

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO COUNCIL

27 February 2008

1. PLANNING POLICY FOR THE TOWN CENTRE

Submitted by: Directorate of Regeneration and Development

Portfolio: Regeneration and Planning

Ward(s) affected: All

Purpose of the Report

To inform Members of the response from Government Office regarding the Area Action Plan for the Town Centre and to take the appropriate action.

Recommendation

That the Direction be complied with and the Area Action Plan for the Town Centre be withdrawn.

Reasons

Following the recommendation by Planning Committee, Council agreed on 12 December to seek withdrawal of the AAP. This could only be done, according to the Act, by requesting a Direction from the Secretary of State to withdraw the plan. The request was duly made and the Direction has now been received.

Members are well aware of the background to the withdrawal of the AAP. Now that the Direction has been received, the AAP must be formally withdrawn. As the AAP would have been a Development Plan Document, decisions regarding it must be made by the full Council. Because it is a planning policy matter, it was first reported to Planning Committee on 6 February. The Committee accepted the officers' recommendation that the AAP be withdrawn.

When the formal resolution has been made, relevant regulations require all representees on the AAP to be notified and a notice of withdrawal to be posted on the website. This will be carried out at the earliest opportunity. Members may be aware that up to date information on the subject is already displayed on the website.

In accordance with the programme agreed at the November Planning Committee, it is intended that the matters originally to be included in the AAP will appear in the appropriate form in the Core Strategy and in a new Supplementary Planning Document (SPD) programmed to be ready in draft form by May. Details about the SPD programme will be included in information notifying people of the withdrawal of the AAP.

2. **RELEVANT AUTHORITIES (STANDARDS COMMITTEES)
REGULATIONS 2002 – APPOINTMENT OF INDEPENDENT MEMBER AND PARISH COUNCIL
REPRESENTATIVES TO THE STANDARDS COMMITTEE**

Submitted by: Legal Services Manager (Monitoring Officer)

Portfolio: Corporate and Service Improvement

Ward(s) affected: All

Purpose

For Council to appoint an independent member and two Parish Council representatives to be co-opted to the Standards Committee

RECOMMENDATIONS

- (a) That Council confirm the appointment of Mr Yaser Mir as an independent member of the Standards Committee.
- (b) That Council confirm the appointment of Parish Councillors Mr A Wemyss and Mr D Richards as Parish Council representatives of the Standards Committee.
- (c) That Council confirm the continuation of the existing arrangements in relation to Parish Council observers on the Standards Committee.

INDEPENDENT MEMBER

Background

Under the Relevant Authorities (Standards Committees) Regulations 2002, the membership of the Council's Standards Committee must include at least 25% independent members who have been appointed following public advertisement.

One of the Council's independent members, Mr Morris, resigned leaving two other independent members and so the Council now needs to appoint one further member. The Council has advertised locally for a new independent member and received two responses to that advertisement. However, one of the applicants was ineligible as they resided outside the Borough. Details of the other applicant are set out in a confidential Appendix to this report (green paper).

Following an interview with the candidate Mr Yaser Mir, the Monitoring Officer is of the view that Mr Mir would be suitable for the post, having relevant experience and involvement in local community activities.

PARISH COUNCIL MEMBERS

Background

As Members will be aware, the Standards Committee of the Borough Council also acts as the Standards Committee for all the Parish Councils within the Borough. Under the provisions of the Local Government Act 2000, the Standards Committee must contain at least one Parish Council representative. The Council also invites each of the Town and Parish Councils within the Borough to send an observer to attend the meetings. The observers may speak but not vote on any matter before the Committee.

Under the provisions of the Local Government Act 2000 and Regulations made thereunder, whenever the Standards Committee or a Standards Sub-committee sits to consider a matter relating to Parish Councillors, a Parish Council representative must sit on the Committee or Sub-committee. You have therefore previously increased the number of Parish Council representatives from one to two to ensure that a Parish Council representative will be available when required.

In order to ensure that there will be appropriate Parish Council representation at future meetings of the Standards Committee and Standards Sub-committees, it is important that Parish Council representatives are co-opted as full members of the Standards Committee. As previously, your officers have requested the Staffordshire Parish Councils Association to nominate representatives and the Parish Councillors nominated are:

Councillor A Wemyss (Audley Rural Parish Council) and
Councillor D Richards (Kidsgrove Town Council).

Financial Implications

There are no financial or resource implications flowing from this report.

3. TREASURY MANAGEMENT STRATEGY 2008/09

Submitted by: Finance Manager

Portfolio: Finance, Resources and Efficiency

Ward(s) affected: All indirectly

Purpose of the Report

To approve the Treasury Management Strategy for 2008/09, including the Prudential Indicators, Investment Strategy and Minimum Revenue Provision Strategy contained within it.

Recommendations

- (a) That the Treasury Management Strategy Report for 2008/09 be approved.**
- (b) That the Prudential Indicators contained within the report be approved.**

Reasons

The Council needs to have an approved Treasury Management Strategy for 2008/09 in place before the start of the 2008/09 financial year.

1. Background

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 year, 2008/09.

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.

In addition the Office of the Deputy Prime Minister (ODPM) have issued “Guidance on Local Authority Investments” 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.

Further review of the counterparty list is currently being undertaken by your Officers in conjunction with the Council’s treasury management consultants. The findings of this exercise will be reported to a subsequent Council Meeting.

2. **Issues**

The Strategy Report for 2008/09 is attached at Appendix ‘A’ (blue paper).

The proposed prudential indicators relating to treasury management are contained in the report.

The Investment Strategy for 2008/09 is contained in Annex A to the report.

The Minimum Revenue Provision Strategy for 2008/09 is contained in Annex C to the report.

The counterparty listing is contained in Annex B to the report.

3. **Legal and Statutory Implications**

See Background for details.

4. **Financial and Resource Implications**

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

5. **Major Risks**

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. It is also necessary to ensure that there is no danger of the Council’s invested funds being lost owing to placing them with insecure counterparties.

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.

Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

6. **List of Appendices**

Appendix ‘A’ (blue paper), Treasury Management Strategy Report.

7. **Background Papers**

CIPFA Treasury Management Code of Practice; 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 and Butlers "Capital Watch" dated 13 December 2004, Guidance on Local Authority Investments issued by ODPM in March 2004.

4. **REVENUE BUDGET AND COUNCIL TAX – 2008/09**

A report on this matter will be circulated following the meeting of the Cabinet to be held on Wednesday 20 February 2008.

TREASURY MANAGEMENT STRATEGY REPORT 2008/09
BACKGROUND

The aim of this report is to lay down the strategy to be followed for the financial year commencing 1st April 2008 in respect of the Council's treasury management activities.

It is prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice published in December 2001.

The broad framework within which the treasury management function is to be operated is set down in the Treasury Policy Statement approved by the Council on 27th February 2002.

This report sets more detailed parameters within which your officers will operate in carrying out the various treasury management functions during 2008/09.

PRUDENTIAL INDICATORS

The report also 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 affordable, prudent 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.

It should be clearly understood that the prudential indicators are intended to support and record local decision making. They are not designed to be comparative performance indicators and the use of them in this way would be likely to be misleading and counter-productive.

