Service	The relevant Service area within the Council
Head of Service	Means a senior manager with responsibility for the Service
Business Manager	Means a manager with responsibility for a business area within the Service
Authorised Officer	Means any officer who by the nature of his or her job, or as directed by a Head of Service or Business Manager, is authorised to place orders
Financial Regulations	Means the financial regulations issued by the Section 151 Officer and approved by the Council
International Financial Reporting Standards (IFRS)	Means a common global language for business affairs so that company accounts are understandable and comparable across international boundaries.
Rules	Means these Contract Procedure Rules
Cabinet	Means the part of the Council which is responsible for most day-to-day decisions
Constitution	This document sets out how the Council operates, how decisions are made and the procedures which are followed
Cabinet Portfolio Holder	Means a member of the Cabinet with a specific area of responsibility (known as a portfolio) to ensure greater accountability for the decisions taken by Cabinet.
TUPE	TUPE is an acronym for 'Transfer of Employment (Protection of Employment)' Regulations 2006 (amended in 2014). These Regulations preserve employees' terms and conditions when a business or undertaking (or part of one) is transferred to a new employer

1.4 These Rules apply to all contracts whereby the Council pays for goods, services or works. The Public Procurement Regulations do not apply to income based contracts (arrangements whereby the Council gets an income from a third party). However, it is good practice to always follow the principles of these Contract Procedure Rules when awarding such arrangements. Advice must always be sought from the Section 151 Officer when dealing with income based arrangements

1.5 All values referred to in these Rules are exclusive of VAT

1.6 Any dispute regarding interpretation of these Rules shall be referred to the Section 151 Officer for resolution

- 1.7 The Section 151 Officer shall undertake a formal review of the Rules on an annual basis
- 1.8 These Rules do not apply to:
- (a) Contracts of employment
 - (b) Contracts relating to interest in land
 - (c) The engagement of Counsel or other legal advisers; or
 - (d) Contracts relating to Treasury Management entered into by the Section 151 Officer in pursuance of the powers delegated to him under the Council's Constitution
- 1.9 Whereas the titles of Chief Officers are shown in these Rules, their nominees may undertake the responsibilities listed during their principal's absence provided they have written authority from the relevant Chief Officer to do so. This shall not be the case where statute law, or resolution of the Council, or a decision of the Council's Cabinet, requires otherwise.

2. COMPLIANCE WITH CONTRACT PROCEDURE RULES

- 2.1 The provisions contained in these Rules are subject to the statutory requirements of both the European Union and the United Kingdom Government. The letting and content of contracts shall conform to all statutory requirements and be subject to any over-riding directives of the European Union relating to contracts and procurement. This Rule cannot be waived since a failure to comply with European legislation may result in a legal challenge with consequent reputational and financial risk

In addition, where specific statutory procedures are prescribed for certain types of procurement or contract, then these procedures must be followed at all times. In any case where the Council approves, through a resolution of its Cabinet, to have separate Procedure Rules for particular types of contract, then such Rules (which must be prepared in consultation with the Chief Executive, the Section 151 Officer and the Monitoring Officer will take precedence over these Rules.

- 2.2 Subject to Rules 2.1 and 2.3, every contract for the supply of goods and services and for the execution of works made by or on behalf of the Council shall comply with these Rules, the Council's Financial Regulations and the Council's Procurement Strategy. All Council employees and organisations or companies engaged to act in any capacity to procure, manage or supervise a contract on behalf of the Council must be provided with a copy of (or access to) these Rules and comply with them

Any exception to this Rule may only be made with the written authority of a Chief Officer or the Monitoring Officer

- 2.3 A written record of any exception from the provisions of these Rules shall be made by a Chief Officer or his or her nominee and the Monitoring Officer. An 'exceptions form' must be completed for every instance where a Chief Officer approves an exception from these Rules. The form must adequately document the reasons for the exception and an electronic copy must be retained by the Service concerned. A copy of each completed form is automatically forwarded to the Chief Officer concerned, the Monitoring Officer, Internal Audit and the Strategic Procurement Team where a record of all exceptions is maintained. The Chief Officer concerned is responsible for keeping the appropriate Cabinet Portfolio Holder informed

- 2.4 All procurement activity must be undertaken with regard to high standards of probity and in accordance with the relevant sections of the Council's Constitution. All officers should manage procurement activity in a manner which avoids any conflicts of interest, and if any conflicts of interest do arise, these should be referred immediately to the Monitoring Officer, and recorded in the Register of Disclosures and Pecuniary Interests by Officers, which is kept in the office of the Legal Practice Administrator
- 2.5 The procurement of goods, services and works must comply with UK and European Union public procurement legislation where applicable. Where such legislation is applicable and any conflict with these Rules arises, EU Directives and/or UK legislation take precedence over these Rules. Current regulations require tenders to be advertised in the EU Journal where the value exceeds (as at January 2014 values):
- (a) £4,322,012 for works, and
 - (b) £172,140 for the purchase of goods and services

In estimating relevant values, officers shall have regard to the rules addressing aggregation. The estimated value payable over the life of the contract or, in instances where the total contract value is difficult to estimate, the approximate monthly value of the contract, multiplied by 48. Requirements must be calculated based on all Council spend (i.e. the corporate requirement rather than individual service needs) and must not be divided into two or more smaller purchases as this is in breach of the aggregation rules

Further detail in relation to aggregation can be found in the Public Contract Regulations 2006

- 2.6 Chief Officers are responsible for ensuring processes are in place to comply with these regulations within their own Service.
- 2.7 **Partnerships**

These Rules apply to any proposal for the Council to become involved in a joint venture or partnership, including the monitoring of any such arrangement

- (a) In relation to the Rules, a joint venture or partnership includes any arrangement involving one or more organisations in addition to the Council through which either a specific project or services within any of the functions of the Council are to be provided, and
 - (b) Provides a role for the Council or any of its Members or officers in whatever structure is used to deliver the project or services involved (such structures may include, but are not limited to, companies, trusts and management committees).
- 2.8 These Rules apply to any proposal for the Council to become involved in a joint venture or partnership, including the monitoring of any such arrangement
- (a) In relation to the Rules, a joint venture or partnership includes any arrangement involving one or more organisations in addition to the Council through which

either a specific project or services within any of the functions of the Council are to be provided; and

- (b) Provides a role for the Council or any of its Members or officers in whatever structure is used to deliver the project or services involved (such structures may include, but are not limited to, companies, trusts and management committees)
- 2.9 Before any consideration is given to the Council entering into a joint venture with the private sector or a strategic service delivery partnership with any external organisation and in particular before any detailed negotiations are entered into or before any contract is made or undertaking given by or on behalf of the Council in relation to a joint venture or partnership, the Chief Officer concerned must submit detailed information concerning the proposed joint venture or partnership to the Chief Executive. The Chief Executive will give consideration to the proposed joint venture in accordance with these Rules. On receipt of the detailed information above, the Chief Executive will liaise with the relevant Chief Officer(s) or his/her representative(s) to ensure that an appropriate project board is convened
- 2.10 Procurement processes for strategic partnerships and PFI projects must include, where relevant:
- a) The issue of an information memorandum to prospective bidders setting out the background to the project, the Council's objectives and an outline of the procurement process and timetable, with roles and responsibilities made clear (the drafting of which can be supported by the Strategic Procurement Team)
 - b) An invitation to bidders to demonstrate their track record in achieving value for money through effective use of their supply chain, including the use of small firms. This should continue to be examined as part of contract management
 - c) A requirement on bidders which must be included in their invitations to tender (or negotiate for partnerships) to submit optional, priced proposals for the delivery of specified social benefits which are relevant to the contract and add value to the community strategy.

