

Public Document Pack



Dear Sir/Madam,

You are summoned to attend the meeting of the Borough Council of Newcastle-under-Lyme to be held in the *Civic Offices, Merrial Street, Newcastle Under Lyme, Staffordshire ST5 2AG* on *Wednesday, 12th September, 2012 at 7.00 pm*

B U S I N E S S

1 Apologies

2 Declarations of Interest

3 MINUTES

(Pages 1 - 6)

To approve as a correct record the minutes of the meeting held on Wednesday 11th July 2012.

4 Mayors Announcements

5 Cabinet Report from Leader of the Council

(Pages 7 - 8)

6 REPORTS OF THE CHAIRS OF THE OVERVIEW AND SCRUTINY COMMITTEES

- (a) Overview and Scrutiny Co-ordinating Committee
- (b) Transformation and Resources Overview and Scrutiny Committee
- (c) Active and Cohesive Overview and Scrutiny Committee
- (d) Cleaner, Greener and Safer Overview and Scrutiny Committee
- (e) Economic Development and Enterprise Overview and Scrutiny Committee
- (f) Health Scrutiny Committee

7 REPORTS OF THE CHAIRS OF THE STATUTORY COMMITTEES

- (a) Planning Committee
- (b) Licensing Committee
- (c) Public Protection Committee

8 Questions on Reports of the Chairs of the Statutory and Overview and Scrutiny Committees

9 PROGRESS ON DEFERRED QUESTIONS AND PETITIONS

(Pages 9 - 10)

Please note that where a supplementary question has already been asked another will not be permitted.

Questions that have already been asked must not be repeated.

10 REPORTS FROM OFFICERS

Any proposed amendments must be made in writing.

11 Treasury Management Annual Report 2011/12

(Pages 11 - 18)

12 MOTIONS OF MEMBERS

(Pages 19 - 20)

A notice of Motion must reach the Chief Executive ten clear days before the relevant meeting of the Council.

13 RECEIPT OF PETITIONS

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

14 STANDING ORDER 18 - URGENT BUSINESS

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

15 EXCLUSION RESOLUTION

To resolve that the public be excluded from the meeting during consideration of the following report(s).

Yours faithfully

A handwritten signature in black ink, appearing to be 'S.A.', written over a horizontal line.

Chief Executive

NOTICE FOR COUNCILLORS

1. Fire/Bomb Alerts

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

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

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

2. Attendance Record

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

3. Mobile Phones

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

4. Tea/Coffee

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

5. Notice of Motion

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

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COUNCIL

Wednesday, 11th July, 2012

Present:- The Mayor David Becket – in the Chair

Councillors Miss Walklate, Mrs Heames, Mrs Cornes, Welsh, Mrs Johnson, Studd, Clarke, Cooper, Mrs Beech, Bannister, Hambleton, Howells, Cairns, Boden, Matthews, Olzewski, Mrs Hambleton, Wilkes, Mrs Williams, Williams, Mrs Astle, Fear, Hailstones, Mrs Hailstones, Allport, Eagles, Kearon, Taylor.J, Miss Olzewski, Lawton, Holland, Bailey, Miss Cooper, Jones, Miss Reddish, Robinson, Mrs Shenton, Mrs Simpson, Mrs Heesom, Snell, Sweeney, Tagg, Mrs Bates, Miss Mancey, Mrs Burgess, Eastwood, Miss Baker, Mrs Peers, Plant, Stringer, Stubbs, Taylor.M, Turner and Mrs Winfield

1. APOLOGIES

Apologies were received from Cllr Loades, Cllr Waring, Cllr Wemyss, Cllr White and Cllr Mrs Burnett.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF LAST MEETING

It was brought to the attention of the Council that a new Deputy Mayor should be elected. A proposal was put forward that Cllr Trevor Hambleton be appointed to this position, the proposal was seconded and accepted by Cllr Hambleton.

A report was circulated to Members recommending changes to the Chairs and Vice Chairs of the Standards, Employee Consultative and Planning Committees. The changes had arisen from the fact that the Standards Committee could no longer have an independent Chair.

Resolved: (a) That Cllr Trevor Hambleton be appointed as Deputy Mayor for the remainder of the municipal year 2012/13.

(b) That the minutes of the meeting held on Wednesday 16th May be approved as a correct record.

(c) That Cllr Turner be appointed Chair of Standards Committee and Cllr Mrs Hambleton be appointed as Vice Chair.

(d) That Cllr John Taylor be appointed Chair of Employees Consultative Committee.