All forward looking indicators must be monitored, comparing actual results with the estimate, with procedures in place to do this. Significant deviations require investigation, possible action and, where appropriate, reporting to members. Indicators for the forthcoming and following years must be set before the beginning of the forthcoming year.

Indicators, other than actuals derived from information in the Council's accounts, are required to be set, and where they are revised, revised through the process established for the setting and revising of the Council's budget. This report contains the indicators relating specifically to treasury management. The indicators relating to capital expenditure and its effect upon the Council Tax are reported to the Council meeting which sets the General Fund Revenue Budget and the Council Tax (27th February 2008). If any of the indicators require revision between this meeting and the end of the year 2008/09, this will be reported to the Full Council, possibly preceded by a report to Cabinet depending on the significance of the revision.

Adoption of the CIPFA Treasury Management Code of Practice is prescribed as a Prudential Indicator in relation to treasury management generally. The Council adopted the Code at the Council meeting on 27th February 2002.

The other indicators relevant to treasury management are:

- Ratio of Financing Costs to Net Revenue Stream (estimates and previous year's actual)

- Net Borrowing and the Capital Financing Requirement
- Capital Financing Requirement (estimates and previous year's actual)
- Operational Boundary
- Authorised Limit
- Upper limit on fixed interest rate exposures
- Upper limit on variable interest rate exposures
- Maturity structure of borrowings – Upper Limit
- Maturity structure of borrowings – Lower Limit
- Total principal sums invested for periods longer than 364 days
- Actual External Debt
- *Estimates of Capital Expenditure*
- *Actual Capital Expenditure*
- *Estimates of the incremental impact of capital investment decisions on the Council Tax.*

The final three Prudential Indicators shown in italics are more relevant to the setting of the General Fund Revenue and Capital Budgets. These are reported to the Council within reports relating to those matters.

CURRENT POSITION IN RELATION TO THE COUNCIL'S DEBT AND INVESTMENT PORTFOLIO

1. Debt

Currently the Council has no long term external debt. It repaid all outstanding loans from the Public Works Loans Board at the end of 2002/03 and is now categorised as a "debt free" authority.

Short term external loans (i.e. repayable on demand or within 12 months) are taken to fund any temporary capital or revenue borrowing requirement. The amounts involved fluctuate 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 which build up as a result of asset sales, are potentially available for use as an alternative to short term external 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) plus any other relevant long term liabilities as shown in the Council's balance sheet. The indicator will not be directly comparable to the authorised limit or the operational boundary since the actual external debt will reflect the actual position at one point in time. As at 31st March 2007 the Actual External Debt of the Council was nil.

2. Investments

As a result of the sale of its housing stock on 1st February 2000, the Council now has a considerable capital sum available for investment. It is estimated that the approximate capital value of these investments at the 31st March 2008 will be £40,000,000 all of which will be managed In House. The strategy and detailed arrangements to be followed for the investment of the Council's funds during 2008/09 is detailed under "Investment of Surplus Funds" later in this report.

OUTLOOK FOR 2008/09

1. Interest Rates

Interest rates have mostly shown modest increases during 2007/08, although reductions of 0.25% occurred during December 2007 and February 2008, the LIBOR Rate increased within the range 5.59% to 6.9% for 3 month loans and within the range 5.85% to 6.65% for 12 month loans between the period April and September 2007, from September 2007 to February 2008 rates reduced to 5.58% for 3 month loans and 5.36% for 12 month loans.

The market was plunged into chaos in September as the tightening of credit conditions place upward pressure upon deposit rates out as far as 1 year. Rates rose to well over 6.5% as financial organisations' reluctance to lend money to counterparties sparked a severe shortage of funds in the market.

In the UK, the crisis came to a head with the failure of the Northern Rock Bank and while the danger of potential meltdown was defused by the Government's decision to guarantee all deposits with this institution, this failed to prevent a prolonged tightening of credit conditions.

The tightness of market conditions came to a head in early December when cash hungry organisations sought to cover potential shortfalls that might occur over the Christmas holiday. The bunching of demand for cash through to the first quarter of 2008 in an illiquid environment drove short term deposits back to the autumn highs.

Further rate reductions of 0.25% in the quarters ending June and September 2008 are considered possible in the view of Butlers, the Council's treasury management consultants, bringing interest rates down to the 4.75% level by September 2008.

These forecast rates indicate that the return for the year on any sums invested will be at somewhat lower levels to those experienced during 2007/08, this has been reflected in the Medium Term Financial Strategy and the 2008/09 budget. Owing to the circumstances following its receipt of stock transfer monies, for the medium term at least, the return on investment will be of greater significance to the Council than the cost of servicing its borrowings.

BORROWING

1. Amount Required for Year

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 by the authority of an affordable borrowing limit which Regulations to the Act specify should be calculated with regard to the CIPFA Prudential Code.

At present 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 these sources. Borrowing may become an option in future years, including 2008/09, if these resources become sufficiently depleted that they are insufficient to finance proposed capital expenditure deemed to be affordable or, if the costs of borrowing compare favourably with those of alternatives such as using unapplied capital receipts.

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.

The above factors have been taken into account in calculating the Prudential Indicators referred to below.

2. Prudential Indicators for Borrowing Requirement.

In order to identify the Council's underlying need to borrow for capital purposes the Code specifies that a Capital Financing Requirement Indicator should be calculated. 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 assets; deferred charges; fixed asset restatement reserve; capital financing reserve.

The relevant figures for this Council are set out in the table below:

31/03/07 Actual £000s	31/03/08 Estimate £000s	31/03/09 Estimate £000s	31/03/10 Estimate £000s	31/03/11 Estimate £000s
(1,459)	(1,459)	(1,459)	(1,459)	(1,459)

It should be noted that a negative Capital Financing Requirement reflects the position of the Council in having no outstanding external long term debt and no present intention of taking out any over the period concerned.

A further Indicator, which should be continually monitored, is a comparison of the Capital Financing Requirement with the Council's Net Borrowing (borrowing less investment). Net Borrowings should always be less than the Capital Financing Requirement. This indicator is intended to ensure that over the medium term net borrowing will only be for a capital purpose.

3. Borrowing Limits

The following two control figures will be applied to set the parameters within which borrowing is permitted to take place. Both of them are Prudential Indicators in terms of the Code.

Operational Boundary

This indicates the probable 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 representing commitments in relation to credit arrangements such as finance leases, etc. Since these do not apply in the Council's case, a nil amount is shown against this item. As referred to under "borrowing requirement" above, the Council may, if considered desirable from a treasury management point of view, take out long term loans to finance capital expenditure incurred in 2008/09. Additional loans for the same purpose could be taken out in 2009/10 and 2010/11 but at present this is not under consideration. Accordingly, the figures shown in the table below reflect the possibility that up to £5,000,000 may be borrowed on a long term basis in 2008/09.

The Operational Boundaries for the Council have been assessed as set out in the table below:

	2008/09 Estimate £000s	2009/10 Estimate £000s	2010/11 Estimate £000s	2011/12 Estimate £000s
Borrowing	5,000	5,000	5,000	5,000
Other Long Term Liabilities	0	0	0	0

This indicator is regarded by the Code as a key tool for in-year monitoring. It will probably not be significant if the operational boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the operational boundary would be significant and should lead to further investigation and action as appropriate.