3. NORMAL PROCEDURE

- 3.1 These Rules relate to three categories of procurement based on the estimated value of the contract:
- a) Up to £5,000
 - b) £5,001 to £30,000 (inclusive)
 - c) £30,001 £50,000 (inclusive)
 - d) In excess of £50,000
- 3.2 In all instances, goods, services or works must be obtained via appropriate existing approved arrangements where these exist. These include:
- a) In-house services (for example facilities management)
 - b) Established corporate contracts and approved arrangements

- c) For works (construction) related compliant frameworks where these are available for the Council to use

The following arrangements shall be used where it is considered that they provide value for money for the Council:

- d) Use of contracts which have been established by consortia of which are available to the Council (for example Yorkshire Purchasing Organisation (YPO); Eastern Shires Purchasing Organisation (ESPO) – both being part of the Pro5 consortia)
- e) Direct purchasing from YPO, ESPO (i.e. products available from the catalogue)
- f) Approved nationally negotiated contracts (for example those arranged by Crown Commercial Services (CCS))
- g) Approved e-Procurement solutions
- h) For low value purchases, purchasing cards can be used provided they are not used with the intention of undermining the use of approved or corporate contracts or as a method of circumventing aggregation rules

Information relating to the above arrangements will be published regularly on the Council's intranet

Where the Council has an in-house service, external companies should not be used for these services unless the Head of Service (responsible for the in-house service) confirms specifically that they are unable to meet requirements on that occasion

Use of Council contracts shall be mandatory for the supply of the goods/services included in the contract specification

- 3.3 Orders and payments for goods, services and works shall be undertaken in accordance with Financial Regulations. Orders must be placed, using approved Council systems, in advance of the receipt of the goods/services and orders must be coded to appropriate account codes
- 3.4 Where the supply is of a significantly higher than normal value for the existing arrangement in Rule 3.2 – for example for bulk purchases – the Authorised Officer should consult with the Strategic Procurement Team to determine whether special rates should be sought or whether an alternative procurement procedure may be required
- 3.5 Prior to inviting tenders or quotations, the Authorised Officer must:
 - a) Ensure that there is not another arrangement which must be used instead, as per paragraph 3.2 above, and
 - b) For contracts where there is evident risk, and for all contracts over £50,000, produce and maintain a documented risk log for the procurement process and for the eventual contractual relationship. As a minimum this should analyse all risks, identify how the risks will be managed, the responsible officer(s) and the review periods as per the Council's procurement risk log template

- c) Consider at the outset, through the use of the procurement risk log, any equality and diversity, social, environmental, economic, ethical, health and wellbeing and workforce implications in respect of the provision of supplies, services or works
- d) In support of the Public Services (Social Value) Act 2012, it should be considered at the outset, in the development of the procurement risk log, how the contract can improve the social, economic and environmental wellbeing of the Borough of Newcastle-under-Lyme, its citizens and businesses and this should be built into the contract where appropriate. The Service must be able to demonstrate that social value has been considered and, where applicable to the subject matter of the contract sought and achieved. The Service must also record that it considered whether it was appropriate to consult with stakeholders in respect of social value and the reasons for its decision
- e) Be satisfied that a specification (where appropriate), that will form the basis of the contract, has been prepared (the specification should be retained on the appropriate contract file held within the Service)
- f) Be satisfied that all key stakeholders have been identified and consulted, and their views represented in the procurement risk log, specification and contract documents
- g) Have prepared and documented an estimate of the whole life cost of the contract including (where appropriate) any maintenance and ongoing costs (the estimate should be retained on the appropriate contract file held within the Service)
- h) Ensure that all evaluation criteria (including sub-criteria) have been determined in advance, put into order of relative importance with weightings for each criteria and sub-criteria and published in the tender documentation
- i) Ensure that an appropriate procurement process is undertaken based on the whole life cost of the contract
- j) For all contracts, regardless of value, no person with a personal or financial interest in any of the bidders submitting proposals should be involved in evaluating quotations or tenders or involved in any way in influencing the decision as to which company is to be awarded the contract. A declaration of interest form must be completed by each officer involved in evaluating bids and held on file by the Lead Officer, where the Lead Officer is or forms part of the evaluation team the Monitoring Officer will be requested to hold declarations of interest on file
- k) Be satisfied that he or she has taken advice from the Strategic Procurement Team, Legal Services and Financial Services
- l) Be satisfied that he or she has the necessary authority to enter into the contract.

3.6 Before entering into a contract the Authorised Officer must:

- (a) Have undertaken a due diligence process to ensure the proposed contract is robust
- (b) Be satisfied about the technical capability of such proposed contractor

- (c) Ensure that these Rules and Financial Regulations have been complied with, and that the proposed contract represents value for money
 - (d) For all contracts that exceed £30,001 and/or where deemed appropriate, the Authorised Officer shall undertake appropriate checks to ensure that the proposed contractor has the financial and resource capacity (taking account of contract value and risk) to perform the contract (unless the contractor has already been subjected to a recent satisfactory financial check). Financial vetting shall be undertaken by Internal Audit, who will advise on what, if any, security should be provided by the contractor. Under no circumstances must a company be eliminated from a procurement process on the basis of a credit reference check
 - (e) The Chief Officer responsible for the contract must ensure that a suitably experienced and trained officer is identified to adequately manage the contract the Council enters into
- 3.7 In all instances, procurement shall be undertaken in accordance with the principles of Best Value, and in a manner that is non-discriminatory, transparent and fair
- 3.8 In instances where the Council's policy of payment settlement in 30 days will cause problems to a company or voluntary sector organisation, or early settlement will attract a discounted rate from the company, alternative settlement dates can be considered. Any company can request quicker payment terms by contacting the Council's relevant Authorised Officer
- Payment in advance may be required by small businesses, social enterprise or voluntary sector organisations but it must be used with care to:
- a) Ensure that the agreement with the organisation protects the Council as far as possible
 - b) Be satisfied that the risk is low and managed
 - c) Be satisfied that the small company, social enterprise or voluntary sector organisation has to incur costs in advance and that this will place it in a financially difficult position
 - d) Ensure that payments are charged to the appropriate financial year (*this is particularly important with an advance payment*)
- 3.9 The Council publishes on its website all items of expenditure on goods, services and works which exceed £500 in value. Prior to placing any order, officers must consider whether the expenditure can be justified. Orders must not be artificially split with the intention of bringing the value of each order below £500, or order less than is actually required
- 3.10 Contracts for goods, services and works shall be structured, where appropriate and within the legislative framework, to support and promote the policies and corporate priorities of the Council. In particular, where appropriate and subject to procurement law, officers should encourage and/or invite local suppliers to bid for Council contracts. Also, ensure that tenders are not framed in such way as to unnecessarily debar small and medium sized companies, the voluntary sector and social enterprises from bidding

- 3.11 Where available, tenders should be advertised on the regional procurement portal

NOTE: case law has established that, even when contract values fall below EU Procurement Directive thresholds (above which the full requirements of the Directives apply), contracting authorities must ensure a degree of contract advertising sufficient to ensure competition, to avoid discrimination on the grounds of nationality and allow the impartiality of procurement procedures to be reviewed. Advertising opportunities on the regional procurement portal supports compliance with this requirement

- 3.12 All tenders must be advertised and, where appropriate, be available for download (where available) on a regional procurement portal. Contract award notices shall also be published on the website in a timely manner following contract award. For procurements less than £5,000, the use of Micro; Small to Medium Enterprises and/or a voluntary sector and/or social enterprise directory should be used, where appropriate, to source potential voluntary sector suppliers to invite to quote (www.socialenterprisewm.org; www.buyse.co.uk; www.seb2b.co.uk providing directories of social enterprises). In cases where a quotation process is deemed appropriate for a contract over £10,000, these should be placed on a regional procurement portal (if available). If this is not available, the 'My Tenders' website should be used for advertising contract opportunities
- 3.13 Where there are no arrangements in place as per 3.2 above, orders with a value of less than £5,000 should be placed with suppliers from the local area where possible, utilising an informal quotation process
- 3.14 All tenders advertised in the European Journal must be placed via an electronic system. Officers must ensure that entries into the Official Journal of the European Union (OJEU) fully comply with requirements/guidance on producing notices for the European Journal. This is available from the Strategic Procurement Team
- 3.15 All EU notices for non-routine procurement MUST be referred, in advance of sending to the OJEU, to the Strategic Procurement Team for advice on wording
- 3.16 All quotes and tenders must be undertaken using the Council's standard template documentation, unless prior approval has been obtained from the Section 151 Officer or the procurement is construction related, where JCT/JCI templates are able to be used.
- 3.17 Any project to develop a strategic service delivery partnership (which may or may not involve a transfer of staff to an external organisation) shall be undertaken in accordance with the best practice guidance issued by the Communities and Local Government or other relevant guidance

<http://mutuals.cabinetoffice.gov.uk/sites/default/files/documents/Public%20Service%20Mutuals%20next%20steps.pdf>

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/83717/19284_Next_Generation_3rd_Online.pdf.