(e) That Cllr Clarke be appointed Vice Chair of Planning Committee.

4. MAYORS ANNOUNCEMENTS

The Mayor appointed Mr Gordon Vernon as Mace Bearer.

The Mayor informed Members that a petition regarding the retention of the Staffordshire name within the Mercian Regiment would be circulated to all Members shortly.

A delegation of Members from Newcastle under Lyme would be visiting Newcastle upon Tyne to attend a Newcastles of the World event in late July which was hoped would help encourage tourism and business initiatives to Newcastle Borough.

The Mayor was also investigating the potential for a youth festival in March 2013 and would be contacting Councillors in the near future regarding this.

5. QUESTIONS FROM MEMBERS

Cllr Ashley Howells raised a question regarding funding for Jubilee 2 and the future of Knutton Recreation Centre. The Mayor requested that the question be provided in writing to the Leader of the Council and agreed that a full written response would be provided.

Cllr Robin Studd requested that a written or verbal response to his question relating to the current relationship between the Council and Gatedale Ltd be provided at the next meeting of Full Council.

Cllr Stephen Sweeney questioned the timing of the distribution of the Leaders Report which had been electronically distributed to Members the previous day. The Leader confirmed that in the future this report would be included with the agenda pack.

6. CABINET REPORT FROM THE LEADER OF THE COUNCIL

Meeting Format

Clarification was requested regarding the additional cost that evening Cabinet meetings would incur. The Leader agreed that a response to this would be provided in writing.

Public Sector Commissioning in Partnership

Members were pleased to see the Borough working closely with the County Council but highlighted the importance of money being kept in the Borough and Members having sight of all quarterly reports prior to money be handed over. The Leader confirmed that governance arrangements were being put in place to safeguard the needs of the Borough and that clarity would be sought regarding the availability of the quarterly reports.

Strategic Review of ICT

The review of ICT was welcomed by Members and the question was raised as to whether the Council would be investigating the use of freeware and open source software. Members also stated that any improvements to the current email communication system would be welcomed. The Leader confirmed that open source software was being considered as an option and that the Member Development Panel was currently discussing the issues surrounding the Members email system.

Local Enterprise Partnership

Concerns had been raised by the Leader that Newcastle under Lyme, as the largest Borough was currently being represented by another Council on the LEP and that the real need for economic development within the Borough was therefore likely to suffer.

The Mayor stated that a similar situation had arisen with the Health and Wellbeing Board and that following representations from Councillors an additional representative had now been appointed from the North of the Borough. The Mayor suggested that a similar approach could be taken regarding the LEP. It was agreed that the whole Council would support the Leader in his bid to achieve better representation for Newcastle under Lyme on the LEP Board. The Portfolio Holder for Regeneration, Planning and Town Centres confirmed that he would be attending all meetings of the LEP as an observer.

Budget 2013/14

This year consultation on the budget would start earlier in October and would include Councillors, residents and other public and private stakeholders. Officers were currently drawing up the plans for the consultation process following which all responses would be passed to the Transformation and Resources Overview and Scrutiny Committee and all options published.

ADBG Industry Award

Members and the Portfolio Holder for Environment and Recycling were delighted with the achievement of this award and thanked Cllr Miss Reddish as the previous portfolio holder for her hard work in achieving it.

Resolved: That the Report be received.

7. REPORTS OF THE CHAIRS OF THE OVERVIEW AND SCRUTINY COMMITTEES

The Council received verbal reports from the Chairs of the Overview and Scrutiny Committees.

Resolved: That the reports be received.

8. REPORTS OF THE CHAIRS OF THE STATUTORY COMMITTEES

The Council received verbal reports from the Chairs of the statutory committees.

Resolved: (a) That the reports be received.

(b) That the report from the Chair of the Licensing Committee be distributed to all members in writing.

9. PROGRESS ON DEFERRED QUESTIONS AND PETITIONS

At the previous meeting of the Council a petition had been handed in by Cllr Mrs Astle requesting the removal of trees on land adjacent to Maryhill High School, Kidsgrove.

A site meeting had been held on Thursday 31st May with Cllr Mrs Astle, Cllr Bailey and the Streetscene Area Supervisor. It was agreed that work would be carried out to thin the existing young tree plantations to improve visibility of the children's play area from the surrounding residential properties. The work commenced on Friday 1st June and has now been completed. It was also agreed that the situation be monitored to determine if it was successful in responding to residents' concerns.

