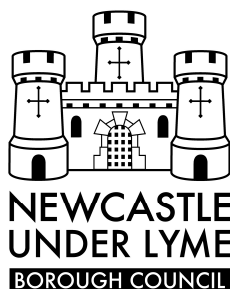


Public Document Pack



Dear Sir/Madam,

You are summoned to attend the meeting of the Borough Council of Newcastle-under-Lyme to be held in the **Council Chamber, Civic Offices, Merrial Street, Newcastle-under-Lyme, Staffordshire, ST5 2AG** on **Wednesday, 27th February, 2013** at **7.00 pm**.

B U S I N E S S

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 MINUTES OF THE LAST MEETINGS (Pages 1 - 12)**
To approve as a correct record the meetings held on 28 November 2012 and 23 January 2013.
- 4 Mayor's Announcements**
- 5 LICENSING COMMITTEE - RECOMMENDED FEES 2013/14 (Pages 13 - 14)**
The council is requested to approve those licence fees for 2013/14 which are the subject of the recommendations of the Licensing Committee, as set out in the attached minutes of its meeting held on 13 February 2013.
- 6 Revenue and Capital Budgets and Council Tax 2013/14 (Pages 15 - 50)**
- 7 Treasury Management Strategy 2013/14 (Pages 51 - 70)**
- 8 Capital Strategy 2013-16 (Pages 71 - 86)**
- 9 Localism Act 2011 - Publication of Pay Policy Statement 2013/14 (Pages 87 - 100)**
- 10 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 Communities 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

11 REPORTS OF THE CHAIRS OF THE STATUTORY COMMITTEES

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

12 MEMBERSHIP OF COMMITTEES

To approve the following changes to committee memberships and vice-chairmanships:-

- (a) Councillor Dave Stringer to replace Councillor Sophia Baker as a member and vice-chair of the Audit and Risk Committee;
- (b) Councillor Sophia Baker to replace Councillor Matt Taylor as vice-chair of the Economic Development and Enterprise Scrutiny Committee; and
- (c) Councillor Dave Stringer to replace Councillor Matt Baker as a member of the Economic Development and Enterprise Scrutiny Committee.

13 TIMETABLE OF MEETINGS 2013/14

The council is requested to approve the draft timetable of meetings for 2013/14.

The timetable is currently the subject of consultation with key stakeholders and will follow.

14 NOTICE OF MOTION

Councillor Loades has submitted the following motion in accordance with Procedure Rule 12:-

“That this council opposes the HS2 proposed high speed rail line route through the Borough of Newcastle-under-Lyme after the recent plan for the route has been announced and agree to support the 51m action group.”

15 URGENT BUSINESS

To consider any business which is considered urgent in the opinion of the Mayor, in accordance with Procedure Rule 7.

Yours faithfully

A handwritten signature in black ink, appearing to be 'SJA', is written over a horizontal line. The signature is stylized and cursive.

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 former Hubanks store opposite to the Civic Offices. DO NOT re-enter the building until advised to by the Controlling Officer.