The Chief Executive must be notified prior to commencing any such initiative

- 3.18 Any project to develop a strategic service delivery partnership (which may or may not involve a transfer of staff to an external organisation) must be referred to the Council's Cabinet for:

- a) Initial approval to commence the project, and
 - b) Approval to award the contract which must be supported by a robust business case
- 3.19 Any project which involves significant risk including: staff transfer, significant implications across a number of service areas or significant potential for reputational or financial risk, must be managed in an appropriate manner using Council approved project management methodology and progress reports must be provided to the Executive Management Team at key milestones, these to be agreed with the relevant Chief Officer
- 3.20 Evaluation of tenders and quotations must be based on whole life costs, or total cost of ownership, including environmental, social and economic benefits where relevant to the contract
- 3.21 The Council will achieve employment and skills outcomes through procurement where relevant to the purpose of a contract. Where relevant to the subject matter of the contract, the bidders' approach to tackling unemployment and creating training and apprenticeship opportunities should be built into the procurement process
- 3.22 Where the Council will own an asset as a result of a contract, the asset has to be recorded in accordance with International Financial Reporting Standards (IFRS)
- 3.23 Where these situations arise, the Section 151 Officer must be contacted in the early stages of the procurement process in order to identify any IFRS implications and record them appropriately.

4. EXCEPTIONS TO CONTRACT PROCEDURE RULES

- 4.1 Subject to statutory requirements, tenders need not be invited in accordance with these Rules in the following cases:
- (a) In the case of the supply of goods:
 - (i) the goods or materials are proprietary articles and in the opinion of the appropriate Chief Officer no reasonably satisfactory alternative is available, or
 - (ii) the prices of goods or materials are wholly controlled by statutory bodies, trade organisations or Government Order and in the opinion of the appropriate Chief Officer no reasonable satisfactory alternative is available
 - (b) The work to be executed or the goods or services to be supplied are controlled by a statutory body
 - (c) The contract is for the execution of work or the supply of goods or services certified by the appropriate Chief Officer to be required so urgently as to preclude the invitation of tenders. The appropriate Cabinet Portfolio Holder shall be kept informed of such decisions

- (d) The purchase of a named or proprietary product required to be compatible with an existing installation as approved by the Authorised Officer
 - (e) Where the contract, subject to the approval of the Section 151 Officer relates to security work where the publication of documents or details in the tendering process could prejudice the security of the works to be done
 - (f) In any case of work to be executed or goods or services to be supplied the Authorised Officer, in consultation with the Section 151 Officer, decides that there can be no genuine competition
- 4.2 An 'exceptions form' (see Annex 1) must be completed for every instance where a Chief Officer approves an exception from these Rules for contracts with a total value of £5,000 or more, in accordance with 2.3 above
- 4.3 Nothing contained in the above exceptions exempts officers either from using the Council's internal services or from following established arrangements in accordance with Rule 3.2. Officers must ensure that the best possible balance of value for money and quality is obtained for the Council
- 4.4 Tenders need not be invited in accordance with these Rules where they have been undertaken by or on behalf of any consortium, collaboration or similar body, of which the Council is either a member or is able to access contracts for goods, services or works. Officers should ensure that any contracts let by such a consortium, collaboration or similar body are in accordance with UK and EU procurement directives and regulations and that the Council is legally able to access the arrangements. Advice should be sought from the Strategic Procurement Team
- 4.5 Where the Council acts as lead body on a consortium or collaborative arrangement, the procedures for tendering contained within these Rules shall be followed (including the delivery, opening and acceptance of tenders) unless those provisions are inconsistent with the method by which tenders are dealt with by the consortium, collaboration or other body concerned and are not detrimental to the Council
- 4.6 Where another body is acting on behalf of the Council, the Council is providing funding to another body to undertake a scheme or project or the Council is provided funding from another organisation, satisfactory processes must be put in place and followed. Advice must be sought from the Section 151 Officer
- 4.7 The budget required (both capital and revenue) over the lifetime of the goods/service/works being procured must be confirmed by the relevant budget holder prior to the commencement of any tender or quotation process

5. CONTRACTS UNDER £5,000

- 5.1 These rules, in general, do not apply to contracts of less than £5,000. However, Rules 3.2, 3.7, 3.8 and 3.9 and the following principles apply to all procurement activity, irrespective of value
- 5.2 Where Goods or Services are regularly required and arrangements illustrated in Rule 3.2 do not exist, these should be reported to the Section 151 Officer who will assess the need for appropriate arrangements to be put in place

- 5.3 Officers should order Goods and Services that are required through an arrangement illustrated in Rule 3.2. Unless otherwise approved by the relevant Chief Officer (for the in-house service), external businesses will not be used where the Council has its own in-house services

If a corporate contract cannot meet the reasonable needs of the Service, the Authorised Officer must inform the Section 151 Officer before using an alternative supplier

- 5.4 Procurement expenditure is monitored through the financial systems and a Service will be challenged on the use of non-contracted or inappropriate arrangements
- 5.5 It is good practice (for all but small value and routine purchases) to obtain a written quotation. All quotations to the value of £5,000 can be provided by way of an informal quotation i.e. the Authorised Officer obtaining electronic quotations and maintaining (electronic) file copies linked to the relevant procurement
- 5.6 The Authorised Officer (ICT) must be informed of any system or hardware related procurements, regardless of value.

6. CONTRACTS VALUED £5,000 TO £50,000 INCLUSIVE

- 6.1 Contracts that are estimated to be for amounts between £5,000 and £50,000 (inclusive) shall be let on a competitive basis, normally via a request for quotes, unless an arrangement under Rule 3.2 has already been established for the Goods, Services or Works required
- 6.2 A clear specification of requirements (identifying outputs or outcomes rather than inputs, unless there is a demonstrable need to specify inputs) should be produced and the Authorised Officer shall place the quotation on to (where available) a regional procurement portal. Where this is not available, the 'My Tenders' website should be used for advertising to support transparency and promotion of a competitive bidding process (in accordance with Rule 3.12)
- 6.3 A minimum of two (for contract values of £5,000 to £30,000) and three (for contract values of £30,001 to £50,000) companies shall be invited to submit a quotation through (where available) a regional procurement portal. Where this is not available the 'My Tenders' website) should be used for advertising to support transparency and promotion of a competitive bidding process
- 6.4 In every instance there shall be a record of the process which will include:
- (a) the officer(s) undertaking the procurement process and taking the decisions
 - (b) a copy of the specification and risk register (for contracts less than £50,000, a risk register is only required where there is evident risk)
 - (c) copies of all tenders or quotations
 - (d) copy of the evaluation process and reasons for the decisions as to acceptance or rejection for every tender
 - (e) the award letter

- (f) copy of the final contract
- (g) copy of the contract review and management process including the officer responsible for on-going contract management
- (h) a quotation profile which should be completed with details of the bid values and subsequent award information.