Resolved: (a) That Officers be thanked for their work to resolve the situation.
(b) That the update be noted.

10. REVIEW OF THE CONSTITUTION (DEFERRED FROM LAST MEETING)

A report was submitted requesting approval to changes made to the Constitution by the Constitution Working Party. The proposed amendments were considered to improve the efficiency and accessibility of the Constitution and to ensure that it was up to date and fully complied with the Law. It was considered that further improvement could be achieved and it was thought that the Transformation and Resources Overview and Scrutiny Committee was an effective, accountable and inclusive means of achieving this.

The Chair of the Transformation and Resources Overview and Scrutiny Committee confirmed that she had written to all Members requesting comments on the revised constitution but that to date the only comments received dealt with areas still to be considered by the working group.

It was confirmed that recommendations (b) and (c) had been resolved at the previous Council meeting.

Resolved: That Council adopt the amendments to the Constitution recommended by the Working Group.

11. MEMBERS' ALLOWANCES (DEFERRED FROM LAST MEETING)

A report was submitted reviewing the Councils scheme of Members Allowances.

An amendment was proposed relating to recommendations (a) and (b), that the words 'be increased' be replaced with 'frozen'. The amendment was seconded and agreed.

An amendment was proposed regarding recommendation (d) as follows:

'That there be no panel until such time as it is required by law'

The proposal was seconded and passed following a vote in which 30 members were for the amendment and 7 abstained.

Resolved: a) That for 2012/13, the amount of the Basic Allowance be frozen in line with the national pay awards agreed for Newcastle Borough Council staff.

(b) That for 2012/13, the amount of the Special Allowances be frozen in line with the national pay awards agreed for Newcastle Borough Council staff.

(c) The regulation covering travelling expenses is amended to exclude the option of First Class rail travel.

(d) That there be no panel until such time as it is required by law.

12. **THE LOCALISM ACT 2011 - THE AMENDED STANDARDS REGIME - ADOPTION OF NEW CODE OF CONDUCT FOR MEMBERS AND ADOPTION OF ARRANGEMENTS FOR DEALING WITH ALLEGATIONS OF BREACHES OF CODE OF CONDUCT**

A report was submitted to inform Members of the changes and recommended actions required for the Council to implement the new regime and for Council to approve the draft Code of Conduct for Members and the arrangements for dealing with complaints.

Concern was raised regarding section 4 of Appendix B which did not appear to mention that in exceptional circumstances where the Monitoring Officer deemed it appropriate the identity of the Member could be kept confidential as was stated in paragraph 5 of Appendix B. It was agreed that this information would be inserted.

Any future comments or concerns regarding the Code of Conduct could be fed into the constitution working group.

Resolved: (a) That the Borough Council adopt the new Code of Conduct for Members.

(b) That Council adopt the arrangements for dealing with allegations of breaches of the Code of Conduct.

13. **STAFFING COMMITTEE**

A report was submitted to delegate functions relating to the terms and conditions of staff (including procedures for dismissal) and pensions to a Staffing Committee.

There was concern expressed by some members regarding section 2.2 of the report especially regarding what the Committee would be authorised to do.

An amendment was proposed to recommendation (c) as follows:

‘That following consultation with the Transformation and Resources Overview and Scrutiny Committee the matter would be brought back to Council for approval’

The amendment was put to a vote and rejected; there were 17 votes for the amendment and 29 votes against.

Resolved: (a) That in principle the council establish a staffing committee consisting of 6 Members to be responsible for the Council’s functions as an employer including the Local Government Pension Scheme which are not delegated to Officers or referred to Full Council or constrained by the law with the terms of reference set out in this report.

(b) These functions include the adoption and amendment of all employment policies to the extent they relate to staffing matters to make representations to the Local Government Association and/or the Government or other organisations about any matter relating to employees of the Council and to make arrangements for members of the Committee to determine appeals of employees in accordance with the appropriate policies.

(c) That the Leader of the Council and the Chair of Transformation and Resources Overview and Scrutiny Committee having consulted with the Transformation and Resources Overview and Scrutiny Committee be authorised to finalise the details of the Committee in accordance with the agreed principles and the views of that Committee

14. STANDING ORDER 18 - URGENT BUSINESS

The following proposal had been received from the Leader of the Council and the Mayor considered it to be urgent in that if a successful call was to be made that it was important that it be done so without delay:

'We call on the Government to respect over 300 years of tradition, bravery and selfless sacrifice by ensuring that the British Army retains the Staffordshire name within the Mercian Regiment following the current re-organisation of our defence forces'

Resolved: That all members of the Council support the proposal.