2. Attendance Record

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

3. Mobile Phones

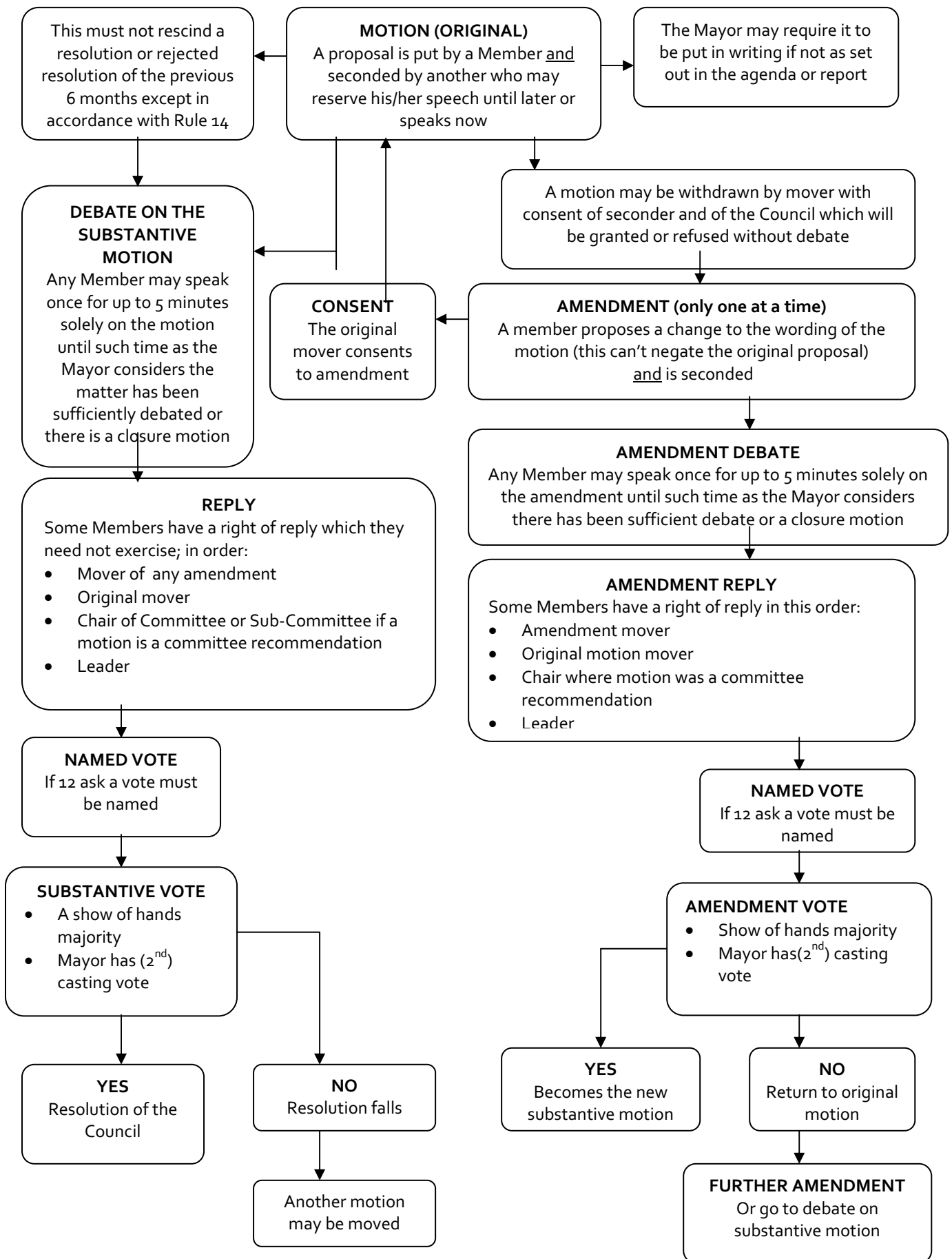
Please switch off all mobile phones before entering the Council Chamber.

4. Tea/Coffee

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

5. Notice of Motion

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



COUNCIL

Wednesday, 28th November, 2012

Present:- The Mayor David Becket – in the Chair

Councillors Mrs Heames, Welsh, Mrs Johnson, Studd, Mrs Burnett, Clarke, Cooper, Mrs Beech, Hambleton, Howells, Cairns, Matthews, Olszewski, Mrs Hambleton, Wemyss, Wilkes, Mrs Williams, Williams, Fear, Allport, Eagles, Kearon, Taylor.J, Waring, Miss Olszewski, Lawton, Loades, Holland, Bailey, Miss Cooper, Jones, Miss Reddish, Robinson, Mrs Shenton, Mrs Heesom, Snell, Sweeney, Tagg, Mrs Bates, White, Miss Mancey, Mrs Burgess, Eastwood, Miss Baker, Mrs Peers, Stringer, Stubbs, Turner and Mrs Winfield

1. **APOLOGIES**

Apologies were received from Cllr Mrs Cornes, Cllr M Taylor, Cllr Plant, Cllr Boden, Cllr Mrs Simpson, Cllr Miss Walklate, Cllr Mrs Hailstones, Cllr Hailstones, Cllr Bannister and Cllr Mrs Astle.

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

3. **SIGNING OF THE DISTRICT DEAL FOR NEWCASTLE UNDER LYME**

The Leader of Newcastle Borough Council introduced Cllr Philip Atkins, Leader of Staffordshire County Council. Cllr Atkins stated that the District Deal had so far been signed by Staffordshire Moorlands District Council and South Staffordshire Council and outlined the work that had so far been undertaken in conjunction with the City Council and District Councils including attracting top names to the area such as Jaguar Landrover. Cllr Atkins also highlighted the close working partnership that the Borough Council and the County Council had recently embarked upon regarding the redevelopment of the Ryecroft site.

Cllr Sweeney welcomed the deal and stated that partnership working was the way forward and thanked Cllr Snell and Cllr Atkins for the work done in achieving the signing of the deal.