6.5 All procurements for £5,000 and over will be recorded on the Council's Contracts Register.

7. CONTRACTS OVER £50,000 – INVITATION TO TENDER

7.1 For contracts whose estimated value is expected to be greater than £50,000 (but under current EU Procurement Thresholds) for Work, Materials, Goods or Services, the contract will be recorded on the Council's Contracts Register and the following tender procedures shall be adopted

7.2 The tendering procedure should follow the relevant EU prescribed time limits. Where there is no prescribed procedure, a closing date of between fourteen (14) and twenty-eight (28) days from the placing of the notice shall be given for reply

7.3 After the closing date the prescribed number of contractors, or where there is no prescribed number at least four chosen by the Authorised Officer, must be invited to tender. Where less than four suitable contractors express an interest, all should be asked to tender

7.4 The invitation to tender shall state that no tender will be considered unless it is received by the date and time stipulated on the Invitation to Tender

7.5 Contractors must be chosen by one of the following methods:

- (a) selective tendering via open, restricted; or
- (b) by way of a compliant framework agreement that the Council is authorised to use
- (c) requesting tenders on behalf of a consortium, association or similar organisation of which the Council is a member following the rules of that organisation; or
- (d) requesting tenders under the instructions of another authority for which the Council is acting as agent; or
- (e) selecting a contractor from a list of contractors with a schedule of rates approved and selected by another authority for which the Council is acting as an agent

7.6 The invitation to tender must include details of the Council's requirements for the particular contract including:

- (a) a form of tender, instructions to tenderers including a procurement timetable, evaluation criteria, financial reference requests, insurance, business continuity

questionnaire, health and safety checklists, return label and draft contract terms approved by the Council's Legal Team (all tenders should have the facility to be submitted electronically);

- (b) A specification that describes clearly the Council's requirements in sufficient detail to enable the submission of competitive offers. The EU rules with regard to specification shall be followed and these are set out in the EU Codes of Practice;
 - (c) Pricing mechanism and instructions for completion and
 - (d) Whether the Council is of the view that TUPE will apply
 - (e) A requirement for tenderers to declare that the tender content, price or any other figure or particulars concerning the tender have not been disclosed by the tenderer to any other party (except where such a disclosure is made in confidence for a necessary purpose)
 - (f) A requirement for tenderers to complete fully and sign all tender documents including a form of tender and certificates relating to canvassing and non-collusion. Where tender documentation is sent electronically, if selected, the tenderer may be required to submit the relevant signed documentation through conventional means
 - (g) Notification that tenders are submitted to the Council on the basis that they are compiled at the tenderer's expense
 - (h) The invitation to tender or quotation must state that the Council is not bound to accept any quotation or tender
 - (i) The method by which any arithmetical errors discovered in the submitted tenders is to be dealt with, in particular whether the overall price prevails over the rates in the tender or vice versa
- 7.7 Except under the open procedure, all tenderers invited to tender or quote must be issued with the same information at the same time and subject to the same conditions. Any supplementary information must be given on the same basis
- 7.8 Where any public advertisement has not defined the award criteria, invitations to tender must state the award criteria in objective terms and where possible in descending order of importance.

7.9 **Single Tenders**

In exceptional circumstances, the relevant Chief Officer may decide that it is in the best interests of the Council:

- (a) that a single tender be invited for the execution of work from a contractor selected by it; or
- (b) that a contract be negotiated with a contractor currently engaged by the Council on the basis of rates and prices contained in an initial contract awarded by the Council following open competition

In any such case he/she may do so subject to setting out in writing the reasons for the decision which shall be kept centrally in the Service concerned. The appropriate Cabinet Portfolio Holder shall be kept informed, and a copy of the decision sent to the Cabinet

This provision cannot be used for contracts exceeding (in aggregate) the current EU thresholds.

8. CONTRACTS OVER EU THRESHOLDS

- 8.1 Where the value of the contract is likely to exceed the European threshold (taking account of the rules of aggregation), it must be tendered in accordance with the relevant European procurement directive and procurement regulations. The Authorised Officer should record, retaining a file note on the reasons for adopting the selected procurement route (i.e. open tender, restricted tender, competitive dialogue or negotiated procedure, accelerated procedure). The exception to this Rule is in cases where Goods, Services or Works can be obtained through a framework contract which has been established via the relevant EU procurement process (for example, Crown Commercial Service frameworks)

In estimating relevant values, officers shall have regard to the rules regarding aggregation (see Rule 2.5 above). Further detail in relation to aggregation can be found in the Public Contract Regulations 2006

- 8.2 Any decision to adopt the negotiated, competitive dialogue or accelerated procedure should first be referred to the Strategic Procurement Team and Section 151 Officer
- 8.3 The arrangements identified in Rule 3.2 shall be used provided the arrangement is clearly identified as relevant for high value contracts
- 8.4 When a restricted process is undertaken, a minimum of 5 companies will be shortlisted to submit tenders (where 5 suitable suppliers express an interest)
- 8.5 Standard template documentation must be used to structure tender processes and the documentation must be placed where available on the e-tender portal to allow any company to express an interest in bidding (in the case of the restricted or competitive dialogue procedures) or to complete an Invitation to Tender (in the case of an open procedure)
- 8.6 In every instance there shall be a record of the process which will include the following, plus any information that may be required for submitting annual reports to the Government or other agencies:
- (a) the officer(s) undertaking the procurement process and taking the decisions
 - (b) the rationale for the procurement route taken (including open or restricted procedure if above EU thresholds)
 - (c) a copy of the specification and risk register
 - (d) copies of all tenders and all associated correspondence/clarification obtained during the tender period
 - (e) a copy of the evaluation process and reasons for the decisions as to acceptance or rejection for every tender
 - (f) the award and unsuccessful letters
 - (g) a copy of the final contract

- (h) a copy of the contract review and management process including the officer responsible for on-going contract management

Tender award and unsuccessful letters must be in the approved template format and following the issue of these letters, any requests for further information or clarification must be dealt with promptly and a full audit trail must be kept of all such dialogue

All dialogue with bidders during the tender process must be dealt with using the e-tender regional portal to ensure that all bidders are provided with the same information at the same time in the process. Officers must not conduct separate dialogue using any other means with any company during the process without obtaining advice from the Strategic Procurement Team

- 8.7 In accordance with EC Procurement Directive 2004/18/EC, and subsequent amendments in the Public Procurement (Miscellaneous Amendments) Regulations 2011, any company responding to an EU tender shall be excluded from the tender process if it or its directors have been convicted of: conspiracy, corruption, bribery, fraud, money laundering, an offence in connection with the proceeds of criminal conduct or an offence in connection with the proceeds of drug trafficking. Any instances where a service has information relating to the above must contact the Audit Manager and Monitoring Officer for advice
- 8.8 Upon completion of the procurement process a formal contract award notice will be published in the Official Journal of the European Union (OJEU)

8.9 **Single Tenders**

In exceptional circumstances, the relevant Chief Officer may decide that it is in the best interests of the Council:

- (a) that a single tender be invited for the execution of work from a contractor selected by it; or
- (b) that a contract be negotiated with a contractor currently engaged by the Council on the basis of rates and prices contained in an initial contract awarded by the Council following open competition

In any such case he/she may do so subject to setting out in writing the reasons for the decision which shall be kept centrally in the Service concerned. The appropriate Cabinet Portfolio Holder shall be kept informed, and a copy of the decision sent to the Cabinet

This provision cannot be used for contracts exceeding (in aggregate) the current EU thresholds.

9. **RECEIPT AND CUSTODY**

- 9.1 No tender will be considered unless it is either:
 - (a) Received via the e-tender system specifically set up for the purpose of receipt of the said tender. Receipt of bids through the system is preferred and bidders will be encouraged to submit electronically where possible

OR

- (b) Contained in a plain envelope which shall be securely sealed and shall bear the word 'TENDER' followed by the subject to which the tender relates and the number of the tender concerned, but shall not bear any distinguishing matter or mark to indicate the identity of the sender. Prospective tenderers shall be notified accordingly.
- 9.2 Subject to 9.1(b), tenders where the estimated value exceeds £50,000 shall immediately on receipt be consecutively numbered and remain in the custody of the Customer and ICT Business Manager until the time appointed for opening. Any officer receiving tenders shall indicate on the envelope the date and time of its receipt by him or her
- 9.3 Quotations, where the estimated cost does not exceed £50,000, may be addressed impersonally to the appropriate Chief Officer. In all cases such tenders shall remain in the custody of the Chief Officer to whom they are addressed until the time appointed for opening. The Chief Officer shall ensure that procedures are in place for recording date of receipt, opening and safe storage of such tenders
- 9.4 All tenders sought on behalf of external agencies where these are to be named as client under a subsequent contract may be addressed and opened in accordance with the procedure rules, regulations and written requirements of such external agency
- 9.5 Responses to Pre-qualification Questionnaires (PQQs) and quotations are not deemed to be tenders and should be returned to the originating officer, either via hard copy or electronically through the e-tender portal. Submissions and responses in respect of negotiated procedure tenders and PFI projects must also be returned via the e-tender portal.

