

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO COUNCIL

2 April 2008

1. LOCAL AUTHORITY BUSINESS GROWTH INITIATIVE (LABGI)

Submitted by Executive Director – Resources and Support Services

Portfolio Finance, Resources and Efficiency

Ward(s) affected All

Purpose of the Report

To agree the terms and conditions of the repayments to the Department for Communities and Local Government (DCLG) in respect of the overpayment by the DCLG of the Local Authorities Business Growth Initiative (LABGI) grant to the Council.

At the time of printing the Council agenda a report was being prepared for consideration by the Cabinet on terms being proposed by the DCLG for repayment of some of the overpaid LABGI grant.

Following consideration by Cabinet of this matter a full report will be circulated for consideration by Council.

2. MEMBERS' ALLOWANCES 2008/09

Submitted by Alan Campbell

Portfolio Finance, Resources & Efficiency

Ward(s) affected All

Purpose of the report

To consider what amounts should be paid in respect of Members Allowances for the Municipal Year 2008/09, to agree the list of approved duties.

Decision Required

By what amount do you wish to increase the Basic, Special and Carers Allowances, and if so, what amount? If Council were to agree to an amount which was not in line with the Independent Panel's recommendation (i.e. 4.0%) you are required to give a reason for this.

Recommendations

(a) That the Council continues to pay the maximum nationally agreed rates for travelling and subsistence.

(b) That the list of approved duties appended to the report be approved for the Municipal Year 2008/09

Background/Issues

The Local Authorities (Members' Allowances) Regulations 1991, amended by the Local Authorities (Members' Allowances) (England) Regulations 2001 place a duty on the Council to appoint an independent review panel to make recommendations on its Members' Allowances Scheme.

The Council established an independent panel to review Members Allowances which first met in 2003 and agreed a Scheme, which included an annual inflationary increase for the subsequent 2 years. The Panel again met in 2006 and recommended a Scheme for 2006/07 with inflationary increases, based on January RPI, for the following 2 years. (2007/08 and 2008/09). Council agreed to adopt the Panels recommendations at the March 2006 Council meeting.

At the last meeting in March 2007, Council agreed to freeze the Special Responsibility Allowance payments and agree the inflationary increase to the Basic Allowance. It was also agreed that the Panel should look at Special Responsibility Allowances again. This latter item has not fully taken place for a number of reasons, 2 of the 4 Panel members resigned and secondly with the review of the political arrangements taking place it was not appropriate to ask the Panel members to spend their time reviewing roles which may change. It is still planned to look at this together with reviewing the Basic Allowance once the roles and responsibilities of ward councillors has been decided following consideration of the roles of Councillors in the community. It will also be necessary to find replacement members for the Panel. In the past few months the remaining Panel members have been consulted on a suitable amount of remuneration for the new Scrutiny Committee Chairs.

The current Scheme is detailed below:-

	£
Leader of the Council	13590
Deputy Leader	9510
Cabinet Member with Portfolio (6)	5660
Cabinet Member without Portfolio (0)	2830
Chair of Planning Committee	4230
Chairs of all Overview & Scrutiny Committees (5)	2830
Chair of Licensing Committee	3430
Chair of Public Protection Committee	3430
Chair of Audit & Risk Committee	2830
Chair of Standards Committee	2830
Vice Chair of Planning Committee	1410
Vice Chairs of Overview & Scrutiny Committees (5)	1130
Vice Chair of Public Protection Committee	1130
Vice Chair Licensing Committee	1130
Vice Chair of Audit & Risk Committee	1130
Vice Chair of Standards Committee	1130
Minority Party Leaders	1130 *
Basic Allowance	3285

* Minority Party Leader's allowance should only payable to groups comprising at least 10% of total Council membership (i.e. 6 Members).

Carer's Allowance

£5.15 per hour or the statutory minimum hourly wage (currently £5.52/hr), whichever is the greater.

The January RPI figure is 4.0%

Also, attached at Appendix 'A' (yellow paper) is a list of meetings and conferences etc. which Members attend. It is necessary for Members to agree, or not, whether they should continue to be approved duties in respect of travelling and subsistence claims.

Members also receive travelling and subsistence allowances in line with the maximum nationally agreed rates, and it is recommended that this practice continues.