THE MAYOR DAVID BECKET
Chair

CABINET REPORT FROM THE LEADER OF THE COUNCIL

Since the last report to full Council, Cabinet has met once on 18 July 2012. This report enumerates activities from both the formal meeting and other activities being undertaken by portfolio holders.

1 Town Centre Partnership

Cabinet endorsed the formation of the Town Centre Partnership and approved, on the advice of officers, £30,000 to appoint a Town Centre Manager working under the auspices of the partnership. The Partnership has been set up as a Community Interest Company allowing any interested business or individual to be a member.

The Cabinet is happy to announce that Jonathan Mitchell, a prominent Town Centre trader has agreed to serve as the Partnership's chair and a strategic board has been established bringing together key town centre stakeholders and partners as directors.

The Cabinet also endorsed the second 'Portas Pilot' bid which, sadly, was not successful, but discussions over becoming a 'Portas Partner Town' are ongoing.

2. High-Speed 2

Cabinet considered various options available to the Council regarding its stance on High Speed Rail and determined that, at this juncture, it was prudent to remain cautious to the scheme but take a softer opposition. With the Government having made its commitment to Phase 1 it was felt that the likelihood of the Government giving the go ahead for Phase 2 had increased and it was therefore important for Newcastle Borough Council to be in the best possible position to elicit the potential economic benefits. The Cabinet stressed that any support would only be forthcoming as long as the benefits could be proved and the environmental issues could be mitigated.

3. Home Security Support for Older Vulnerable People

Cabinet approved the redirection of £10,000 from existing budget to assist in providing home security equipment for 200 additional older people in the Borough through the existing handyman scheme.

4. Cemeteries Memorial Safety Programme

The Cabinet agreed to amend the Council's policy toward Memorial Safety Testing to bring it into line with the national standard from the previously advised 35kg/m² to 25kg/m².

5. Pan Staffordshire Representation

Following the Council's resolution to support efforts by the Cabinet to secure the best outcome for Newcastle on the LEP and other pan Staffordshire Boards, a letter was issued to Leaders in Staffordshire Moorlands and Stafford Borough requesting a meeting to discuss the matter. This letter was issued straight after the Council meeting and to date no response has been received from either Council. Should this situation change, a supplementary note will be circulated.

6. **Issues and Option Local Plan Consultation**

The Cabinet has attended all nine public meetings held by the Borough Council as part of the extensive ongoing consultation. The Cabinet would like to thank Helen Beech and her team in Planning Policy for the work they have undertaken in prepping the public meetings. 100s of people have attended meetings and made their comments. The consultation is ongoing until 1 November and the Cabinet would urge all members to make sure their local residents use their opportunity during the first stage of the consultation.

The Core Spatial Strategy, agreed in 2009 by the Council, requires the Borough Council to build 5700 houses between 2006 and 2026. This figure is now enforced by the Government's Planning Inspectorate and the Council is required to make provisions to meet this target.

7. **Locality Cabinets**

The Cabinet is keen to reconnect with communities and will be holding a series of locality Cabinet meetings across the Borough. These will consist of holding already scheduled cabinet meetings in other places but adding an open session prior to the meeting allowing members of the public to come and speak directly to portfolio holders. The first such meeting is taking place on 19 September at the Victoria Hall, Kidsgrove and work the second will be held in Madeley. Details of each meeting will be sent to all members.

Responses to questions raised at the meeting of Full Council on 11th July 2012

The on-going success of Jubilee 2 will depend on financial decisions in respect of leisure centres. Given his statements in the local media and in election addresses published and produced by him is he or is he not going to, as Leader with a Labour Cabinet, reopen Knutton Recreation Centre?(Cllr Ashley Howells)

Response:

'The decision to close down Knutton Recreation Centre was made by the previous Conservative-led Cabinet in June 2011. As the then Labour opposition felt this decision was wrong it was called-in for review. After this call-in, the Conservative-led Cabinet reaffirmed their decision to close Knutton Recreation Centre later in October 2011 and Knutton Rec was, as such, closed with its budgets being used to run the new Jubilee 2 centre.

The Cabinet, while welcoming the continued success of Jubilee 2, is conscious of the impact that the Conservative-led Cabinet's decision to close Knutton Rec has had on the local area. In particular, the proposal to impose a small supermarket on the development site demonstrated a lack of understanding that the Conservative-led Cabinet had of both local need and desires.