10. OPENING TENDERS

- 10.1 Tenders received via e-tender shall be opened and recorded at one time and by one officer. Tenders received in hard copy format shall be opened and recorded by not less than two officers designated for that purpose by the Monitoring Officer
- 10.2 Tenders submitted in hard copy must be opened by the same officers and at the same time as documents received via the e-tender portal
- 10.3 In respect of tenders with a value in excess of £50,000, any Member of the Council who so wishes may be present at the opening. Internal Audit also has the right to attend any tender opening
- 10.4 Where external agencies contribute to the overall funding of a project, representatives of such agencies are permitted to attend at the opening of tenders. They are allowed to make a note of the tenders and to also receive a copy of the subsequent written report on tenders received, provided that such representatives agree to observe commercial confidentiality and be bound by the confidentiality requirements of the Local Government Act 1972, as amended.

11. LATE TENDERS

- 11.1 Where a tender is submitted in competition and is received after the specified time then it shall be disqualified. Any such tender should be returned promptly to the tenderer who should be notified accordingly. The tender envelope may be opened to ascertain the name and address of the tenderer concerned
- 11.2 The only exception to Rule 10.1 where a late tender may be considered is if none of the other tenders received have been opened and no tenders have been received via the e-tender portal. The officer responsible for the opening of tenders must keep a record of the date and time of receipt of late tenders and the circumstances resulting in their acceptance.

12. ALTERATIONS

- 12.1 An external tender can be amended after it has been received and before it has been accepted only in order to correct an arithmetical error or other discrepancy made in good faith, subject to the following:
- (a) The tenderer shall be given details of the error or discrepancy found during the examination of the tender and shall be given the opportunity of confirming the tender without amendment or withdrawing the tender;
- OR
- (b) Amending the tender to correct genuine arithmetical errors provided that in this case, apart from these arithmetical errors, no other adjustment, revision or qualification is made. In this case written confirmation should be requested from the tenderer as to the error or discrepancy and confirming what the corrected entry should be
- 12.2 The appropriate Chief Officer must keep a record of all amendments made under this Rule and a copy of the record shall be sent to the Monitoring Officer.

13. ACCEPTANCE

- 13.1 Contracts shall be evaluated and awarded in accordance with the evaluation criteria issued with the tender documentation. Only those tenders that comply with the evaluation criteria shall be considered for acceptance
- 13.2 Tenders must be accepted on the basis of the “most economically advantageous” tender. The winning bidder will be determined by using the criteria and process communicated to bidders in the tender documentation
- (a) For clarity, whole-life costs should be assessed when determining the most economically advantageous tender. In the case of capital works this includes taking into account the revenue impact of capital projects over a reasonable life for the asset (for example a slight increase in capital cost, such as energy management features, will reduce running costs)
- (b) In the case of PFI projects, financial evaluation and acceptance will be on the basis of the agreed financial model and all other relevant documents used during the process to determine the most economically advantageous tender

- (c) In the case of tenders or quotes below the EU threshold and where two or more tenders or quotations provide the same level of quality at the same quoted cost, environmental considerations (transport, packaging, etc.) may be used to determine the successful bid if they are relevant to the contract. Prior to the award of the contract, a due diligence process must be carried out for all high risk/high value contracts to ensure the preferred bid is bona fide and that it is fully understood what the Council will receive and what payment is to be made
- 13.3 A tenderer who submits a qualified or conditional tender shall be given the opportunity to withdraw the qualification or condition without amendment to the tender. If the tenderer fails to do so, the tender must be rejected unless it is dealt with as an alteration in accordance with Rule 12.1
- 13.4 Prior to final contract award, the contractor must provide evidence of adequate insurance cover for public and employers' liability and professional indemnity insurance (where applicable) and produce such evidence during the life of the contract at the reasonable request of the Authorised Officer
- 13.5 All tenderers must be notified in writing of their success/failure in the tender process. Notifications must be made using template letters which must be issued electronically through the e-tender portal where the project was advertised on e-tender or via email for quotations of less than £5,000
- 13.6 It is important to notify companies as soon as possible after their elimination from a process. Therefore any company eliminated at the PQQ stage must be informed promptly using the Council's agreed templates which can be found on the Council's intranet.

For all procurements covered by EU Directives, a minimum of 10 calendar days (where notification is made electronically) mandatory standstill period is required between the communication of the notification of the award decision and contract conclusion, with day one being the day after the award decision is issued, via the e-tender portal or alternatively by email. The standstill period must end on a weekday (excluding bank holidays). This notification must be in the Council's agreed template which can be found on the procurement hub of e-voice and should be sent to all companies that remain in the process. This is to allow companies an opportunity to challenge the decision. The notification of the award decision, based on the most economically advantageous tender, must contain:

- (a) the award criteria;
- (b) the score the tender obtained against those award criteria;
- (c) the score the winning tenderer obtained;
- (d) the name of the winning tenderer;
- (e) the characteristics and relative advantages of the winning tender;
- (f) precise details of standstill period (i.e. key dates)

NOTE: Where notification is not issued electronically or is followed up by posted notification, the standstill period must be no less than 15 calendar days

- 13.7 All contracts must be recorded on the e-tender portal, and must include the name of the winning tenderer, bid value and performance monitoring information.

- 13.8 Upon completion, a formal contract award notice must be published in the Official Journal of the EU

14. NEGOTIATIONS FOLLOWING RECEIPT OF TENDERS

- 14.1 This Rule applies to all tenders
- 14.2 In all tenders, it is essential that the principles of probity, fairness and equal treatment are applied. Therefore negotiation following receipt of tenders or quotations is only permissible in limited circumstances in order to address minor issues since inappropriate negotiation may expose the Council to risk of challenge. The Section 151 Officer must be consulted before any negotiation is undertaken
- 14.3 Any negotiations shall be conducted on behalf of the Council by at least two appropriate officers and at least one must be from the Service concerned (Head of Service & Business Manager and/or an officer from Strategic Procurement). The Section 151 Officer shall be invited to send a representative to the negotiation meetings. A full written record shall be kept of the results of the negotiations, approved by the Chief Officer or his or her nominee personally, retained on a central file in the Service concerned and a copy sent to the Section 151 Officer. The appropriate Cabinet Portfolio Holder must also be kept informed
- 14.4 Should the tender be of a nature where there is likely to be a requirement for discussion regarding the proposals, specification and/or pricing model, the Competitive Dialogue process may provide the most appropriate procurement process
- 14.5 Negotiation must not be undertaken following receipt of tenders where the tender was subject to the EU Procurement Directives.
- 14.6 Should there be a need for any reason to amend the Council's requirements / specification (value engineer) all providers submitting a tender shall be informed and given the opportunity to re-submit their proposal. Should any of the following arise this will require a new procurement:
- (a) amendments that could have resulted in a different outcome in the procurement;
 - (b) amendments that shift the economic balance of the contract in favour of the contractor. For example, a price increase could fall into this category;
 - (c) amendments which extend the scope of the contract considerably, such as a substantial increase in the duration or extension of the subject matter of the contract;
 - (d) where a new contractor replaces the original contractor, other than where this is allowed i.e. "if an event or set of circumstances occurs which a contracting authority acting "diligently" could not have foreseen",