Financial Implications

The cost of Basic and Special Responsibility Allowances is currently £295,510 p.a. There is provision within the revenue estimates.

Implications for Crime and Disorder

There are none.

BOROUGH OF NEWCASTLE-UNDER-LYME

**COMPREHENSIVE LIST OF APPROVED DUTIES
FOR TRAVELLING AND SUBSISTENCE ALLOWANCE**

A. MEETINGS OF COUNCIL/COMMITTEES/WORKING PARTIES

AD HOC Working Parties/Sub-Committees
Appeals Committee
Appointments Sub-Committee
Audit & Risk Committee
Cabinet
Conservation Advisory Working Party
Council
Employees Consultative Committee
Grants Assessment Panel
Information and Communications Technology Advisory Group
Licensing Committee
Newcastle Area Joint Highways Committee
Overview & Scrutiny Committees (incl all Sub Cttees/Working/Task & Finish Groups)
Planning Committee
Public Protection Committee
Site Meetings of Committees, Sub-Committees and Working Parties
Standards Committee

B. ANNUAL CONFERENCES ETC

Chartered Institute of Public Finance and Accountancy
Coalfields Community Campaign
Institute of Burial and Cremation
Institution of Civil Engineers
Chartered Institute of Environmental Health
Institute of Leisure and Management
Institute of Sport and Recreation
Chartered Institution of Waste Management
Local Government Association
Local Government Information Unit
Miscellaneous training seminars or conferences that have been agreed by the Chief Executive
Museum Association
National Sports Convention
Town and Country Planning Summer School

C. MEETINGS OF OUTSIDE BODIES

Age Concern North Staffordshire
Area Museum and Art Gallery Service for the Midlands
Aspire Housing
Attendance at a Seminar/Course
Attendance at Civic Offices at the Specific Request of a Chief Officer

Attendance at Civic Offices to Open Tenders
 Attendance at Public Inquiries at the Request of an Officer of the Council to give evidence in support of the Council's case
 Audley/Halmerend Community Education Centre
 Audley/Halmerend Youth Club Management Committee
 Bradwell Community Education Centre Management Committee
 Campaign to Protect Rural England (Staffs Branch)
 Chesterton Youth Club Management Committee
 Citizens Advice Bureau Management Committee
 Coalfields Community Campaign
 Community Centre Management Committees:
 Audley
 Butt Lane
 Clayton
 Crackley
 Marsh Hall
 Park Road, Silverdale
 Poolfields
 Ramsey Road
 Red Street
 Silverdale Social Centre
 Wye Road
 Community Council for Staffordshire
 Concern Alcohol Newcastle
 Heart of England Tourist Board
 Instaffs
 Joint Waste Board (Staffordshire)
 Keele University
 Kidsgrove and District Disabled and Handicapped Persons Association
 Kidsgrove Central Youth and Community Centre Management Committee
 Kidsgrove/Clough Hall Youth Club Management Committee
 Kidsgrove Sports Centre Management Committee
 Kidsgrove WRVS Management Committee
 Knutton/Cross Heath Neighbourhood Management Pathfinder
 Knutton Youth and Community Centre Management Committee
 Local Government Association (and all sub groups)
 Maryhill Youth Centre Advisory Committee
 Meetings of Members Representing Local Authorities when such meetings are convened by one of these Authorities
 Meetings with Government Officials
 Meetings with Representatives of Commerce/Industry
 Meetings with Representatives of Sporting Organisations
 Meetings with Representatives of Voluntary Organisations
 Neighbourhood Management Initiative Pathfinder (and all sub groups)
 Newcastle under Lyme Community & Voluntary Support
 Newcastle Local Health Authority Partnership
 Newcastle-under-Lyme Barracks Trustees
 Newcastle-under-Lyme Play Council
 Newcastle Safer Communities Board (and all sub groups)
 Newcastle-under-Lyme Senior Citizens Club
 Newcastle-under-Lyme Sports Council
 Newcastle-under-Lyme Chamber of Trade
 Newcastle-under-Lyme Youth Leaders' Council
 North Staffordshire Local Authorities Partnership
 North Staffs Special Adventure Playground