Sadly the decisions made by the previous Conservative-led Cabinet means that it is simply not possible to reopen Knutton Recreation Centre. This is a situation I regret but it is the situation that we have inherited from the previous administration.

Although we cannot reverse the decision, we retain the right to criticise the previous administration for the poor judgement they showed over this matter.

The closure of Knutton Recreation Centre and the abandonment of the Knutton community by the previous Conservative-led administration is, however, being rectified by the current Labour administration. Dialogue is taking place with officers on the potential redevelopment opportunities of the Knutton Recreation site.

Officers have been given clear instructions that, as a result of the redevelopment, investment in community facilities in Knutton must be included and options are currently being explored. This matter was referred to the Economic Development Overview and Scrutiny Committee for their consideration and Cabinet will consider the options available in the near future.

Should the Council wish, I will be happy to provide regular updates on the progress of the redevelopment of Knutton Recreation Centre site and for those members who are keen enthusiasts, I would be happy to host you in my ward to demonstrate what a wonderful village Knutton is and the potential it has.'

What is the current relationship of the Council to Gatedale Ltd, original lease holders of the leisure development and car park which now houses inter alia and the Vue Cinema in view of Gatedales subsequent winding up (2008) and the Councils position as a residual lease holder in the development? Can the

Council be assured that all financial and other obligations by the parties and their representatives or agents are being met? (Cllr Robin Studd).

Response:

The Council granted a 125 year lease to Gatedale in 1998 with the Council retaining the freehold ownership of the overall site including the multi-storey car park. Under the terms of the lease Gatedale redeveloped the site to its current mix; multi plex cinema , retail and leisure units.

Gatedale appointed a firm of Liquidators to manage their affairs in August 2008 and the Liquidators have continued to trade the complex with a view to disposing of it as a going concern.

The Liquidators have continued to pay the rent throughout this period as the rent is a first charge against the complex along with taxes HMRC. Other creditors are secondary to the rental charge even those banks which have a mortgage charge against the lease.

In the light of the Council's work to repair the concrete structure to the Midway car park the Council, as landlord, requested Gatedale's Liquidator to carry out a similar survey of the multi storey car park to the Vue cinema complex. After some delay on the part of the agents acting for the Liquidator, a firm of structural engineers, (Shepherd Gilmour) were appointed to carry out the survey. This work commenced in May and will encompass a report of the findings, a specification of remediation works to rectify any problems identified in the survey, finally preparation of tender documents for firms to bid to carry out any works of remediation. Any works of repair or remediation are the tenants responsibility under the terms of the lease.

How much extra money is it costing to hold Cabinet meetings in the evening and how much extra is the additional Cabinet Portfolio Holder costing?

The additional cost for Officers to staff the evening meeting is approximately £210. However, this does free up officer time during the day when Cabinet meetings used to be held.

The additional cost for the Cabinet Member is £5660 but this is offset due to the fact that the Chair of the Coordinating Committee and the Chair of the Transformation and Resources Overview and Scrutiny Committee is the same person and as such only one allowance is claimed resulting in a saving of £2830.

Would quarterly reports be required from the County Council before any money was handed over by the Borough Council with regards to the Public Sector Commissioning in Partnership work (PSCiP)?(Cllr Mrs Cornes)

The following is an extract from the report that went to Cabinet on 20th June 2012.

In examining the Programme and its potential for the Borough Council, consideration will be made of Borough Council service outlines; as well as assessing whether maintenance of some form of budgetary control with a preference to pay quarterly on receipt of performance returns can be retained, as well as seeking to regularly review performance directly with service providers and in general protect the interest of both Newcastle residents and the Borough Council.

TREASURY MANAGEMENT ANNUAL REPORT 2011/12

Submitted by: Head of Finance

Portfolio: Resources and Efficiency

Ward(s) affected: All indirectly

Purpose of the Report

To receive the Treasury Management Annual Report for 2011/12.

Recommendations

- (a) That the Treasury Management Annual Report for 2011/12 be received.
- (b) That the Actual Prudential Indicators contained within the report be approved.

Reasons

It is a requirement of the CIPFA Treasury Management Code of Practice and its Prudential Code for Capital Finance that an Annual Report is made to the Council in respect of each year's Treasury Management activities.