Authorised Limit

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 short term, 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 have been assessed as set out in the table below:

	2008/09 Estimate £000s	2009/10 Estimate £000s	2010/11 Estimate £000s	2011/12 Estimate £000s
Borrowing	15,000	15,000	15,000	15,000
Other Long Term Liabilities	0	0	0	0

4. Sources of Borrowing

Temporary borrowing will take place via money brokers, from building societies, banks, local authorities, individuals and commercial organisations and from other funds of the Council. If the Council decides to borrow on a long term basis to fund capital expenditure it is anticipated that this will be from the Public Works Loans Board.

5. 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 consultants.

The Code prescribes two Prudential Indicators in relation to limits on exposure to fixed and variable interest rates. These Indicators relate to interest in respect of both borrowing and investment. They are, therefore, set out in a separate section following that relating to Investment of Surplus Funds.

INVESTMENT OF SURPLUS FUNDS

The strategy in relation to investments together with the relevant prudential indicators is set out in Annex A. This has been compiled according to Guidance on Local Government Investments issued by the Office of the Deputy Prime Minister 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.

INTEREST RATE EXPOSURE

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 expressed as a percentage of total borrowings/investments

	Borrowing	Borrowing	Investments	Investments
	Upper	Lower	Upper	Lower
2008/09	100%	0%	100%	75%
2009/10	100%	0%	100%	75%
2010/11	100%	0%	100%	75%
2011/12	100%	0%	100%	75%

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

	Borrowing	Borrowing	Investments	Investments
	Upper	Lower	Upper	Lower
2008/09	100%	0%	25%	0%
2009/10	100%	0%	25%	0%
2010/11	100%	0%	25%	0%
2011/12	100%	0%	25%	0%

The effect of the limits set above is:

In relation to borrowing fixed rate 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. This continues current practice and since only temporary borrowing for 364 days or less (most of it for very short periods) is envisaged, the likelihood of any significant losses resulting from being committed to either fixed or variable rates is remote.

In relation to investments between 75% and 100% of investments by value will be at fixed rates. Up to 25% can be at variable rates. This again continues present practice.

LEASING

1. Requirement for Year

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

The total amount of operating 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 relative 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 (see below). The appropriate form of finance will be chosen to obtain the best deal for the Council at the time that the requirement arises.

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.

Either fixed or variable rate leases may be taken out. Which is chosen will depend upon market conditions prevailing at the time the decision is made.

It is not the intention to employ finance leases during 2008/09 in respect of new items of vehicles, plant or equipment. However, where existing leases reach the end of their term and it is beneficial for the Council to retain the use of the leased items, a secondary lease on much reduced payment terms may be entered into, which could technically be classified as a finance lease.

3. Leasing Consultants

Approval has been given by the Cabinet to appoint a leasing consultant, if required, on an annual basis. Owing to there only being a limited need to acquire items of plant and equipment, giving rise to a leasing requirement, it is not intended to employ consultants in 2008/09. Any requirement which may arise is likely to be met from the internal leasing arrangement referred to below.

4. Internal Leasing Fund

The Cabinet has approved the establishment of an internal leasing fund, initially to finance the acquisition of Information and Communications Technology (ICT) equipment, software, etc, utilising surplus LSVT receipts. This has been extended to finance the acquisition of other items. This internal leasing arrangement may, therefore, be used as a source of funding for the acquisition of such vehicles, plant and equipment during 2008/09.

RATIO OF FINANCING COSTS TO NET REVENUE STREAM

In order to show how much of the Council's General Fund Revenue Budget is taken up by financing costs and thereby enable a judgement to be made as to whether this is a reasonable proportion, the Prudential Code requires the calculation of a Prudential Indicator to show financing costs as a percentage of 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 (but only if they are charged to the revenue account); 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 NNDR) and adjusting for the Collection Fund Surplus/Deficit.

The relevant figures for this Council are set out in the table below:

	2006/07 Actual £000s	2007/08 Estimate £000s	2008/09 Estimate £000s	2009/10 Estimate £000s	2010/11 Estimate £000s
Net Revenue Stream	16,017	16,676	17,170	17,334	17,502
Financing Costs	(1,955)	(1,772)	(1,967)	(1,539)	(1,568)
Ratio	(12.21%)	(10.63%)	(11.45%)	(8.87%)	(8.95%)

The negative Financing Costs reflect the position that the Council's investment income exceeds the interest paid to service its external debt.

CASH FLOW

Every effort will be made to match receipts with payments.

Prompt billing of customers in respect of sums due to the Council will take place and arrears will be actively pursued.

Any cash surpluses arising will be dealt with in accordance with the procedure outlined under "Investment of Surplus Funds" above.

TREASURY MANAGEMENT CONSULTANTS

Your officers will continue to work with the Council's Treasury Management Consultants, Butlers, 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.

Investment Strategy 2008/09

1. Introduction

This Strategy is compiled according to Guidance on Local Government Investments issued by the Office of the Deputy Prime Minister in March 2004. It sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

2. General Principles

2.1 Security of 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 offer high security and high liquidity and are those which are:

- a) denominated in sterling and any payments or repayments in respect of the investments are payable only in sterling;
- b) not long term investments, i.e. are due to be repaid within 12 months of the date on which the investment was made or which the Council may require to be repaid within that period;
- c) not defined as capital expenditure; and
- d) are made with a body or in an investment scheme which has been awarded a high credit rating by a credit rating agency or are made with the United Kingdom Government, a Local Authority in England or Wales or a similar body in Scotland or Northern Ireland or with a Parish or Community Council.

Non-Specified Investments are those which do not meet the definition of Specified Investments.

In order to determine the parties with which it may place its funds the Council has laid down a list of approved counterparties together with limits to be applied to investments placed with them in the Schedule (Credit and Counterparty Risk Management, etc) to its Treasury Management Practices.

The counterparty list was reviewed and amended by the Cabinet at its meeting on 25th October 2006 and the Schedule has accordingly been updated. The current counterparty list is reproduced at Annex B.

Further review of the counterparty list is currently being undertaken by your Officers in conjunction with the Council's treasury management consultants. The findings of this exercise will be reported to a subsequent Council Meeting.

In addition Council approved on the 27th June 2007 that the Treasury Management strategy be revised to allow for investments for periods in excess of 364 days and that for these investments the Executive Director (Resources and Support Services), in consultation with the Portfolio Holder for Finance, Resources and Efficiency, be authorised to fix the period and amount for investment taking account of the prevailing market conditions at the time.

Credit ratings are monitored by your officers with reference to information supplied by the Council's treasury management consultants. This takes the form of "news flashes" which are emailed to the relevant officers by the consultants whenever a significant credit rating change occurs. The appropriateness of the required credit ratings is reviewed in the light of circumstances during the year. In carrying out any review advice will be sought from the consultants. If the credit rating of a

particular body changes such that it no longer qualifies as a permissible body for investment purposes, no further funds will be placed with it and repayment of any sums already placed with it will be sought at the earliest opportunity.

Currently the only Non-Specified Investments in which the Council places funds are those which have a term greater than 12 months and with some building societies which do not have a short term credit rating. It is not intended to use any other category of Non-Specified investment during 2008/09. In considering whether to place funds for longer than 12 months and in determining the period of such investment the principles and limits set out under "Liquidity" below will apply together with the criteria set out in the revised Schedule to the Treasury Management Practices as set out at Annex B. Where building societies are concerned, the advice of the Council's treasury management consultants will be sought as to whether these bodies represent a secure investment and regard will be had to any "newsflashes" relevant to such societies.