North Staffs Community Health Council
North Staffs Furniture Mine
North Staffs LIFT Strategic Partnership Board
North Staffs Racial Equality Council
North Staffs Regional Film Theatre
North Staffs Regeneration Zone Company (& associated committees)
North Staffs Relate
North Staffs Victims Support
Orme Community Education Centre Management Committee
Police Authority Community Consultation Committee
Renew Board (and all sub groups)
Seabridge Community Education Centre Management Committee
Silverdale Youth Club Advisory Committee
Sir John Offley's Almshouses Trust
Staffordshire County Council Health Scrutiny Committee
Staffordshire Health and District Councils Joint Consultative Committee
Staffordshire Local Government Association
Staffordshire Playing Fields Association's Executive Committee
Staffordshire Valuation Tribunal
Stoke-on-Trent and North Staffs Theatre Trust Ltd
Stoke on Trent & Staffordshire Strategic Partnership
Talke Youth Club Management Committee
The Lady Katherine and Sir Richard Leveson Charity
The United Charities Trustees
Trustees of Maddock, Leicester and Burslem Educational Charity
Trustees of Newcastle-under-Lyme Almshouses Charity
Wenger House Committee
West Midlands Local Government Association (and all sub groups)
West Midlands Provincial Council
West Midlands Regional Forum of Local Authorities
West Midlands TAVR Association

D. **MISCELLANEOUS**

Attendance at the Civic Offices by Portfolio Holders is respect of duties of their post.
Meetings convened by the Authority and representatives from at least two political groups invited.

The attendance at any other meeting or duty duly authorised by the Council from time to time, subject to it being within the terms of Section 177(2)(b), of the Local Government Act 1972, as amended by the Local Government and Housing Act 1989.

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO COUNCIL

2 April 2008

3. LOCAL AUTHORITY BUSINESS GROWTH INITIATIVE (LABGI)

Submitted by Executive Director – Resources and Support Services

Portfolio Finance, Resources and Efficiency

Ward(s) affected All

Purpose of the Report

To agree the terms and conditions of the repayments to the Department for Communities and Local Government (DCLG) in respect of the overpayment by the DCLG of the Local Authorities Business Growth Initiative (LABGI) grant to the Council.

Recommendations

(a) That the repayment terms as set out in the DCLG's letter dated 7 March 2008 be agreed.

(b) That the repayments of £300,000 in April 2009 and April 2010 be funded via the Contingency Reserve.

Reasons

A response has now been received from the DCLG in respect of the Council's submission requesting to keep the £2m overpayment in respect of LABGI grant following the DCLG's error in wrongly allocating the grant.

1. Background

1.1 Please find attached as Appendix 'B' (grey paper) the report to Cabinet dated 20 February 2008 which sets out the background in respect of the overpayment. The final paragraph of that report (4.5) referred to the official response to the DCLG which was to be submitted. The report was considered by Cabinet on 26 March when the proposals were supported.

2. The Council's Response

2.1 Please find attached as Appendix 'C' (cream paper) the Council's response to the DCLG following their request to repay the £2,020,200 overpayment. This sets out specific information that was requested by the DCLG following their meeting with the Executive Director (Resources and Support Services) together with the case as to why the Council should be allowed to keep the money or at least part of it.

(Please note that the Appendices referred to in the submission have not been enclosed as these refer to reports that Members have already received).

3. The DCLG Response

- 3.1 Please find attached as Appendix 'D' (salmon paper) a letter dated 7 March 2008 from the DCLG outlining their response and suggested repayment terms. The letter compliments the Council on its "strong commitment to efficiency" and its "full and imaginative programme of economic development". It also comments on the Council's financial position having reviewed its level of reserves.
- 3.2 Balancing up all the many factors pertaining to the overpayment and the Council's case, the letter sets out that in respect of the overpayment of £2,020,200 that they are prepared to agree that the Council should repay on the following terms:-

Immediately	£370,000	(being the balance on the LABGI reserve i.e. the amount not spent/earmarked)
April 2009	£300,000	
April 2010	<u>£300,000</u>	
Total Repayment	<u>£970,000</u>	

Therefore, a total of £970,000 (or 48%) would be repaid against the overpayment of £2,020,200 allowing the Council to retain £1,050,200 (52%) of the overpayment.