15. NOMINATED/NAMED SUB-CONTRACTORS AND SUPPLIERS

- 15.1 It is recommended that contracts are awarded to a single entity or lead contractor, who in turn will take contractual responsibility for the performance (and risks) the contractor will ensure that the insurances for any sub-contractors are equal to the minimum required by the Council. This responsibility lies with the contractor for all

sub-contractors in their supply-chain. This reduces the risk of the Council becoming party to disputes between contractors

16. ENGAGEMENT OF CONSULTANTS

- 16.1 Approval must be obtained from the appropriate Cabinet Portfolio Holder and the Chief Officer before engaging any consultant, consultancy firm or adviser.
- 16.2 An Authorised Officer may only appoint external consultants or advisors providing professional or consulting services if such Services are not available within the Council or if Council officers providing them do not have the resources to meet the needs of the Service. Where such Services are available in-house, the authorised officer must consult with the Chief Officer or Head of Service before taking any decision to make an external appointment
- 16.3 Consideration should always be given to using approved frameworks, for example, established by YPO, ESPO, the Crown Commercial Service or the Homes and Communities Agency
- 16.4 External consultants and technical officers engaged to supervise contracts must follow these Rules as applicable and their contracts for Services must state this requirement
- 16.5 Procurement plans and/or tenders prepared by external consultants on behalf of the Council must be referred to the Strategic Procurement Team for approval and advice
- 16.6 All contracts for external consultants and advisors shall explicitly require that the consultants or advisors provide without delay any or all documents and records maintained by them relating to the services provided at the request of the Authorised Officer, and lodge all such documents and records with the appropriate officer at the end of the contract
- 16.7 The Authorised Officer shall ensure that any consultant working for the Council has appropriate indemnity insurance
- 16.8 Any consultant used by the Council shall be appointed in accordance with these Procedural Rules. Where the Council uses consultants to act on its behalf in relation to any procurement, then the Chief Officer shall ensure that the consultant/s carry out any procurement in accordance with these Procedural Rules and using the Council's standard terms and conditions of contract in any procurement that the consultant carries out. No consultant shall make any decision on whether to award a contract or who a contract should be awarded to. The Chief Officer shall ensure that the consultant's performance is monitored.
- 16.9 Where the engagement of a consultant is required to support a procurement process or related project, the consultant should sign an appropriately drafted confidentiality agreement and be bound by the confidentiality requirements of the Local Government Act 1972, as amended.

17. CONTRACT CONDITIONS

- 17.1 Every contract which exceeds £30,000 in value, and in any other case where the Monitoring Officer so decides, shall be in writing in a form approved by the Legal Services team. Most contracts under £50,000 are not required to be executed under seal. Contracts where the total value is expected to exceed £50,000 must be sealed. In relation to IT contracts, those involving leasing arrangements where it is proposed to use a supplier's own terms and high risk and/or long-term contracts, advice should be sought from the Legal Services team via its email address at instructionsforlegal@newcastle-staffs.gov.uk. All written contracts shall specify:
- (a) The Work, Goods, or Services to be provided or undertaken (including any appropriate output or technical specifications); and (unless in the case of an annual contract where the following information is not available);
 - (b) Full detail of all prices to be paid, detailing the frequency and method of calculation (if relevant) with a statement of discounts or other deductions; and
 - (c) The period or times within which the contract is to be performed
- 17.2 For contracts with an estimated value in excess of £50,000 for the execution of Works or for the supply of Goods or Services by a particular date or series of dates, the Authorised Officer shall assess the need to include provision for liquidated damages based on advice from the Legal Services team. Liquidated damages should only be included if they can be genuinely pre-estimated and are agreed with the contractor
- 17.3 Every written contract must contain a clause to secure that if the contractor fails to comply with its contractual obligations in whole or in part, or commits a fundamental breach of the contract, the Council may, without prejudice to any other remedy available to it:
- (a) Terminate the contract, either wholly or to the extent of such default
 - (b) Complete the contract either itself or through another contractor or agent to make good the default
 - (c) Recover from the contractor any additional costs incurred in completing the contract to the original specification
- 17.4 The contract should require that if one or more sums of money is to be received by the Council, the contractor responsible for the payment of such sum or sums must pay interest in respect of late payment at the rate stated in the contract from the date when payment is due until the date when payment is received
- 17.5 It shall be a requirement that in the performance of the contract, the contractor must comply with the Equality Act 2010 including where relevant the Council's Public Sector Equality Duty, and shall provide the Council with information on request in relation to its compliance
- 17.6 In the performance of the contract, the contractor must comply with the requirements of the Health and Safety at Work etc. Act 1974 and of any other relevant Acts, Regulations or Orders pertaining to health and safety
- 17.7 Contractors discharging Council functions must comply with the duty of Best Value under the Local Government Act 1999 (as amended)

- 17.8 All Goods, Services and Works must comply with any relevant European Union standards or specifications, code of practice, British Standard Specifications or Codes of Practice or European Union equivalents current at the date of the tender
- 17.9 Every contract over £50,000 for the execution of work or the supply of goods or services must include a clause in respect of the prevention of bribery
- 17.10 In every written contract for the execution of work or the supply of goods or services the following or equivalent clauses shall be inserted:
- "The Supplier shall not assign, novate, sub-contract or otherwise dispose of this Agreement or any part thereof without the previous consent in writing of the Council such consent not to be unreasonably withheld."
- This clause may be amended to meet the requirements of a specific contract but only following consultation with the Council's Legal Services team
- 17.11 Contracts shall contain details of relevant performance criteria, targets, standards and information on how the contract will be monitored, reviewed and managed by the Council. Benchmarking and/or price reduction clauses must be included, where appropriate, in contracts
- 17.12 All tenders and contracts must contain a notice relating to the Freedom of Information Act and a schedule that clearly identifies those sections or clauses that are commercially confidential within the terms of the Freedom of Information Act
- 17.13 If a contract is for the provision of business critical Services or supplies, officers may need to include clauses to the effect that the contractor maintains adequate business continuity processes in order to minimise the Council's exposure to risk
- 17.14 Other contractual conditions shall be included as required within these Rules, the Code of Practice or as directed by the Legal Services team

18. EXTENDING EXISTING CONTRACTS

- 18.1 Prior to extending a contract, the Authorised Officer must ensure that an options appraisal is undertaken to determine if it is in the interest of the Council to extend the current arrangement
- 18.2 The Authorised Officer, after consultation with the appropriate Chief Officer, may extend a contract subject to the extension being within the scope of the original scheme
- 18.3 Extensions to capital project contracts that will fall outside the scope of the original tender or scheme must go to the Cabinet for approval. This does not apply to operational contracts for goods and services that are not key decisions (i.e. where annual or periodic contracts are to be extended). The definition of a key decision is set out in Part 2; Section 13 subsection 13.2 of the Council's Constitution. In such cases the Authorised Officer or the Cabinet must, before taking the decision, consider tendering or negotiating the additional work, and ensure that any additional required funding is secured. In addition to obtaining approval to extend the contract, approval to increase the budget available for the project must be

obtained in all cases where the increased contract amount would cause an overspending against the existing budget. Also, if the contract extension fundamentally or significantly changes the nature of the project, this should be reported to Members before an extension is agreed. A written record of the decision with reasons should be approved and retained by the Chief Officer concerned or his or her nominee and the record must be retained on a central file in the relevant Service. A copy should also be sent to the Monitoring Officer

- 18.4 If the original contract was subject to the EU procurement regulations, the contract can only be extended within the parameters identified in the original EU contract notice, or if the notice explicitly contained provision for extension
- 18.5 If the contract was not subject to the EU procurement regulations, any extension must not take the total value of the contract above the EU thresholds
- 18.6 If the contract was awarded as a framework agreement, the total framework period, including any extensions, cannot exceed four years except in exceptional circumstances relating to the subject of the framework agreement. For example, a longer duration could be justified in order to ensure effective competition if four years would not be sufficient to provide return on investment
- 18.7 The length of call-offs under a framework agreement should not last for more than four years. The length of call-offs, as with other contracts, should be appropriate to the purchases in question and should reflect value for money considerations. However, individual call-offs from the framework can extend beyond the end date of the framework itself
- 18.8 When negotiating a contract extension the Authorised Officer must make every effort to negotiate improved contract terms with regard to the cost and quality of the goods, services and works being delivered through the contract. The terms agreed must be confirmed in writing and the Contracts Register must be updated accordingly to show the extended contract period.