1. Background

- 1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice. This requires an Annual Report to be made to the Council concerning Treasury Management activities after the end of each year. In addition the Prudential Code for Capital Finance requires that the Actual Prudential Indicators for the year be reported to and approved by the Council.
- 1.2 Treasury Management operations are carried out by your Officers in accordance with policies laid down in the currently approved Treasury Policy Statement, backed up by approved Treasury Management Practices and Schedules thereto, and the Annual Treasury Management Strategy Report.

2. Issues

- 2.1 The Annual Report for 2011/12 is attached as an Appendix. This contains information supplied by the Council's Treasury Management advisors, Sector, augmented by data provided by your Officers. As well as giving a summary of the Council's Treasury Management activities during 2011/12, the report provides an analysis of the economic markets and trends. It also details the Actual Prudential Indicators for 2011/12.

3. Proposal

- 3.1 That the Treasury Management Annual Report 2011/12 be received.

4. Legal and Statutory Implications

- 4.1 The Local Government Act 2003 and Regulations thereto require Local Authorities to comply with the Prudential Code.

5. **Equality Impact Assessment**

5.1 There are no equality issues arising from the Annual Report.

6. **Financial and Resource Implications**

There are no specific financial implications arising from the Annual Report.

7. **Major Risks**

7.1 Treasury Management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.

7.2 The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital.

8. **Key Decision Information**

8.1 All wards are indirectly affected.

9. **Earlier Cabinet/Committee Resolutions**

9.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009 was adopted by this Council on 24 February 2010. This updated the previous code produced in 2001 that had been adopted by the Council on 27 February 2002.

10. **List of Appendices**

10.1 Appendix - Treasury Management Annual Report

11. **Background Papers**

11.1 CIPFA Treasury Management Code of Practice; Council's Treasury Management Strategy Statement 2011/12, 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, Sector's Model Report for 2011/12 and Guidance on Local Authority Investments issued by ODPM in March 2004.

ANNUAL TREASURY REPORT 2011/12

1. Introduction and Background

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009 was adopted by this Council on 24 February 2010.

The primary requirements of the Code are as follows:

- (1) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- (2) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- (3) Receipt by the Full Council of an annual treasury management strategy report (including the annual investment strategy) for the year ahead and an annual review report of the previous year.
- (4) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- (5) Delegation by the Council of the role of scrutiny of the treasury management strategy to a specific named body which in this Council is the Transformation and Resources Overview and Scrutiny Committee.
- (6) Delegation by the Council of the role of scrutiny of treasury management performance to a specific named body which in this Council is the Audit and Risk Committee, a midyear review report is received by this Committee.

Treasury management in this context is defined as:

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

The purpose of this report is to meet one of the above requirements of the CIPFA Code, namely the annual review report of treasury management activities, for the financial year 2011/12.

2. This Annual Treasury Report Covers

- ❖ The Council's treasury position as at 31 March 2012;
- ❖ The strategy for 2011/12;
- ❖ The economy in 2011/12;
- ❖ Investment rates in 2011/12;
- ❖ Compliance with treasury limits and Prudential Indicators;
- ❖ Investment outturn for 2011/12;
- ❖ Involvement of Elected Members;
- ❖ Other issues.

3. Treasury Position as at 31 March 2012

The Council's investment position at the beginning and the end of the year was as follows:

| | At 31/3/12 | Return | Average Life (Days) | At 31/3/11 | Return | Average Life (Days) |
|--------------------------|-----------------|--------------|---------------------|-----------------|--------------|---------------------|
| Total Debt | £0m | N/A | N/A | £0m | N/A | N/A |
| Total Investments | £10.475m | 1.03% | 22 | £17.700m | 1.13% | 181 |

The decline in total investments has been due to a combination of few capital receipts being received due to the economic downturn and capital expenditure being incurred, chiefly on Jubilee 2.

4. The Strategy for 2011/12

The strategy agreed by Council on 23 February 2011 was that:

- There would be no long term borrowing for capital purposes;
- Short term borrowing would be required to cover any temporary shortfalls in revenue income and to temporarily fund capital expenditure during the interim period before a permanent means of finance became available;
- All borrowing would be kept absolutely within the Authorised Limit of £15m and would not normally exceed the Operational Boundary of £5m (although it could for short periods of time be permitted to rise to a figure between £5m and £15m due to variations in cash flow);
- Temporary surpluses which might arise would be invested, either in short term deposits with the Council's bankers or in money market investments (cash deposits) if the size warranted this and for an appropriate period in order that these sums would be available for use when required;
- The proportions of loans and investments to be at fixed or variable rates were: fixed rate loans to be between 0% and 100% of the total and fixed rate investments to be between 0% and 100% of the total;
- Long term investments to be permitted as follows: maturing beyond 31/03/11 £10m, maturing beyond 31/03/12 £10m, maturing beyond 31/03/13, £10m;
- The overriding consideration in determining where to place the Council's surplus funds was to safeguard the Council's capital. Within this constraint the aim was to maximise the return on capital; and,
- Forward commitment of funds for investment is permitted in respect of in house investments.