Cllr Studd also thanked Cllr Atkins and all Members who had been involved in negotiations and stated that he looked forward to the redevelopment of the Ryecroft.

Letters were exchanged regarding the District Deal by the Leaders of Newcastle Borough Council and Staffordshire County Council.

4. **MINUTES OF THE MEETING OF THE FULL COUNCIL HELD ON 12TH SEPTEMBER 2012**

Cllr David Loades and Cllr Mrs Burgess stated that they had been present at the previous meeting of Full Council even though this was not reflected in the minutes.

Resolved: That the minutes of the meeting of Full Council held on 12th September 2012 be agreed as a correct record.

5. MINUTES OF THE MEMBER DEVELOPMENT PANEL 25TH SEPTEMBER 2012

Resolved: That the minutes be noted.

6. MINUTES OF THE STANDARDS COMMITTEE HELD ON 1ST OCTOBER 2012

Resolved: That the minutes be noted.

7. MAYORS ANNOUNCEMENTS

The Mayor thanked everyone who had signed the petition to save the Staffordshires name and stated that he had received over 1300 signatures in total. The move to keep the name had now been agreed at regimental level and now had to be agreed by the War Office.

There would be a Fairtrade Christmas Fayre on Friday 7th December and Saturday 8th December in the Lancaster Buildings, Newcastle Town Centre.

The Mayors Carol Service would be held on 16th December in St Mary's Church, Betley at 6.30pm.

The Mayors Ball would be held on Friday 22nd March and tickets would be available from January.

The Mayor also informed Members that there would be a concert on 20th April by the Newcastle Male Voice Choir and that he was hoping to arrange a further two musical events in the near future.

The Mayor thanked everyone who had taken part in his sponsored walk and stated that the Mayoress had raised £800.

It was sadly announced that the son of former Councillor Mrs Freda Myatt had passed away and it was agreed that the Mayor would send condolences to Mrs Myatt and her daughter, former Councillor Miss Yvonne Burke.

8. STATEMENT OF THE LEADER OF THE COUNCIL

A question was raised regarding how many Community Centres would be closing as part of the Community Centre Review which had been discussed at the meeting of Cabinet held on 17th October 2012. The Portfolio Holder for Stronger and Active Neighbourhoods had circulated a letter to all Members that he had recently submitted to the Sentinel regarding the Review. This topic was currently being considered by a Member Working Group which had been set up by the Overview and Scrutiny Co-ordinating Committee.

A question was raised regarding progress towards the Kidsgrove Town Centre Partnership. The Leader and Portfolio Holder for Regeneration, Planning and Town Centres had met with all Kidsgrove Members to help identify what the key issues were and who would be the key private sector workers required to help drive the initiative forward. Elements of best practice from the Newcastle Town Centre Partnership would also be incorporated and it was recognised that there was a great deal of potential in Kidsgrove that needed to be utilised.

The refurbishment of St Giles and St Georges was discussed and clarity was requested regarding the administrations visions for this area of the Town Centre taking into account that a new Aldi Store was due to open on the other side of the Town. The Leader confirmed that the issue had been considered by Scrutiny where many options had been discussed including the possible relocation of the Borough Museum to the site. Officers were currently carrying out soft market testing regarding what would be the best possible use of the site but the building itself was considered to be key and there was an overriding desire not to see it demolished. Third parties were being approached to gauge their interest in the site and building and Officers were looking into potential housing solutions for the building. Members welcomed the fact that third parties were again being approached regarding the building.

A question was raised in relation to the review of the integrated waste and recycling strategy regarding whether nominations for the Cabinet Panel had been received and when that panel would be meeting. The Portfolio Holder for Environment and Recycling confirmed that Group Leaders had been asked to provide nominations. A supplementary question was then raised regarding details of who had actually been nominated. The Portfolio Holder stated that the process was in hand and detailed would be released when the membership was finalised, details regarding how many members would sit on the panel from each party could be found in the report that went to Cabinet in October. The question was also raised as to why this approach to the review had been adopted and what status the Cabinet Panel would actually have. The Portfolio holder stated that she would provide a full written response to this question but that the aim was to look at different ways of providing recycling by 2016 and that the main role of the panel would be fact finding prior to submitting a report to scrutiny. The Portfolio confirmed that the written response would include information on the differences between a Cabinet Panel and the previous groups that had tackled the issue of waste and recycling. Members agreed that a timely start regarding this project was desirable.

Clarity was requested regarding the wording in relation to the Allotment Review. It was confirmed that the Council aimed to ensure that the maximum benefit was being achieved from the money it invested in allotments.