19. CANCELLATION OR DETERMINATION

- 19.1 In every written contract a clause shall be inserted to ensure that the Council shall be entitled to cancel the contract, and to recover from the contractor the amount of any loss resulting from such cancellation, if the contractor or its employees or agents (with or without its knowledge):
 - (a) does anything improper to influence the Council to award the contractor any contract; and/or
 - (b) commits an offence under the Bribery Act 2010 in connection with the contract or under Section 117 of the Local Government Act 1972.

NOTE: The provisions of the Bribery Act that came into force into 2010 now means that the Council may commit the following offences:

Section 1 – bribing another person
Section 2 – offences relating to being bribed; and
Section 6 – bribing a foreign public official

If the Council commits any of these offences, then senior officers (defined under S.14 of the Act as a director, manager secretary or other similar officer in the case of a body corporate can be held personally liable and may be subject to 10 years' imprisonment. In addition, Section 7 of the Act creates a new offence of failing to prevent bribery, which again relates to the Council and in this instance the Council could find itself liable to an unlimited fine.

20. SIGNATURE OF CONTRACTS

- 20.1 Every contract that exceeds £50,000 must be sealed on behalf of the Council. Contracts below £50,000 can be signed by the appropriate Chief Officer or their authorised officer
- 20.2 All contracts must be concluded before the supply, service or construction work begins, except in exceptional circumstances, and then only with the written consent of the Monitoring Officer. An award letter is insufficient.
- 20.3 **The Authorised Officer responsible for securing signature of the contract must ensure that the person signing for the other contracting party has authority to bind it.**

21. REGISTERS OF CONTRACTS

- 21.1 The Strategic Procurement Team shall keep:
- (a) a Contracts Register setting down details of contracts awarded in the preceding twelve months, together with details of those contracts above £50,000
 - (b) A copy of the Contracts Register will be published on the Council's website
 - (c) A payments register of all contracts in a form approved by the Section 151 Officer. The payments register may be maintained electronically. The Register shall for each contract, specify the name of the contractor, the works to be executed or the Goods to be supplied and the contract value. The Register shall contain a record of all payments made individually and cumulatively to contractors and sub-contractors
- 21.2 Approval can be sought from the Section 151 Officer by a Chief Officer or Head of Service where it is more appropriate to monitor contracts against approved expenditure budgets where applicable. Officers monitoring these budgets must ensure that the relevant statutory requirements are adhered to and that contract values do not exceed EU thresholds for competitive tendering.

22. SEALING

- 22.1 Where contracts are sealed as a deed the Common Seal of the Council shall be affixed to the contract and witnessed by a Council Member of the Cabinet and by an authorised signatory

- 22.2 Every Council sealing will be consecutively numbered, recorded and signed by the person witnessing the seal. The seal must not be affixed without the authority of Cabinet or of a Chief Officer acting under delegated powers. A contract must be sealed where:
- (a) The Council wishes to enforce the contract for more than six years after its end; or
 - (b) The price paid or received under the contract is a nominal price and does not reflect the value of the Goods or Services; or
 - (c) Where there is any doubt about the authority of the person signing for the other contracting party; or
 - (d) Where the total value is expected to exceed £50,000.

23. BONDS AND PARENT COMPANY GUARANTEES

- 23.1 For contracts over £50,000, a performance bond may be required if considered appropriate by the relevant Authorised Officer, the Section 151 Officer or other appropriate Chief Officer. The decision will be based on the risks associated with the contract, for example:
- (a) The value of the contract,
 - (b) The type of goods / services / works being procured,
 - (c) The payment profile for the contract,
 - (d) The financial strength of the company,
 - (e) Affordability and proportionality

The security required may be a performance bond or some other form of financial or performance guarantee. Affordability and proportionality must always be taken into consideration when deciding whether some form of financial security is appropriate and required.

- 23.2 For contracts over £100,000 the contractor must provide a bond from a source approved by the relevant Authorised Officer for completing the contract except where the relevant Authorised Officer in consultation with the Monitoring Officer decides that this is not necessary, after receipt of a completed risk analysis inclusive of a business continuity questionnaire
- 23.3 At the discretion of the relevant Authorised Officer, a cash sum can be held in the place of a bond, either as a direct payment or set off against initial invoices received by the Council from the provider. Approval for this shall be requested in writing by the relevant Authorised Officer and details of which, when agreed with the Monitoring Officer, forwarded to the Section 151 Officer
- 23.4 Where it is proposed to make stage or other payments in advance of receiving the whole of the subject matter of the contract and there is concern about the stability of the contractor, a bond shall be required regardless of the contract value
- 23.5 A parent company guarantee is necessary when the contractor is a subsidiary of a parent company and:

- (a) The total value exceeds £100,000; or
- (b) Award is based on evaluation of the parent company; or
- (c) There is some concern about the stability of the contractor.

23.6 Where a bond is required the tender documents must contain provision for this cost to be identified separately

23.7 If the contract period covers a number of years the Authorised Officer shall determine after consultation with the Monitoring Officer and the Section 151 Officer whether or not the bond is to be calculated by reference to the total contract sum over the duration of the contract or by reference to the annual value of the contract

23.8 As stages of the contract are completed the value of the bond can be reduced at the discretion of the Authorised Officer with the approval of the Monitoring Officer

24. OTHER REQUIREMENTS

24.1 The Authorised Officer must consult with the Section 151 Officer prior to entering into any lease or credit arrangement which has a capital cost or implications. The cost must first be approved for inclusion in the Capital Programme

24.2 The Authorised Officer must inform the Section 151 Officer immediately of any claims (or anticipated claims) by or against contractors that are the subject of dispute between the Council and the contractor.

ANNEX 1

EXCEPTIONS TO CONTRACT PROCEDURE RULES

This 'exceptions form' must be completed for every instance where a Chief Officer approves an exception from these Rules for contracts with a total value of £5,000 or more, in accordance with 2.3 above (The form must adequately document the reasons for the exception and an electronic copy must be retained by the Service concerned. A copy of each completed form is automatically forwarded to the Chief Officer concerned, the Monitoring Officer, Internal Audit and the Strategic Procurement Team where a record of all exceptions is maintained). The Chief Officer concerned is responsible for keeping the appropriate Cabinet Portfolio Holder informed

Title of Contract:	Contract Value:
Date:	
Description of Good or Service:	
Reason why the exception is being sought:	
Responsible Officer:	
Approved (Chief Officer):	Date:

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Leaders Report to Full Council

1, It is with great sadness that I start my report with the untimely passing of Cllr Ann Heames who's Funeral I attended, alongside Councillors of all political persuasion, on Monday, 09th February 2015.

Ann was a stalwart presence within her Ward of Clayton, representing the residents during two spells (1988-1996 & 200-2015) totalling some twenty three years and she also held the Mayoralty during 2010-11. More recently Ann attended such committee's as the Member Development Panel (passing on her hard earned experience) and also the Grants Assessment Panel, where she was an active Member. The people of both Clayton and the Borough at large have lost a committed public servant and we must all endeavour to follow her commitment to our residents moving forward.

2, Moving to executive matters, the Administration continued to look into the Governance and Strengths of the Borough's Community Centres. It would be remiss of me not to thank Members from all sides of the Chamber for their efforts and this work was strengthened with the formation of a Cabinet Panel, complete with delegated decision making powers, to ensure that the recommendations of the Community Centre Review be implemented swiftly.

3, Cabinet also resolved to undertake a Green Space Strategy Review, another stage in the journey to completing the joint Local Plan with the City of Stoke on Trent Council. It is essential that this work continues if this Authority is to honour its commitments to the people of Newcastle under Lyme especially around sustainability, creating a Borough of Opportunity and protecting our green open spaces.