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).*
- *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 2008/09 will be limited to fixed cash deposits, money market funds and the Debt Management Account Deposit Facility (DMADF). The DMADF is operated through the Debt Management Office, it offers investors a flexible and secure facility to supplement their existing range of investment options. All deposits made in the DMADF are guaranteed by HM Government.

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

2.2 Liquidity of Investments

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. The principles concerning time limits contained in the Schedule to the Treasury Management Practices will be followed (see Annex B).

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

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.

	£000s
Beyond 31/03/09	15,000
Beyond 31/03/10	10,000
Beyond 31/03/11	10,000

The limits set above reflect the current situation.

2.3 Yield

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

2.4 Interest Rate Exposure

Limits will apply in relation to the Council's interest rate exposure. These are intended to reduce the risk of the Council suffering unduly from significant adverse fluctuations in interest rates. The limits which will apply are set out in the body of the Treasury Management Strategy Report.

3. Specific Strategy for 2008/09

3.1 Housing Stock Transfer Receipts

Amount Available for Investment

It is estimated that the amount of receipts in hand, plus accumulated interest/capital appreciation, and available for investment at the 1st April 2008 will be in the region of £40,000,000.

Period of Investment

This will be determined in accordance with 2.2. (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.

In 2007/08 an amount of forward commitment took place (£14,000,000 of investments). It is intended to continue to employ forward commitment in 2008/09, if market conditions warrant it.

Return to be Obtained

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 made.

3.2 Other Surpluses

Amount Available for Investment

In addition to the receipts referred to above, which arose specifically from LSVT, 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, rather than being left to lie idle in the Council's bank account. Such surpluses will normally be placed in a short term deposit account with the Council's bankers. Occasionally, 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 invested with the Council's Central Loans Financing Account in substitution for external borrowing or invested on the money market on a short term basis if the Council does not have a borrowing requirement at any particular time for which they could be employed. When any useable receipts are required to finance capital expenditure or for any other purpose, the appropriate amount will be disinvested and so utilised.

Period of Investment

All 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 to be Obtained

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.

Credit and Counterparty Risk ManagementOrganisations with which the Council may place funds for investment**Building Societies****Amounts £m**

3 months/12 months

Group A – Over £10 Billion Assets

Nationwide Building Society	10/7.5
Britannia Building Society	10/7.5
Yorkshire Building Society	10/7.5

Group B – £5 - £10 Billion Assets

Coventry Building Society	7.5/5
Chelsea Building Society	7.5/5
Skipton Building Society	7.5/5
Leeds Building Society	7.5/5
West Bromwich Building Society	7.5/5

Group C – Over £1 Billion Assets

Derbyshire Building Society	5/2.5
Cheshire Building Society	5/2.5
Principality Building Society	5/2.5
Newcastle Building Society	5/2.5
Norwich & Peterborough Building Society	5/2.5
Stroud and Swindon Building Society	5/2.5
Nottingham Building Society	5/2.5
Dunfermline Building Society	5/2.5
Scarborough Building Society	5/2.5
Progressive Building Society	5/2.5
Cumberland Building Society	5/2.5
Lambeth Building Society	5/2.5
Kent Reliance Building Society	5/2.5

Banks

Abbey Plc	10/7.5
Alliance & Leicester	10/7.5
Barclays	10/7.5
Bradford and Bingley	10/7.5
Bristol & West Plc	10/7.5
Co-operative	10/7.5
HBOS	10/7.5
HSBC	10/7.5
Lloyds TSB	10/7.5
Northern Rock	10/7.5
Royal Bank of Scotland	10/7.5
Natwest	10/7.5
Local Authorities	10/7.5
DMADF	10/7.5

Minimum Revenue Provision Strategy

Local Authorities are required to set aside a minimum amount from revenue to fund capital expenditure, this is known as the Minimum Revenue Provision.

The new proposals for MRP, under The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007, become effective from April 2008, although the introduction of different charging methods may be delayed at the Councils discretion until 2009-10 (in respect of expenditure incurred up to 31st March 2009).

An annual strategy on MRP has to be prepared and approved by Full Council. This document outlines the proposed treatment of MRP for both 2007-08 and 2008-09. There will be a general duty placed on Local Authorities to make an amount of MRP which it considers to be prudent.

The Council's Capital Financing Requirement is a negative amount as a result of the capital receipt from the Housing Stock Transfer. This means that there is no longer any requirement to set aside a MRP for the redemption of external debt. Accordingly, this has not been provided for.

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO COUNCIL

27 February 2008

4. REVENUE BUDGET AND COUNCIL TAX 2008/09

Submitted by Executive Director (Resources and Support Services)

Portfolio Finance, Resources and Efficiency

Wards affected All

Purpose of the Report

This report sets out the recommendations of Cabinet for the Revenue and Capital Budget for 2008/09 and later and sets out the recommendations for setting the 2008/09 Council Tax.

Recommendations

That the Council approve the recommendations set out in Appendix 'B' (yellow paper).

1. Background

1.1 This report is the culmination of the budget process, which commenced almost as soon as the current 2007/08 budget was set. The Scrutiny Committee and the Cabinet have already considered the content of the 2008/09 Budget together with detailed reports concerning Council Tax options and the consequential overall budget level and the resultant Council Tax which is recommended. At its meeting on 20 February 2008 the Cabinet considered the comments of the Transformation and Resources Overview and Scrutiny Committee of 13 February. After considering the various comments made the Cabinet recommend a Council Tax for this Council in 2008/09 of

£170.07, which is equivalent to an increase of 2.5%, supporting a net Revenue Budget after use of reserves of £17,124,300.

2. General Fund Budget 2007/08 - Projected Out-turn
- 2.1 **As Members are aware the budget monitoring reports have been pointing to a positive variance of approximately £500,000 for most of the financial year and the projected out-turn for 2007/08 is in line with these monitoring reports.**
3. Revenue Budget 2008/09
- 3.1 **Excluding levies for Town and Parish Councils the recommended Borough Council Tax for a 'Band D property' is £170.07, an increase of 2.5% over 2007/08. The position in relation to the Borough Council's part of the tax is as set out below:**

	Estimated Expenditure £	Rate of Council Tax (Band D) £ p
Borough Council requirements –		
Total Net Expenditure	17,124,300	446.39
Less: External Support	<u>10,629,086</u>	<u>277.08</u>
	6,495,214	169.31
Collection Fund Deficit 2007/08	<u>29,000</u>	<u>0.76</u>
	<u>£6,524,214</u>	<u>£170.07</u>

Appendix 'C' (salmon paper) sets out the budget summarised over services. Copies of detailed budgets are available on request.

In addition to the basic Council Tax it will be necessary to levy additional charges in the following parishes. The precepts are shown below:

<u>Parish</u>	<u>Rate of Council Tax (Band D)</u> £ p
Audley	17.02
Betley, Balterley and Wrinehill	17.71
Chapel and Hill Chorlton	9.24
Keele	20.23
Kidsgrove	14.50
Loggerheads	10.27
Madeley	28.01
Maer	18.94
Silverdale	9.79
Whitmore	14.50

The above levies are based on the requirements supplied by the parishes, some of which are provisional at the time of writing this report, as the relevant parish meeting had not yet taken place.