Changes in strategy and credit Policy during the year

There have been no changes to the Treasury Management Strategy during the year. As approved by Council on 30 July 2008 we continue to use the lowest common denominator methodology in respect of determining suitable counterparties. This methodology is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

This, and the downgrading of numerous Banks and Building Societies, has led to a severely restricted counterparty listing remaining, resulting in a limited number of counterparties with whom the Council can invest with.

5. The Economy and Interest Rates

The financial year 2011/12 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk. The original

expectation for 2011-12 was that the Bank Rate would start gently rising from quarter 4 2011. However, GDP growth in the UK was disappointing during the year under the weight of the UK austerity programme, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the EU. The EU sovereign debt crisis grew in intensity during the year until February when a second bailout package was eventually agreed for Greece. Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing by £75bn in October and another £50bn in February. The Bank Rate therefore ended the year unchanged at 0.5% while CPI inflation peaked in September at 5.2% but then fell to 3.4% in February, with further falls expected to below 2% over the next two years.

Gilt yields fell for much of the year, until February, as concerns continued building over the EU debt crisis. This resulted in safe haven flows into UK gilts which, together with the two UK packages of quantitative easing during the year, combined to depress PwLB rates to historically low levels.

6. Investment Rates in 2011/12

Widespread and multiple downgrades of the ratings of many banks and countries, continued Eurozone concerns and the significant funding issues still faced by many financial institutions meant that investments remained short term. This led to the banks offering instant deposit accounts at more preferential rates than short term fixed deposits in most cases. The Council opted to take advantage of these accounts and this is reflected in the significantly reduced average life (days) of its deposits.

7. Compliance With Treasury Limits

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Annex 1.

8. Investment Outturn For 2011/12

Internally Managed Investments

The Council manages its investments in-house and invests with the institutions listed in the Council's approved lending list. The Council invested for a range of periods from overnight to up to 4 months dependent on the Council's cash flows, its interest rate view and the interest rates on offer. The investments made in 2011/12 in practice were generally for a period of less than 3 months.

Investment Outturn for 2011/12

During 2011/12 an average rate of return of 1.03% was achieved on an average individual investment of £1.074m. This compared with the target of 1% included in the departmental business plan.

9. Involvement of Elected Members

Elected members have been involved in the treasury management process during 2011/12 including:

- Scrutiny of the treasury management strategy by the Transformation and Resources

- Overview and Scrutiny Committee prior to being submitted for approval by the Full Council.
- Scrutiny of treasury management performance by the Audit and Risk Committee through the receipt of a half yearly treasury management report.
 - Quarterly liaison meetings took place, to be attended by the Council's Treasury Management advisors, Sector and the Portfolio Holder for Resources and Efficiency.
 - The Portfolio Holder for Resources and Efficiency sent a monthly budget monitoring report which contains details of Treasury Management activity undertaken during the month; and this was forwarded to all Members.
 - A quarterly budget monitoring and performance report is reported to Cabinet, this contains details of Treasury Management activity undertaken during the quarter.

10. **Icelandic Bank Defaults**

This authority currently has the following investment frozen in the Heritable Bank:

- Investment 5092, £2.5m, maturity date 14th September 2009.

Payments up to 31 March 2012 totalled £1,225,905. Two further payments have been received, £95,089 on 19 April 2012, and £71,528 on 19 July 2012.