- 3.3 In addition as soon as the Government makes the next tranche of LABGI payments, an amount equal to that payment or £200,000 whichever is lower will be retained by the DCLG. The Council has not earmarked any of this money as due to the uncertainty surrounding the whole LABGI scheme it was felt prudent not to budget for any additional LABGI funding (reference paragraph 4.3 of the "Revenue and Capital Budgets 2008/09" report to Cabinet on 30th January, 2008 and the Transformation and Resources Overview and Scrutiny Committee dated 13 February, 2008).
- 3.4 The Executive Director (Resources and Support Services) (Section 151 Officer) feels that this is a satisfactory outcome and recommends that the Cabinet accepts these terms.
- 3.5 In respect of the repayments of £300,000 in April 2009 and April 2010 the recommendation is that these should be funded by the Council's Contingency Reserve. The Contingency Reserve exists to meet the costs of unforeseen events or for any other purpose approved by the Council. The report to Council on 27 February 2008 indicated that there would be an estimated balance of £2.198m in the reserve as at 31st March, 2009. The decision to utilise the reserve has to be taken by full Council. It is proposed that this report be submitted to Council on 2 April 2008 for approval.

4. Appendices

- 4.1 Appendix B Report to Cabinet dated 20 February, 2008
Appendix C Local Authority Business Growth Incentives Scheme (LABGI) Newcastle-under-Lyme LABGI Overpayment (response by the Council)
Appendix D Letter from DCLG dated 7 March, 2008

LOCAL AUTHORITY BUSINESS GROWTH INITIATIVE (LABGI)

Submitted by Executive Director – Resources and Support Services

Portfolio Finance, Resources and Efficiency

Ward(s) affected All

Purpose of the Report

To brief Members on a repayment request received from the Department for Communities and Local Government (DCLG) in respect of an overpayment of Local Authorities Business Growth Initiative (LABGI) grant to the Council.

Recommendation

That the contents of the report be noted.

Reasons

This report outlines the background to the request and reports on the outcome of initial discussions held with the Department for Communities and Local Government.

1. **Background**

- 1.1 The Local Authority Business Growth Initiative (LABGI) has been in operation since 2005 to provide an incentive for local authorities to encourage local business growth. The funding is entirely additional to the main Local Government Finance Settlement and authorities can choose to spend the funding on locally determined priorities.
- 1.2 In the first two years of the scheme Newcastle-under-Lyme Borough Council has received just over £2.6m. The following is a breakdown of these payments:-

	£	
Year 1	458,244.36	7 February, 2006
Year 2	2,066,030.00	27 February, 2007
Year 2	<u>88,288.00</u>	6 September, 2007
TOTAL	<u>2,612,562.36</u>	

All the above payments have been received in good faith and accounted for within the Council's financial ledger system.

2. **Notification of an Overpayment**

- 2.1 A letter to the Borough Council dated 18th January, 2008 (received on 23 January, 2008) from the DCLG stated that they were sorry to inform the Council that they believed an overpayment had been made “as a result of an error in the way we calculate awards under the LABGI scheme”. It went on to state that they were in the process of working out the likely outcome of the error and would be in contact shortly. Despite a number of phone calls and e-mails to the Department to ascertain the size of the error being referred to, the officials were not forthcoming with any further information.
- 2.2 A further letter dated 5 February, 2008 was received from the DCLG in which it was stated that “resulting from an isolated error in calculating awards under the LABGI Scheme, the Department has overpaid Newcastle-under-Lyme Borough Council by £2,020,200”. The letter went on to explain that the error had occurred when the Department had calculated the start year data for year one of the scheme. They had “inadvertently transposed” a piece of data from 2003/04 between two authorities – the Borough Council and Newcastle upon Tyne City Council. The error only occurred in year one of the scheme but the effects of it have been carried through and therefore impacted upon payments in years one and two of the scheme.
- 2.3 The Council has been overpaid as follows:-