Accordingly, the amounts shown in the tables in Appendix 'B' (yellow paper) are based on provisional notifications provided by these bodies.

If any of the provisional amounts change these will be reported to you and the tables in Appendix 'B' will be redone.

4. Medium Term Financial Strategy and Budget Service Review Programme

4.1 Members will recall that the Council's Medium Term Financial Strategy (MTFS) forecast a budget shortfall of £1.2m for 2008/09, with additional shortfalls of £1.0m to £1.3m and £0.4m to £0.5m for 2009/10 and 2010/11 respectively. Officers are examining the implications of this for future budgets and will carry out an update of the MTFS and report to Cabinet early in the new financial year to enable members to consider a budget strategy to bridge the predicted gap.

4.2 The MTFS included a number of areas where there were commitments to make additional investment in order to progress Council priorities. Additionally a smaller number of areas for investment emerged during the budget preparation process. All

these investments have been incorporated in the 2008/09 budget, as set out in the table below:

COUNCIL PRIORITIES/OTHER INVESTMENTS	£'000
CCTV/Community Safety Improvements	
<ul style="list-style-type: none"> It is one of the Council's priorities to create a Cleaner, Greener and Safer Borough 	150
Neighbourhood Management Initiative (mainstreaming)	
<ul style="list-style-type: none"> Investment in neighbourhood management, area based working and development of streetscene initiatives 	140
Housing Market Renewal Initiative (mainstreaming)	
<ul style="list-style-type: none"> Assisting in the delivery of strategically important investment projects arising from both the largescale regeneration programmes and the Council's own complimentary projects 	33
Homelessness Prevention Programme	
<ul style="list-style-type: none"> In respect of the Deposit Guarantee Scheme and the Sanctuary Scheme to assist more victims of domestic violence (agreed by Cabinet on 17.10.07) 	62
Choice Based Lettings Project	
<ul style="list-style-type: none"> Contribution to the scheme to increase choice in housing and to increase customer involvement (agreed by Cabinet on 05.09.07) 	20
	40
Neighbourhood Wardens (mainstreaming)	
<ul style="list-style-type: none"> Continuation of the scheme 	10
Stray Dogs	
<ul style="list-style-type: none"> Transfer of responsibility from the Police 	15
Civil Contingencies Act	
<ul style="list-style-type: none"> To fund a shared post with Stafford Borough Council 	15
Engineering Technician	
<ul style="list-style-type: none"> Creation of a new post to generate savings from the Council's expenditure on energy costs 	60
Other Areas	
<ul style="list-style-type: none"> For example contribution to the Staffordshire Olympic Co-ordinator post, Credit Union etc. 	60
TOTAL COUNCIL PRIORITIES/OTHER INVESTMENTS	545

4.3 The majority of the gap for 2008/09 referred to in paragraph 4.1 has been bridged by the inclusion in the budget of the agreed efficiencies arising from the Budget Service Review exercise. A review of all services and costs has been carried out over the last few months. The results of the review were considered by the Cabinet at several

meetings and a number of items, both investments and efficiencies, were agreed to be incorporated in the budget. The areas in which new investments are to be made are as follows:

Area	Detail	Amount £'000
Revenues and Benefits	Review existing administration – identify the true 'resource gap' in both Revenues and Benefits Processing – this was reported to Cabinet on 16 January, 2008.	125
ICT Services	Improved support and training for Members	10
	Greater integration and support of Customer Services Project; improved skills re: access data bases	80
Legal Services	Engagement of a Legal Assistant to back up the Monitoring Officer to undertake more strategic work.	25
	TOTAL	240

The Efficiencies built into the budget as a result of the service review programme are set out at Appendix 'D' (gold paper). The detail behind these has been discussed at both the former Budget Task and Finish Group on 27 November 2007 and also the Transformation and Resources Overview and Scrutiny Committee on 13 February 2008.

5. Balances and Reserves

- 5.1 The Council's Balances and Reserves Strategy states that there should be a minimum General Fund balance of £1.5m and a Contingency Reserve of £100,000. The Council currently holds these reserves and the proposed Revenue Budget provides for their maintenance at these levels. Appendix 'E' (lavender paper) sets out the estimated balances on the Council's reserves as at 31 March 2008 and 31 March 2009.
- 5.2 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.
- 5.3 It is proposed to use £138,000 from the Budget Support Fund to support the 2008/09 Budget.
- 5.4 Members will be aware that the Department of Communities and Local Government have notified the Council that they believe that an overpayment of Local Authority Business Growth Incentive (LABGI) grant has been made to it of some £2m, relating to the allocations for 2005/06 and 2006/07, and are requesting its repayment. This matter is still the subject of discussions between your officers and the Department to clarify the position. The 2008/09 Budget originally included an amount of £280,000 as a contribution from the LABGI Reserve to support the Council's Corporate Priorities. In view of the uncertainty surrounding the LABGI grant, the Cabinet felt that it would

be prudent to retain this sum in the LABGI Reserve and substituted a contribution of £280,000 from the Contingency Reserve instead.

6. Consultation

- 6.1 The preparation of the budget has continued to be informed by the results of the Simalto survey carried out in 2006. Public consultation is undertaken as a biennial survey and was, therefore, not repeated in 2007. It was designed to make the Council aware of the public's view of levels of service and their preferences with regard to the budget provision to be made for different services. This exercise also assisted in the formulation of the Council's new corporate priorities.
- 6.2 The budget proposals have also been considered by the former Budget Task and Finish Group, at meetings on 27 November 2007 and 19 December 2007, by the former Scrutiny Committee on 9 January 2008 and by the new Transformation and Resources Overview and Scrutiny Committee on 13 February 2008.

7. Risks

- 7.1 Appendix 'F' (cream paper) shows the risk assessment in relation to the 2008/09 General Fund Revenue Budget.

8. Capital Budget 2008/09 – 2010/11

- 8.1 The Capital Programme 2008/09 - 2010/11, recommended by Cabinet, is attached at Appendix 'G' (grey paper), together with a summary of the proposed financing of the Programme. This contains projects directed towards meeting the Council's corporate priorities, as reflected in its Capital Strategy. The Cabinet also agreed to the establishment of a Capital Programme Review Group, to monitor and review the capital programme and to set the overall Capital Strategy and Asset Management Plan within the context of the MTFs. The revenue consequences of the Capital Programme have been incorporated in the 2008/09 Revenue Budget.
- 8.2 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 £487,000 (in a full year once the projects are complete and operational), which equates to a council tax levy of £12.70, using the current council tax base for calculation purposes. This is based on additional capital expenditure of £8,740,000 (net of grants and contributions) and interest at 5.0% (representing the loss of interest resulting from the use of capital receipts or reserves) plus estimated running costs which may apply in some cases. Provision has been made in the 2008/09 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. List of Appendices

- B Recommendations (yellow paper)
- C Revenue Budget 2008/09 (salmon paper)
- D Service Review Programme Efficiencies (gold paper)
- E Estimated Reserves at 31 March 2008 and 31 March 2009 (lavender paper)
- F Risk Assessment (cream paper)

G Capital Programme 208/09 to 2010/11, including financing of expenditure (grey paper)

Schedule of detailed recommendations

The following recommendations set out the decisions needed for the Council to set its own budgets and Council Tax for 2008/09. A complete set of recommendations will be issued once the Fire Authority has fixed its precept.