Annex 1: Prudential Indicators

| Position/Prudential Indicator | | 2010/11 Actual | 2011/12 Original Indicator | 2011/12 Actual |
|-------------------------------|--|----------------|----------------------------|----------------|
| 1 | Capital Expenditure | £9.682m | N/A | £14.796m |
| 2 | Capital Financing Requirement at 31 March 2012 | £0.115m | £0.115m | £(0.031m) |
| 3 | Treasury Position at 31 March 2011 | | | |
| | Borrowing | £0.0m | N/A | £0.0m |
| | Other long term liabilities | £0.0m | N/A | £0.0m |
| | Total Debt | (£0.0m) | N/A | (£0.0m) |
| | Investments | (£17.700m) | N/A | (£10.475m) |
| | Net Borrowing | (£17.700m) | N/A | (£10.475m) |
| 4 | Authorised Limit (against maximum position) | £0.0m | £15.0m | £0.0m |
| 5 | Operational Boundary (against maximum position) | £0.0m | £5.0m | £0.0m |
| 6 | Ratio of Financing Costs to Net Revenue Stream | (1.80%) | (0.56%) | (1.23%) |
| 7 | Upper Limits on Variable Interest Rates (against maximum position) | | | |
| | Loans | 0% | 100% | 0% |
| | Investments | 0% | 100% | 0% |
| 8 | Actual External Debt | £0.0m | N/A | £0.0m |
| 9 | Principal Funds Invested for Periods Longer than 364 days (against maximum position) | £0.0m | £10.0m | £0.0m |

GLOSSARY**CPI – Consumer Price Index**

The Consumer Price Index (CPI) is the main UK measure of inflation for macroeconomic purposes and forms the basis for the Government's inflation target. It is also used for international comparisons.

LIBID – London Interbank Bid Rate

Banks in the City of London tend to lend and borrow money from one another in the wholesale money markets. The rate at which a bank is willing to borrow money is called the London Interbank Bid Rate (LIBID).

LIBOR – London Interbank Offered Rate

This is the benchmark used by banks, securities houses and investors to gauge the cost of unsecured borrowing in the money markets. It is calculated each day by asking a panel of major banks what it would cost them to borrow funds for various periods of time and in various currencies, and then creating an average of the individual bank's figures.

MPC – Monetary Policy Committee

Interest rates are set by the Bank's Monetary Policy Committee (MPC). The MPC sets an interest rate it judges will enable the inflation target to be met. The Bank's MPC is made up of nine members – the Governor, the two Deputy Governors, the Bank's Chief Economist, the Executive Director for Markets and four external members appointed directly by the Chancellor. The appointment of external members is designed to ensure that the MPC benefits from thinking and expertise in addition to that gained inside the Bank of England.

PWLB – Public Works Loan Board

The Public Works Loan Board (PWLB) is a statutory body operating within the Debt Management Office and is responsible for lending money to local authorities and other prescribed bodies, as well as for collecting the repayments.

Newcastle-under-Lyme Council Motion: Regional and Local Public Sector Pay

Council notes:

- The Chancellor of the Exchequer announced in the 2012 Budget the Government's desire to introduce 'more market facing' public sector pay. This could mean regional or local public sector pay.
- There has been no independent assessment of the impact and consequences this policy could have for public services or the economies of low pay regions.
- The New Economics Foundation believes that regional and local pay could cost the West Midlands economy up to £1.2bn per year and 3,710 jobs.

Council believes:

- The Government's case is based on the claim that public sector pay is 'crowding out' the private sector. This is not supported by evidence, particularly at a time of high unemployment. There are currently over 3 JSA claimants for every job vacancy across Newcastle-under-Lyme.
- This approach also ignores the real reasons for the differences between public and private sector pay. For instance, there are more high skilled workers in the public sector (such as teachers and nurses), and a smaller pay gap between top and bottom earners and a smaller gender pay gap.
- Public sector employers already have some flexibility to adjust pay in response to local conditions, and higher rates are paid in London and the South East.
- All other English regions and devolved nations stand to be affected by this, with the possibility of years of pay falling behind the cost of living.
- Workers in Newcastle-under-Lyme are paid £95 less per week than the national average.
- 65% of public sector workers are female.

Council further believes:

- Regional or local public sector pay would have a harmful effect on the West Midlands.
- It will make it harder for schools and other public services to recruit and retain good quality professionals who could earn more for doing the same job elsewhere.
- There are 11,300 public sector workers across Newcastle-under-Lyme and reducing their real terms pay each and every year will dramatically reduce spending power and have a negative impact on the private sector.
- This policy will not improve the pay of private sector workers but instead could encourage further depression of wages in all sectors.
- We do not want Newcastle-under-Lyme to be forever defined as a 'low pay' area and this policy is therefore counter to our council's vision and ambitions for the future.

Council resolves:

- To write to the Chancellor of the Exchequer and Chief Secretary to the Treasury stating this council's opposition to plans for regional and localised public sector pay.
- To write to all local MPs outlining concerns about the impact that this policy would have on services and the local economy.
- To sign up to the Pay Fair campaign and raise awareness of the implications and risks of this policy locally, regionally and nationally.

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