Year 1	£306,446
Year 2	<u>£1,713,754</u>
TOTAL	<u>£2,020,200</u>

3. **Should the Borough Council have spotted the error?**

- 3.1 There has been much debate both locally and in the national media about whether the Borough Council should have spotted the error. As the error was included in the base starting point for calculating payments, neither the Borough Council – nor Newcastle upon Tyne City Council – could have spotted it.
- 3.2 Calculations were undertaken by the Borough Council to estimate what was likely to be received (from a base starting point that was already wrong of course) and the estimates of £400k for year one and approximately £1.8m for year two were not that much different from the amounts notified and paid by the DCLG.
- 3.3 Furthermore, one of our neighbouring authorities, Stafford Borough Council – with similar demographics in terms of business growth – had been given a similar amount.
- 3.4 From discussions with the Treasurer at Newcastle upon Tyne City Council, they did query their allocations in February, 2007 with officials at the DCLG whose response was that the allocation was correct.
- 3.5 At a meeting with Senior DCLG officials on 14th February, 2008 the Executive Director – Resources and Support Services asked if either authority could

have spotted the error and they categorically stated no as the error was already contained within the base data starting point.

4. Meeting with the Department for Communities and Local Government

- 4.1 On 14 February, 2008 an initial meeting took place between the Executive Director - Resources and Support Services and officials at the DCLG including the Deputy Director for Local Government Finance.
- 4.2 The officials reiterated their sincere apologies for the inconvenience that this error has caused and confirmed as outlined in paragraph 3.5 that the Borough Council could not have spotted the error.
- 4.3 The meeting was very positive and it was agreed that they would work with the Council to resolve the situation for the best of everybody involved. They were concerned about the attention being given to the issue in the media and the Executive Director stressed that the Borough Council had only reacted to questions from the media and had not been proactive in anyway in promoting the issue. The issue first came into the media spotlight via the County Council's budget report which was released on the 7 February. The error also affects the County Council.
- 4.4 The Executive Director gave some general background information in respect of the Council's finances, the medium term financial strategy, the use of the LABGI monies and the effect that any repayment would have on the Council.
- 4.5 It was agreed that the Council would submit an official response in writing to the DCLG forwarding specific information that they had requested and setting out a case as to why the Council should be allowed to keep the money or at least part of it. This submission is currently being prepared and will be sent to the DCLG by the end of the week.

**LOCAL AUTHORITY BUSINESS GROWTH INCENTIVES SCHEME (LABGI)
NEWCASTLE-UNDER-LYME LABGI OVERPAYMENT**

Background

Newcastle-under-Lyme Borough Council (the Borough Council) was informed by a letter dated 5 February 2008 from the Department for Communities and Local Government (DCLG) that due to an error by the DCLG in calculating awards under the Local Authority Business Growth Incentives Scheme (LABGI) the Borough Council had been overpaid the sum of £2,020,200 made up of overpayments of £306,446 in year one and £1,713,754 in year two.

A meeting took place on 14 February 2008 between the Borough Council's Executive Director – Resources and Support Services, Kelvin Turner, and Graham Duncan the Deputy Director for Local Government Finance at the DCLG together with Mark Hamshar also from the DCLG to discuss a way forward in trying to resolve the issue. Discussion took place about the Council's financial position; the use of the LABGI funding received and the effect that the repayment would have on the Borough and it was agreed that the Borough Council would make a written submission as to why we should be allowed to keep the monies paid in error.

There are a number of reasons outlined below putting forward the Borough Council's case but they are against a backdrop of the fundamental criteria that the council taxpayers of the Borough, and the schemes for which the monies have been earmarked, should not be penalised in any way by an acknowledged error by the DCLG.

Good Faith

The Borough Council received the following payments in respect of LABGI in good faith from the DCLG:-

Year 1	£458,244.36	7 February 2006
Year 2	£2,066,030.00	27 February 2007
Year 2	£88,288.00	6 September 2007

Total £2,612,562.36

The Borough Council had undertaken its own calculations to try and estimate what monies might be due and for both years these estimates were close to the actual amounts awarded. The error that was made by the DCLG was contained in the base data calculations relating to data from 2003/04 so there was no possibility of the Council being able to check if the base starting position was correct. This was acknowledged by the DCLG officials at the meeting of 14 February.