With regards to the Portas/Town Team Partner £10,000, it was highlighted that Newcastle could only have been selected as a Portas Partner Town if it had the support of the local Member of Parliament.

Following a question regarding the appointment of Matthew Ellis as the Police and Crime Commissioner the Leader stated that he looked forward to seeing how progress was made. The supplementary question was raised regarding whether the Leader welcomed the new Commissioners pledge to freeze the council tax element relating to his brief. The Leader confirmed that if policing levels could be maintained under those conditions and this was welcomed and that there could be some items for the Cleaner, Greener and Safer Scrutiny Committee to consider in the future.

Resolved: (a) That a written response be provided by the Portfolio Holder for Environment and Recycling regarding the Cabinet Panel

9. QUESTIONS FROM MEMBERS

1. Question from Cllr Colin Eastwood

The Health Scrutiny Committee, along with I'm sure other members, are concerned about the shortage of funding in Social Care which will have a detrimental impact on other vital council services. Will the Leader support the Local Government Association's campaign 'Show Us you Care' to put pressure on the Coalition Government to provide adequate funding to support adult social care services.

Councillor Colin Eastwood (Wolstanton Ward) and Chair Newcastle Health Scrutiny Committee

I am happy to support the LGA's campaign to put pressure on the Coalition Government to adequately resource adult social care. Although this is a function which falls squarely within the County Council's purview, inadequate funding for ASC will have knock on effects to the services which we provide.

It would be helpful to me if the Health Scrutiny Committee could provide guidance on other actions that this council can do to support the work our County Council colleagues do with regards to ASC and correct resourcing.

Cllr Eastwood did not raise a supplementary question but stated that he was glad of the support from the Leader and that he would raise the concerns with the County Council Health Select Committee.

2. Question from Cllr Mrs Shenton

Can I ask why once again we are holding our Council meeting on the same evening as the switching on of the Christmas Lights in the Town Centre? Our local traders will be hoping that this year their till bells ring in the anticipation of a bright festive season, set against the current economic gloom. Do the Mayor and the Leader agree that we as elected members should have been there to show our support, rather than run the risk of being branded as having a 'Bah, Humbug!' attitude to the people and businesses of Newcastle?

Councillor Elizabeth Shenton (Town Ward)

The date chosen for the switch on of the Christmas Lights was done so independently of the Council. As a result of our greater partnership working and through the Town Centre Partnership, it is hoped that greater dialogue with the organisers can prevent such clashes happening in the future.

Supplementary Question:

Cllr Shenton raised a supplementary question regarding the timing of the Council meeting and queried whether in the future it could be moved to a Tuesday or Thursday in the same week.

The Leader stated that a written response would be provided to this question and that any other supplementary would also receive a written response.

The Mayor thanked the Deputy Mayor and Mayoress for attending the switching on of the Christmas lights in his absence.

Question from Cllr Loades

Can the leader inform this Council, if the Community Investment type company for the Newcastle Town Centre is now registered officially with the recognized body and all directors listed and declared?

Councillor David Loades (Loggerheads and Whitmore Ward)

I can confirm that all of the documentation for the registration of the Community Interest Company with Companies house and the CIC Regulator has been completed incorporating all the details of all of the Subscribers to the Company and the first Directors. Those documents are currently being circulated round the Subscribers and Directors for signature and once signed (anticipated within a few days) the formation of the Company will be complete.

In the meantime decisions can be taken but these will of course be subject to ratification by the Company.

Supplementary Question:

Cllr Loades requested information regarding the appointment of the Town Centre Manager and whether this could still go ahead if the Company had not yet been ratified.

A written response would be provided to this but the answer may also be covered in response to question 5.

3. Question from Cllr Sweeney

The current administration pledged to strengthen the council litter picking and enforcement team. Can the portfolio holder explain what action has actually been taken to deliver a better litter picking service?

Councillor Stephen Sweeney (Clayton Ward)

Steetscene are focussing on litter education, especially with schools. The Council is investing in staff training and cleansing vehicles, continuing to prioritise resources where needs are greatest and working very successfully with a growing number of local groups and organisations to improve the environmental quality of the Borough.

This recent survey has highlighted that in respect of detritus, graffiti and fly posting, they are broadly on or exceeding the targets. In respect of litter, this is slightly under target at 88% against the target of 91%. Officers are analysing the detailed results to identify where realignment of resources needs to take place to improve the level of overall cleanliness in these areas.