Recommendations

- (a) That the Revenue Budget for 2008/09 be approved in the sum of £17,124,300 as set out in Appendix C.
- (b) That £138,000 of the Budget Support Fund be utilised to fund the 2008/09 budget.
- (c) That £280,000 of the Contingency Reserve Fund be utilised to fund the 2008/09 budget (see paragraph 5.4 of the report).
- (d) That the Council Tax at Band 'D' be £170.07 an increase of 2.5% over 2007/08.
- (e) That the Capital Programme to 2010/11 be approved as set out in Appendix G, together with the Prudential Indicator relating to the Incremental Impact of Capital Investment Decisions on the Council Tax.
- (f) That it be noted that at its meeting on the 16 January, 2008 the Cabinet calculated the following amounts for the year 2008/09 in accordance with the regulations made under Section 33(5) of the Local Government Finance Act 1992.
- (i) 38,361 being the amount calculated by the Council, in accordance with the regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its council tax base for the year.
- (ii) For part of the Council's area:-
- | | |
|---------------------------------|-------|
| Kidsgrove | 7,176 |
| Loggerheads | 1,947 |
| Audley | 2,662 |
| Betley, Balterley and Wrinehill | 572 |
| Chapel and Hill Chorlton | 184 |
| Keele | 341 |
| Madeley | 1,478 |
| Maer | 245 |
| Silverdale | 1,404 |
| Whitmore | 807 |

Being the amounts calculated by the Council in accordance with Regulation 6 of the Regulations, as the amounts of its Council Tax Base for the year for dwellings in those parts of its area to which one or more special items relate.

(g) That the following amounts be now calculated by the Council for the year 2008/09 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-

- (i) £59,153,316 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act.
- (ii) £41,769,470 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act.
- (iii) £17,383,846 being the amount by which the aggregate at (g)(i) above exceeds the aggregate at (g)(ii) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year.
- (iv) £10,600,086 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates, revenue support grant or additional grant reduced by the amount of the sums which the Council estimates will be transferred in the year from its general fund to its collection fund in accordance with Section 97(4) of the Local Government Finance Act 1988 (Council Tax Deficit) and increased by the amount of any sum which the Council estimates will be transferred from its collection fund to its general fund pursuant to the directions under Section 98(4) of the Local Government Finance Act 1988 made on 7 February, 1994 (Community Charge Surplus).
- (v) £176.84 being the amount at (g) (iii) above less the amount at (g) (iv) above, all divided by the amount at (f) (i) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year.
- (vi) £259,546 being the aggregate amount of all special items referred to in Section 34 (1) of the Act.
- (vii) £170.07 being the amount at (g) (v) above less the result given by dividing the amount at (g) (vi) above by the amount at (f) (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 relates.

(viii) Part of the Council's Area

Audley Parish Council	£187.09
Betley, Balterley and Wrinehill Parish Council	£187.78
Chapel and Hill Chorlton Parish Council	£179.31
Keele Parish Council	£190.30
Kidsgrove Town Council	£184.57
Loggerheads Parish Council	£180.34
Madeley Parish Council	£198.08
Maer Parish Council	£189.01
Silverdale Parish Council	£179.86
Whitmore Parish Council	£184.57

Being the amounts given by adding to the amount at (g) (vii) 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 (f) (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.

(ix)

<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	123.05	143.55	164.06	184.57	225.59	266.60	307.62	369.14
Loggerheads Parish Council	120.23	140.26	160.30	180.34	220.42	260.49	300.57	360.68
Audley Parish Council	124.73	145.51	166.30	187.09	228.67	270.24	311.82	374.18
Betley, Balterley and Wrinehill Parish Council	125.19	146.05	166.91	187.78	229.51	271.24	312.97	375.56
Chapel and Hill Chorlton Parish Council	119.54	139.46	159.38	179.31	219.16	259.00	298.85	358.62
Keele Parish Council	126.87	148.01	169.15	190.30	232.59	274.88	317.17	380.60
Madeley Parish Council	132.06	154.06	176.07	198.08	242.10	286.11	330.14	396.16
Maer Parish Council	126.01	147.00	168.01	189.01	231.02	273.01	315.02	378.02
Whitmore Parish Council	123.05	143.55	164.06	184.57	225.59	266.60	307.62	369.14
Silverdale Parish Council	119.91	139.89	159.87	179.86	219.83	259.80	299.77	359.72
Other Parts of Borough Area	113.38	132.27	151.17	170.07	207.87	245.66	283.45	340.14

Being the amounts given by multiplying the amounts at (g)(vii) and (g)(viii) 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.

(h) That it be noted that for the year 2008/09 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	656.96	766.45	875.95	985.44	1204.43	1423.41	1642.40	1970.88
Staffordshire Fire Authority	42.16	49.19	56.21	63.24	77.29	91.35	105.40	126.48
Staffordshire Police Authority	110.77	129.23	147.69	166.16	203.08	240.00	276.93	332.31

(i) That having calculated the aggregate in each case of the amounts at (g) (ix) and (h) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2008/09 for each of the categories of dwelling shown below:-

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	932.94	1088.42	1243.91	1399.41	1710.39	2021.36	2332.35	2798.81
Loggerheads Parish Council	930.12	1085.13	1240.15	1395.18	1705.22	2015.25	2325.30	2790.35
Audley Parish Council	934.62	1090.38	1246.15	1401.93	1713.47	2025.00	2336.55	2803.85
Betley, Balterley and Wrinehill Parish Council	935.08	1090.92	1246.76	1402.62	1714.31	2026.00	2337.70	2805.23
Chapel and Hill Chorlton Parish Council	929.43	1084.33	1239.23	1394.15	1703.96	2013.76	2323.58	2788.29
Keele Parish Council	936.76	1092.88	1249.00	1405.14	1717.39	2029.64	2341.90	2810.27
Madeley Parish Council	941.95	1098.93	1255.92	1412.92	1726.90	2040.87	2354.87	2825.83
Maer Parish Council	935.90	1091.87	1247.86	1403.85	1715.82	2027.77	2339.75	2807.69
Whitmore Parish Council	932.94	1088.42	1243.91	1399.41	1710.39	2021.36	2332.35	2798.81
Silverdale Parish Council	929.80	1084.76	1239.72	1394.70	1704.63	2014.56	2324.50	2789.39
Other Parts of Borough Area	923.27	1077.14	1231.02	1384.91	1692.67	2000.42	2308.18	2769.81