We also understand that Newcastle upon Tyne City Council (who were the unfortunate losers in terms of the transpositional error) did check their allocation last year but were told that it was correct. Furthermore, one of the Borough Council's neighbouring authorities – Stafford Borough Council – received a similar sum to the

Borough. They have similar demographic features in respect of business growth so the Borough Council never thought that they had been given a wrong allocation.

Use of LABGI Monies Received

Set out below is how the monies received have so far been accounted for, committed and earmarked within the Council's accounts.

	2005/06	2006/07	2007/08	2008/09	Total
	£	£	£	£	£
Grant Received	458,244	2,066,030	88,288	-	2,612,562
Used to support revenue budget ie in respect of economic regeneration	-	(458,244)	(784,000)	-	(1,242,244)
Capital Schemes, eg Lancaster Buildings	-	-	(250,000)	(750,000)	(1,000,000)
Balance					370,318

The monies allocated to the revenue budget have been used to bring in additional staffing capacity to promote economic development through a programme of infrastructure and site development projects, marketing for inward investment, investment in Newcastle Town Centre and support for local businesses together with contributing to initiatives such as improving CCTV within the Town Centre.

In respect of capital schemes, the main scheme that the monies have been committed to is the refurbishment of the interior of the first and second floor offices in a town centre block known as the Lancaster Building – one of the Borough's most iconic buildings. This is a 1930's three-storey building with shops on the ground floor and offices on the first and second floor. The former tenants of the first and second floor offices (a professional services business) vacated the premises in 2006. This resulted in a loss of income and about 150 skilled and professional jobs in the Town as the business relocated elsewhere. This also resulted in a significant loss of income to other town centre businesses arising from the relocation of both the employees and the business itself. To enable the Council to successfully relet the offices, extensive internal and external refurbishment is required. Total costs are currently estimated as close to £2m. The additional funding on top of the LABGI monies is from the Council's own capital resources although a bid has also been made to Advantage West Midlands for funding.

The main reasons for undertaking this project are therefore:

To bring relocated and lost commercial employment back into the Town Centre.

To fulfil the Council's statutory requirement to maintain this Grade 2 listed building in a good condition.

To make the building compliant with the requirements of the Disability Discrimination Act 2005.

To maintain the building's fabric and the use of an important landmark Town Centre building.

Newcastle Town Centre is acknowledged in key regional and sub-regional strategies as one of the two strategic centres within the North Staffordshire conurbation. Its health and vitality is

important to the sub-regional economy and the Council has recognised this by investing resources in the Lancaster Building.

Any repayment of the LABGI monies would be a severe blow to this scheme. Other capital funds within the borough have recently been committed to a brand new Sports Village (circa £18m) in partnership with Newcastle College and the Football Association plus other partners; and also this week an announcement is to be made about the establishment of a Customer Service Centre in a building in the centre of the town (the Guildhall) that is to be brought back into use having stood empty for approximately two years (£1.2m).

The Borough Council is also currently in the process of acquiring a former primary school building – the former St. George's and St. Giles' Primary School – to maintain its economic and regeneration potential. The building has great potential to contribute to the economic viability and attractiveness of the town centre.

Newcastle is also to be the home for a groundbreaking £50m jobs scheme. The Borough has been chosen as the location for the Blue Planet project which will see 31 acres of land transformed into a business and logistics park. The whole complex, to be built on former colliery land, will be carbon-neutral, making it one of the world's greenest. The pioneering project will also create up to 1,000 jobs. This is part of the Council's balanced approach to providing employment opportunities for local people and complementing investment in other kinds of jobs in key locations such as the town centre.

Financial Position

The Borough Council faces challenging times ahead in respect of its financial position. The net General Fund budget is only £17m. The medium term financial strategy has identified large shortfalls in the Council's budget over the next few years. This was compounded by the recent poor Local Government Financial Settlement for district councils. Nevertheless, the Council has approached the situation in a very positive way. During 2007 a fundamental review was undertaken of all services under a "Budget Service Review Programme". The budget about to be set for 2008/09 on 27 February includes almost £1m of efficiency savings – nearly double the 3% required under the Government's Gershon agenda – which were identified as part of the review. Gaps of nearly £1.5m and a further £1.4m

respectively have already been identified in the medium term financial strategy for 2009/10 and 2010/11 without taking into account any further investments in corporate priorities. The challenge to meet these gaps will be big enough without a further £2m liability hanging over the Council in respect of a LABGI repayment. A copy of the medium term financial strategy approved by the Council in December is attached as Appendix A.