4, The establishment of a new, fit for purpose, leisure centre in Kidsgrove moved one step closer with the delivery of a feasibility report from the Chair of Active and Cohesive Scrutiny Committee. The report endorsed this Authority's insistence that the people of Kidsgrove be treated fairly by Staffordshire County Council after years of neglect, offered suggestions around possible locations, discussed possible funding options and presented a scope for the project. The inclusion of a new Kidsgrove Leisure Centre in the draft version of the new District Deal should also give local residents more certainty that this Administration will deliver on this long awaited project.

5, This Administration's continued commitment to the Living Wage strengthened when the go ahead was given by Cabinet to push for full accreditation with the Living Wage Foundation. It is straight forward why this Authority should do this, it's good for the Authority, e.g. Two thirds of employers reported a significant impact on recruitment and retention within their organisation and 70% of employers felt that the Living Wage had increased consumer awareness of their organisation's commitment to be an ethical employer.

It's good for our residents, e.g. The Living Wage affords people the opportunity to provide for themselves and their families, 75% of employees reported increases in work quality as a result of receiving the Living Wage and 50% of employees felt that the Living Wage had made them more willing to implement changes in their working practices; enabled them to require fewer concessions to effect change; and made them more likely to adopt changes more quickly.

And most importantly, it's good for our society as a whole, e.g. The causes of poverty are complex and in order to improve lives there should be a package of solutions across policy areas. The Living Wage can be part of the solution.

6, Looking to our Town Centres, the Administration moved forward with a 'preferred development partner' to realise the long standing ambition of the Ryecroft Development. By selecting a partner, we have now been able to create a Co-Operation Agreement which allows the Developer to finesse its scheme, offer best value to the public purse and engage with our partners exclusively to create the best possible outcome for the people of the Borough.

7, With the help of an Economic Development Scrutiny Committee 'Task and Finish' Group, the Administration started to look more closely at the spending of Section 136 monies, more commonly known as Concurrent Funding. Cllr Stringer presented a comprehensive report to Cabinet outlining several areas including spend, governance and monitoring amongst others. Whilst Cabinet was happy to except the majority of the recommendations, continued Central Government cuts mean that financial pressures are unfortunately having to be passed on to Parishes and tonight's budget will contain a 25% reduction in S136 grants.

It should be noted though that this is actually over 50% less percentage wise, compared to the central grant reduction passed down by the Conservative led coalition Government over the last five years, we will protect communities where Government Departments are clearly failing.

8, Suicide remains a major public health issue and is a devastating event for families and communities but present socioeconomic factors unfortunately are contributing to a surge in numbers across the Country and most shockingly within Newcastle-under-Lyme. As Leader of the Council, I've made a commitment to take the lead to reduce suicide locally.

This will be achieved through the delivery of partner helpline services, reaching out to high risk groups in communities, working with other organisations and services, and influencing public policy. Locally, this problem has manifested itself with significant numbers of people using or trying to use the Midway car park to attempt or commit suicide.

We have had to move quickly and working with partners, I'm happy to report that physical control measures have been put in place at Midway, access to a helpline provided, and a large amount of positive messaging offering support to those effected located within the Car Park.

9, Policy and Strategy continues a pace with both the Capital and Asset Management Strategies both having been confirmed by the Cabinet since the last meeting of the Full Council, the Capital Strategy coming before you all this evening for ratification. Though heavy on detail, all of these strategy documents are essential to the continued high performance of this Administration and I urge all members to study them.

10, Improvements within the Information Technology Infrastructure continue apace backed up by a new ICT Strategy replacing the previous one passed back in 2008. The aggressive Council Plan brought forward by this Administration, needs to be supported with a robust ICT Foundation and I'm pleased to support fully the many changes and improvements contained within it.

One such advance is that of the Members Digital Technology Trial. My thanks have to go to the Chair and Members of the Member Development Panel for their support throughout the process. Robust consultation, training, Members volunteering to take part all added to a very successful despite the very disappointing double standard by some members of the opposition. As well as this advance

being cost neutral, Members must embrace a modern electorate and those that do not will soon find themselves out of office.

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Questions Submitted by Cllr David Becket

1. Why were the Tourism Pages on the Borough Council Web Site removed?
2. Why when the pages were removed was the information not offered to the embryo "Visit Newcastle" web site run by the Town Centre Partnership?
3. Why is there no link from our web site to the "Visit Newcastle" web site as above?
4. Why when our tourism pages were removed was "Enjoy Staffordshire" not advised to direct their Newcastle Link to the Visit Newcastle web site?
5. Why is there no link from our web site to the "Newcastles of the World" web site?
6. What activities have this council taken during this municipal year to promote tourism?
7. Has the council considered promoting our position mid way between the Channel Ports and Scotland as a natural overnight stop with more facilities than a typical service area?

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Response from Newcastle under Lyme Borough Council's Community Manager for Operational Services to Petition Submitted in Relation to Horse Riders in Staffordshire

Over the last month a full survey has been carried out of the existing permissive and definitive bridleways within the Borough, this was required to ascertain accuracy with the reply.

The authority has 3 dedicated bridle routes within the Borough these are at :

Birchenwood P.O.S
Bathpool Park Nature reserve
Bateswood Nature Reserve

Bateswood Bridle way

This was inspected, no essential or remedial repair works are required, and over the last 3 years minor repairs have taken place to the gates as and when required.

Bathpool Park Nature Reserve

The survey revealed some small works which are in need of completion and these are marked on the plan, consisting of the following:

1. Low Branches (in need of removal)
2. Fallen Branches / trees (could cause the horse to stumble)
3. Encroaching vegetation not a major problem, although some of the way markers are lost in the vegetation
4. Very muddy, extremely wet and muddy areas which could be dangerous, difficult for guides to walk through.

The tree work will be added to the list of tree maintenance works carried out by the Streetscene section (arboriculture unit) hopefully it will be carried out before April 2015 or be added onto the list for October 2015.

Work required to improve the very wet areas could be carried out after tree work has occurred using the wood chips to improve the bridle path surface.

Recently completed works carried out over the last 3 years has been the removal of a self-closing gate near the Kidsgrove end car park and the repair of the mounting blocks.

Birchenwood Countryside Park

The survey revealed some small scale works which are in need of completion and these are marked on the plan, consisting of the following:

1. Low Branches (in need of removal)
2. Fallen Branches / trees (could cause the horse to stumble)
3. Encroaching vegetation not a major problem, although some of the way markers are lost in the vegetation.
4. Very muddy, extremely wet and muddy areas which could be dangerous, difficult for guides to walk through.

The tree work will be added to the list of tree maintenance works carried out by the Streetscene section (arboriculture unit) hopefully it will be carried out before April 2015 or be added onto the list for October 2015.

Work required to improve the very wet areas could be carried out after tree work has occurred using the wood chips to improve the bridle path surface.

Recently completed works carried out over the last 3 years has been the removal of a self-closing gate at Tern Avenue which was changed to a "step over" barrier and the repair of barriers and gates along the main footpath to keep motor bikes / vehicles off.

Should the group wish to meet to discuss these problems, this can be arranged, by contacting the Councils Community Management team within Operational Services.

Response from the County Council, Principal Rights of Way Officer:

'We have a number of country parks across the County and, where possible, we try to improve access for horse riders within the suitability of the site. Larger parks such as Cannock Chase have a considerable network of public bridleways and we have worked closely with the horse riding community to improve access on these routes. Recently we have established a horse riding route at Apedale and are working with landowners to see if this can be extended and a new bridleway created for equestrian use. Some of our smaller sites make provision for horse riding difficult and there are not always the car parking facilities to accommodate horse boxes and trailers.

In relation to the public rights of way network we have close working relationships with user groups such as the British Horse Society, North Staffs Bridleway Group, Churnet Valley Riders and South Staffordshire Bridleways Group to name a few and have worked together, alongside landowners, to maintain and improve access across the network. We encourage these groups to appraise us of any issues which they encounter and we always try to resolve these matters within the resource limitations of the Rural Access team.'