REVENUE ESTIMATES 2008/09

STATEMENT OF NET EXPENDITURE AND COUNCIL TAX REQUIREMENTS

Topic Area	2007/08		2008/09	
	Estimate	Basic Band D Council Tax	Estimate	Basic Band D Council Tax
Administration Before Recharges to Services	18,939,420	491.96	21,158,710	551.57
Less Recharges to Services	(18,939,420)	(491.96)	(21,158,710)	(551.57)
Total Administration Net of Recharges	-	-	-	-
Central Services	4,910,060	124.50	4,154,280	108.29
Cultural Services	5,251,750	137.01	5,561,420	144.98
Environmental Services	7,433,430	193.09	8,138,120	212.15
Planning	496,130	19.33	1,387,270	36.16
Transport	1,242,990	32.29	1,074,140	28.00
Housing	2,518,330	65.41	2,760,110	71.95
Net Cost of Services	21,852,690	571.63	23,075,340	601.53
Pensions Liabilities Account - Interest Costs	3,000	0.07	40,000	1.04
Interest and Investment Income	(1,888,770)	(49.06)	(2,163,200)	(56.39)
Net Operating Expenditure	19,966,920	522.64	20,952,140	546.18
Contribution to/(from) Revenue Reserves	(670,690)	(21.42)	(1,149,920)	(29.98)
Contribution to/(from) Capital Reserves	(1,020,230)	(26.50)	(1,037,590)	(27.05)
Contribution to/(from) Pension Reserve	(350,000)	(9.09)	(129,330)	(3.37)
Deferred Charges Write-off	(1,250,000)	(32.47)	(1,511,000)	(39.39)
Amount to be met from Government Grant and Local Taxpayers	16,676,000	433.16	17,124,300	446.39
Revenue Support Grant	(1,475,777)	(38.33)	(1,298,845)	(33.86)
NNDR Pool Receipts	(8,793,773)	(228.42)	(9,330,241)	(243.22)
Collection Fund Deficit/(Surplus)	(19,000)	(0.49)	29,000	0.76
Borough Council Tax Requirement	6,387,450	165.92	6,524,214	170.07
Staffs C.C. Precept		947.54		985.44
Fire Authority Precept		60.27		63.24
Police Authority Precept		160.15		166.16
Total Council Tax Requirement		1,333.88		1,384.91

The Council Tax Base used in the above table was fixed by the Cabinet at its meeting on 16th January 2008 at 38,361

Note: Further analysis of contributions to/(from) reserves is given on pages 33 to 34, showing the effect on individual services.

Details of Efficiencies

Detail	Efficiencies £'000
<p><u>Procurement</u> Communications 13 Call Out Contract 36 Assets Services 50</p>	<p>99</p>
<p><u>Processes</u> Streetscene 75 Waste and Transport 11 Legal Services (in respect of Land Charges) 25</p>	<p>111</p>
<p><u>Back Office Support Costs</u> Administration Review 100</p>	<p>100</p>
<p><u>Efficiencies</u> Public Conveniences 60 Community Strategy 28 Democratic Services 5 Legal Services 40 Resources Directorate 36</p>	<p>169</p>
<p><u>Income Generation</u> Revenues and Benefits 230 Streetscene 137 Legal Services 20 Assets Services 50 Waste and Transport 25 Leisure and Cultural Services 10</p>	<p>472</p>
TOTAL	951

ESTIMATED RESERVES

APPENDIX 'E'
(Lavender paper)

Reserve	31 March 2007	Net movement	31 March 2008	Net movement	31 March 2009	Purpose	Notes
	£'000s	£'000s	£'000s	£'000s	£'000s		
General Fund Balance	1,500	-	1,500	-	1,500	Working balance to cover unforeseen adverse events affecting the budget	Approved minimum balance is £1,500,000, as confirmed by risk assessment
Special Projects Fund	1,265	(373)	892	(762)	130	To fund capital schemes, although since it is of revenue origin it can be used for revenue purposes	Balance of £130,000 committed to finance capital expenditure in 2009/10
Insurance Fund	1,142	3	1,145	(183)	962	Earmarked to cover any self insured claims against the Council	
Contingency Reserve	2,498	(20)	2,478	(280)	2,198	To meet cost of unforeseen contingencies or for any other purpose approved by the Council	Approved minimum balance is £100,000
Equipment Replacement Fund	352	5	357	-	357	To pay for the replacement of certain items of plant and equipment, eg cremators	£300,000 committed to finance capital expenditure in 2009/10
Renewals and Repairs Fund	649	(100)	549	(100)	449	To meet the cost of repairs and maintenance of Council owned buildings and structures	
ICT Development Fund	1,041	315	1,356	(8)	1,348	To meet the cost of new IT requirements	Earmarked to replace major systems
New Initiatives Fund	895	(183)	712	(70)	642	To fund new initiatives, both capital and revenue	Also earmarked to cover costs arising from loss of exempt VAT status (c£80,000 per annum, should this occur)
Organisational Development Fund	896	(223)	673	(103)	570	To meet costs arising from the implementation of Single Status arrangements for employees (eg pay protection) or of other organisational changes	
Budget Support Fund	1,374	(21)	1,353	(138)	1,215	To support the General Fund revenue budget or to meet the cost of specific items approved by the Council	
Economic Development Fund	5	-	5	-	5	To finance capital or revenue costs in relation to economic development activities	Balance of £5,000 committed to finance capital expenditure in 2009/10

Reserve	31 March 2007	Net movement	31 March 2008	Net movement	31 March 2009	Purpose	Notes
Conservation and Heritage Fund	43	4	47	16	63	To provide grants to owners of historic buildings to maintain their repair	Sums are received from developers to pay for a period of maintenance costs following transfer of land to the Council
Museum Purchases Fund	79	-	79	-	79	To purchase exhibits and to conserve and enhance the display of exhibits	
Maintenance Contributions	289	(7)	282	44	326	To fund maintenance costs of land transferred to the Council	
RENEW Reserve	371	(306)	65	(65)	-	To meet revenue costs arising from participation in the Housing Market Renewal Pathfinder for N Staffordshire (RENEW)	
Change Management Fund	182	(182)	-	-	-	To support the Council's change management programme	
Standards Fund	100	-	100	-	100	To ensure the Council meets its responsibilities under the ethical and other standards frameworks	
LABGI Reserve	2,066	(696)	1,370	(1,000)	370	For any purpose determined by the Council (capital or revenue)	

Notes

1. The above table includes those reserves and balances which are available to meet General Fund revenue expenditure

Risk Register

APPENDIX 'F'

(Cream paper)