Treasurers of other authorities in Staffordshire have been so impressed with the "Budget Service Review Programme" that together with Staffordshire County Council the Borough will be doing a presentation of the work to the next meeting of the Staffordshire Treasurers' Association.

Reserves

At the meeting on 14 February 2008 the DCLG officials highlighted that the Council's reserves position as at 31st March 2007 was fairly strong. All the revenue reserves held by the Council have recently been reviewed. A copy can be found at Appendix B. The majority of them are earmarked reserves and therefore it is unfair to include them in any calculation of what overall balances and reserves the Council has. For example, the Council has an ICT Development Fund but this is earmarked in the main for replacement of future systems eg the general ledger, council tax, housing benefits etc. Any usage of these funds would seriously jeopardise future service provision.

The one major reserve that is not earmarked is the "Contingency Reserve" which currently stands at just over £2m. As its title suggests, this is to meet the cost of any unforeseen contingencies that may arise. It should be pointed out that this has been built up due to prudent financial management by the Borough Council and it should be remembered that this represents council taxpayers money. Any utilisation of this reserve for repayment of the LABGI monies would be penalising the council taxpayers of the Borough which is something that all parties should be trying to prevent as they are then paying for the error that has been made.

Council Tax

The Borough is characterised by significant variations in the level of employment, health, economic wellbeing, housing and overall living standards – life expectancy varies by 10 years between the most affluent and the most deprived areas. The Borough contains two wards that fall into the 10 percent most deprived in the country. The wage level is only around 82 percent of the national average.

Despite the severe financial pressures that the Council is faced with the recommendation to the full Council at its meeting on 27 February is for an increase of only 2.5% in 2008/09. This is well below the increase in the basic state pension of 3.9%. A copy of the Cabinet report approved on 30 January is attached as Appendix C. This will be amongst the lowest in the country and embraces the principles outlined in John Healey MP's, the Minister for Local Government, letter of 17 December 2007. Mr. Healey's letter stated that "the Government expects the average council tax increase in England to be substantially below 5% in 2008/09". The national surveys have indicated average increases of above 4%.

Mr.Healey’s letter went on to state that “the onus is on all authorities to demonstrate leadership and to deliver top quality, efficient services for their citizens. Authorities should be capable of innovating, managing change and improving efficiency without having a disproportionate impact on their council taxpayers”. The Borough Council believes that we have demonstrated this during the budget process for this forthcoming year. All the good and hard work put in though will be undone if the LABGI monies now have to be repaid.

The Council has worked extremely hard over these last few years to improve its performance in respect of Use Of Resources as shown in the table below:

Year	Overall Score	Financial Reporting	Financial Management	Financial Standing	Internal Control	VFM
2005	1	1	1	1	1	1
2006	2	2	2	2	2	1
2007	2	3	2	2	3	2

Effect on Local Businesses

The media have widely publicised the error made between the two Newcastle authorities. As stated at the meeting on 14 February, the Borough Council did nothing to promote media coverage only respond to questions once the story was in the public domain. The reaction appears to have been overwhelming support for the Borough Council’s case to keep the money. The Newcastle-under-Lyme Chamber of Trade believes the money is “desperately needed to help create employment and regenerate the area”. Their vice-president has stated in the local media that “the Council has done a good job in keeping costs down, but we really do need grants to improve the situation in the borough, and to help our businesses grow and expand. It would be sad if they had to give this money back, because of a mistake that the Government has made. Newcastle does need the funding to improve its deprived areas and create opportunities for employment”.

The Borough Council is also part of the North Staffordshire Regeneration Zone (NSRZ). The NSRZ was the national winner of Enterprising Britain 2007 having been recognised for its invaluable role in turning round the economic fortunes of North Staffordshire. Further details are attached as Appendix D.