Project – Budget Forecast 2008/9

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 3	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 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	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
4	Bad debts reduce the Council's income	Shortfall in income leading to overspends	3 x 3	High	The Council has a bad debts provision. The 2008/09 budget includes £50,000 for contributions to the provision	2 x 3	Moderate	Increase monitoring of collection performance	Exec Dir Resources	N/a
5	Single Status – additional unbudgeted costs for successful appeals, market force supplements etc	Potential substantial additional costs	4 x 3	High	Reserves and Balances substantial	3 x 3	High	Seek independent legal advice for potential claims	Exec Mgt Team	N/a
6	Employee budgets – The budget is discounted on the assumption there will be vacancies. The impact of 1% vacancy is about £100,000	Vacancies do not occur leading to additional costs	3 x 3	High	The budget assumes a vacancy factor of 3%. This is realistic compared with experience from previous years.	3 x 3	High	None	Exec Mgt Team	N/a
7	Employee Budgets – The 2008/09 employee pay settlement results in an increase higher than the 2.5% included in the budget.	Additional unbudgeted costs	3 x 3	High	Balances sufficient to deal with any additional costs	3 x 3	High	None	Exec Mgt Team	N/a
8	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
9	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
10	Inflation relating to supplies	Additional unbudgeted	3 x 3	High	Included in calculation of	3 x 3	High	None	Exec	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
	and services exceeds the allowance in the budget (nil)	costs			prudent minimum balances				Mgt Team	
11	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
12	Fall in interest rates reduces income to the Council.	Investment income targets not met	4 x 3	High	The majority of the portfolio is invested at fixed rates for periods extending beyond September 2008. Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
13	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.	3 x 3	High	None	Exec Mgt Team	N/a
14	Fuel costs increase by more than 9.5% allowed for in budget.	Additional unbudgeted costs	2 x 3	Moderate	Realistic increases included in base budget	3 x 3	High	None	Exec Dir Op Serv	N/a
15	Energy costs increase by more than 25% allowed for in budget	Additional unbudgeted costs	2 x 3	Moderate	Realistic increases included in base budget	3 x 3	High	None	Exec Mgt Team	N/a
16	Concessionary Fares scheme – costs cannot be contained within budget provision, e.g. owing to fare rises or increased travel.	Additional unbudgeted costs	3 x 3	High	Already identified as a significant risk area within the budget and, therefore, will be monitored on an ongoing basis. Staffs CC who manage the scheme to supply regular updates on cost.	3 x 3	High	None	Exec Dir Resources	N/a
17	Insurances – unexpected	Additional unbudgeted	3 x 3	High	Included in calculation of	3 x 3	High	None	Chief	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
	increases in premiums.	costs			prudent minimum balances				Exec	
18	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
19	Government increase NI rates during 2008/09. 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
20	Loss of VAT Exempt Status	Additional unbudgeted costs	3 x 3	High	New Initiatives Fund earmarked to meet additional revenue costs	1 X 2	Low	Continue to monitor position regularly	Exec Mgt Team	N/a
21	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
22	New Legislation imposes extra costs but provides insufficient resources	Additional unbudgeted costs	3 x 3	High	Contingency Reserve available	3 x 3	High	None	Exec Mgt Team	N/a
23	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. Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
24	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

NEWCASTLE-U-LYME BOROUGH COUNCIL CAPITAL PROGRAMME 2008/09 - 2010/11

Scheme	Link to Corporate Priorities (See Note)	2008/09 Est Exp	2009/10 Est Exp	20010/11 Est Exp	Exp to be financed
GENERAL PROGRAMME- Funding approved					
Finance, Resources & Efficiency					
Reception/Civic Suite improvements	D	129,700			129,700
Emergency Planning Control Centre	A	15,000			15,000
Wereton Road Bridge Works	A,C	73,500			73,500
Stock Condition Survey Repairs	B,D	1,500,000	48,000		1,548,000
Lancaster Buildings	B,D	1,500,000	363,500		1,863,500
Rowhurst CI sub-station (SPF)	B	44,700			44,700
Customer Access Development	D	375,000	375,000		750,000
Totals		3,637,900	786,500	0	4,424,400

Scheme	Link to Corporate Priorities (See Note)	2008/09 Est Exp	2009/10 Est Exp	20010/11 Est Exp	Exp to be financed
GENERAL PROGRAMME- Funding approved					
Regeneration & Planning					
Economic Regeneration Projects	A,B	175,000			175,000
HIP Renewal Grants	A,C	1,085,200	1,085,100	1,491,000	3,661,300
HIP Disabled Facilities Grants	A,C	525,000	525,000	525,000	1,575,000
Housing (HMR and other areas)*	A,B,C	435,000	490,000	2,048,000	2,973,000
Newcastle Town Centre Public Realm Project	A,B,D	898,700	525,000		1,423,700
Choice Based Lettings	C	8,000			8,000
Land Purchase	B	15,000			15,000
Totals		3,141,900	2,625,100	4,064,000	9,831,000

* Housing (HMR and other areas)

Note 1

Individual Projects - (To be financed)

Loans Scheme	C	150,000
Housing Facelift Wks (not finalised/approved)	C	300,000
Unallocated Schemes	Not known	<u>2,523,000</u>

(Note £585000 used for Public Realm Project/£530000 re land purchase/£20000 Lyme Valley Parkway and £60100 Chesterton Park Lighting)

2,973,000

Note 2

Although the Housing (HMR and other areas) projects have no direct external funding entered in this table they represent the Council's contribution to the Housing Market Renewal Pathfinder (RENEW) programme. This demonstrates the Council's commitment to RENEW and helps generate considerable external funding from central government. To date, projects for which this fund has been used have attracted contributions of some £1.4m from the RENEW programme.

Scheme	Link to Corporate Priorities (See Note)	2008/09 Est Exp	2009/10 Est Exp	2010/11 Est Exp	Exp to be financed
GENERAL PROGRAMME- Funding approved		£	£	£	£
Community Safety					
Parkhouse/Lymedale CCTV Maintenance	A,B	20,000			20,000
CCTV improvement	A,B,D	130,700			130,700
Totals		150,700	0	0	150,700

Scheme	Link to Corporate Priorities (See Note)	2008/09 Est Exp	2009/10 Est Exp	2010/11 Est Exp	Exp to be financed
GENERAL PROGRAMME- Funding approved		£	£	£	£
Quality Of Life & Social Inclusion					
Replacement of Play Equipment	A,C	128,300			128,300
Chesterton Park Bowls Pavilion	A,C	229,000			229,000
Bathpool Park Improvements	A,C,D	314,100			314,100
Replacement Cemetery	A,D	1,000,000	1,000,000		2,000,000
Audley Burial Facilities	A,D	153,600			153,600
Newcastle Sports Village	C,D	8,610,000	5,740,000		14,350,000
Marsh Community Centre (works)	C	30,000			30,000
Crematorium Improvements to Visitor Facilities	A,D	172,500	5,000		177,500
Wolstanton Common Footpaths Resurfacing	A,C	36,800			36,800
Totals		10,674,300	6,745,000	0	17,419,300

Scheme	Link to Corporate Priorities (See Note)	2008/09 Est Exp	2009/10 Est Exp	2010/11 Est Exp	Exp to be financed
FUNDED FROM REVENUE - Internal Leasing / Operational Hire		£	£	£	£
Refuse Vehicle Fleet	A		2,000,000		2,000,000
ICT Equipment (May 06)	D	500,000	959,700		1,459,700
New Cremators/Mercury Abatement Equip.	A,D		750,000		750,000
Air Quality Monitoring Equipment	A	20,000			20,000
Streetscene Equipment	A,D	130,200			130,200
Totals		650,200	3,709,700	0	4,359,900
GRAND TOTAL		18,255,000	13,866,300	4,064,000	36,185,300

Notes -

Corporate Priorities -

- A) Creating a cleaner, greener and safer borough
- B) Creating a borough of opportunity
- C) Creating a healthy and active community
- D) Transforming our Council to achieve excellence

Sources of Funding	2008/09 Est Exp	2009/10 Est Exp	20010/11 Est Exp	Exp to be financed
	£	£	£	£
Special Projects Fund	762,512	130,041	0	892,553
Plant Account	0	300,000	0	300,000
Other Revenue Funds	0	33,019	0	33,019
Non-LSVT Capital Receipts	9,147,388	496,400	1,500,000	11,143,788
Internal Leasing (refundable LSVT receipts)	650,200	3,409,700	0	4,059,900
External Grants/Contributions (including LABGI)	7,694,900	6,968,000	1,806,000	16,468,900
Use of LSVT receipt	0	2,529,140	758,000	3,287,140
Capital Programme	18,255,000	13,866,300	4,064,000	36,185,300