The Borough Council works well with the Chamber of Trade and other partners. Newcastle’s Safer Communities Partnership has recently revealed that a campaign to make the town centre safer over the festive season was a massive success. This was due to the spending of around £30,000 on a “Safer Nights” initiative. Officials have confirmed that:-

- Woundings plummeted by 48% compared to 2006
- Criminal damage fell by 40%
- Total violent crime plunged by 35%
- All crime dropped by 24% for the month
- There were NO sexual offences or robberies – compared to 5 in December 2006

These figures demonstrate that Newcastle is a safe place for people to live, work and to socialise.

Effect on the Borough Council

The Council has undergone changes in political and managerial leadership in recent times. It is currently in the second year of a new political administration, a new Chief Executive was appointed last March and the Executive Director – Resources and Support Services took up post in November. The Council has the ambition of substantially improving the efficiency of its service delivery over the next three years to achieve excellence. It is clear from activities achieved, underway and future plans that the Council is on a path of substantial improvement. This has been reinforced by the Audit Commission following the Use of Resources update and in the Corporate Governance Report for this year. Morale amongst staff is on the increase after suffering a dip following the introduction of a new job evaluation scheme under the Government's single status policy.

The effects of having to pay back the £2m on staff, members, council taxpayers and local businesses should not be underestimated. Whilst the leadership will do all it can to keep morale up there is no doubt that there will be a number of negative reactions. Staff will see their jobs potentially at risk and together with the financial challenges already being faced as outlined above this will put further pressure on a possible reduction in service provision.

Finally, the Borough Council trusts that their case will be viewed favourably and that the DCLG will consider the implications carefully of pursuing the overpayment. Members and officers will continue to work positively with the DCLG in order to reach a compromise solution.

Appendices

A - Medium Term Financial Strategy 2008/09 to 2010/11

B - Estimated Reserves

C - Revenue and Capital Budgets 2008/09

D - North Staffordshire Regeneration Zone – Enterprising Britain 2007 Winners

APPENDIX 'D'
(Salmon paper)

7 March 2008

Mark Barrow
Chief Executive
Newcastle-under-Lyme Borough Council
Civic Offices
Merrial Street
Newcastle-under-Lyme
Staffordshire
ST5 2AG

Your Ref: KT/HDA

Dear Mr Barrow

Thank you for your letter of 20 February, setting out the Council's case on the LABGI over-payment, and enclosing the information we had requested when we met Kelvin Turner on 14 February.

I should say, at the outset, that we are committed to trying to achieve an early resolution of this matter, not least to give the Council certainty about its position; and are eager to continue working constructively with you to reach a satisfactory outcome.

We are grateful for the material you provided in your letter, which has been very helpful in assessing the context for the Council. Our response is as follows.

It is clear that the over-payment is a significant sum for the authority, given the size of its overall annual revenue budget. That is an important consideration for us. The Council has shown a strong commitment to efficiency, not least through its Budget Service Review programme, and in its plans for the coming year. Moreover, you are able to point to a full and imaginative programme of economic development in the area; and there are clearly a range of economic projects (though at different stages of development) to which you intend to allocate much of your LABGI reserve (and, no doubt, other Council funds).

On the other hand, having examined the Council's financial position (and, in particular, its level of reserves, the trends over recent years and plans for using reserves in 2008-09), our assessment is that there is nevertheless scope to make a repayment without impacting on council tax payers. We have noted that, in addition to the General Fund Balance of £1.5m, the Council expects to have a LABGI reserve of £1.37m at the end of 2007-08, and £370,000 at the end of 2008-09; and a Contingency Reserve, New Initiatives Fund and Budget Support Fund, as well as a range of more specific earmarked reserves.

In light of this, we are not able to agree that the Council should retain the full over-payment. On the other hand, we recognise that there are mitigating factors. Balancing up these factors, and taking a prudent view of the extent to which economic projects still in the pipeline (and other

factors) might be expected to draw on reserves, we are prepared to agree that the Council should repay on the following terms:

- immediately, £370,000 (in recognition of the LABGI reserve);
- as soon as the Government makes the next tranche of LABGI payments, an amount equal to the further payments or £200,000, whichever is lower;
- by the end of April 2009, a further £300,000; and
- by the end of April 2010, a further £300,000.

Yours sincerely

GRAHAM DUNCAN

Deputy Director

Local Government Finance - Strategy, Revenue and Payments

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