There was no supplementary question asked.

4. Question from Cllr Mrs Peers

Could the portfolio holder tell the Council what progress has been made on the recruitment and implementation of a town centre manager?

Councillor Tracey Peers (Loggerheads and Whitmore Ward)

The Town Centre Partnership has undertaken a recruitment process and at this stage has made an informal offer subject to references. It is anticipated that the Manager will be in post in January.

Supplementary Question:

Cllr Mrs Peers requested details regarding how much money had been contributed from Kidsgrove Town Council and other Parish Councils and whether all Town and Parish Councils had been asked to contribute to the Partnership.

A written answer would be provided.

5. Question from Cllr Miss Mancey

Can Cllr Kearon tell the Council how many residents have been assisted by the grant scheme put in place to help vulnerable and older residents with home security?

Councillor Chloe Mancey (Seabridge Ward)

Revival Home Improvement Agency has produced marketing literature, leaflets have been produced, information is available on-line and articles have been produced in the Reporter promoting the scheme. Officers have worked with the Police / Fire / Aspire and Revival in a joint initiative to target vulnerable properties and residents in high crime areas. The partnership has undertaken door knocking in the town ward to provide advice on home security and safety. To date no-one has taken up the offer of installation of home security measures.

However the future of the whole scheme is now under threat as the County Council has indicated that it intends to withdraw its core funding of £25,000 and therefore the additional funding we have already put in place will be needed to ensure the scheme remains affordable. Our officers are investigating a way forward that ensures those in need of support get it.

Supplementary Question:

Cllr Miss Mancey asked whether the Portfolio Holder thought the scheme could be viewed as a failure as no resident had yet been helped.

A written response would be provided.

Question from Cllr Howells

I see from the staff consultation that has just been launched that the council is expecting to save £78,000 from altering the car leasing scheme by 2013/2014. The target is to save £200,000. Is this a disappointing failure to meet the target, or was the original target wildly overambitious?

Councillor Ashley Howells (Loggerheads and Whitmore Ward)

The Car Leasing scheme costs the Council £204,010 per year in subsidy. As part of the on-going negotiations, the Cabinet are seeking to save £78,000 within the 2013/14 budget.

Supplementary Question:

Cllr Howells questioned the accuracy of the 2013/14 budget strategy but the Mayor stated that this was a matter for scrutiny to consider and not for discussion at Full Council

10. PROGRESS ON DEFERRED QUESTION AND PETITIONS

There were no further supplementary questions to those asked at the meeting held on 12th September 2012.

A report was submitted to advise Members of action taken by Officers in respect of the petition submitted by the Ravens Park Resident Association in relation to the Site Allocations and Policies Local Plan.

Resolved: (a) That the action taken by officers in respect of the Ravens Park petition be noted.

(b) That the existence of the petition be reported to both the Planning Committee and Council in the context of the results of the full public consultation exercise, which has been recently undertaken in relation to preparation of the Site Allocations and Policies Local Plan.

11. VERBAL UPDATES OF THE CHAIRS OF THE OVERVIEW AND SCRUTINY COMMITTEES

Members received verbal updates from the Chairs of the Scrutiny Committees. The minutes from all the Committees were available for view on the internet.

Following the update from the Chair of the Health Scrutiny Committee, the Leader thanked him and other Members of the Committee and stated that Newcastle appeared to be leading the way in the County regarding the carrying out of local health scrutiny.

Resolved: That the updates be received.

12. VERBAL UPDATES OF CHAIRS OF THE STATUTORY COMMITTEES

Verbal updates were received from the Chairs of the Statutory Committees.

The Portfolio Holder for Stronger and Active Neighbourhoods stated that he was very concerned regarding the amount of contaminated alcohol being found in the Borough and highlighted the need for close partnership working between the Council, Trading Standards and the Police.

The Chair of the Planning Committee thanked Planning Officers and Members of the Committee for their hard work and stated that it was unfortunate in the current economic climate that the number of applications for consideration was in decline.

The Chair of the Public Protection Committee confirmed that no response had been received from solicitors representing the Hackney Carriage Trade in relation to de limitation and that as such the removal of the limit was set to go ahead from 2nd December 2012.

Resolved: That the updates be received

13. REVISED GAMBLING POLICY DECEMBER 2012

A report was submitted to advise Members of the recommended changes to the Gambling Policy as agreed by the Licensing Committee on 8th November 2012.

Under section 349 of the Gambling Act 2005 the Council has a statutory duty to review its Gambling statement set out in the Gambling Policy before the end of December 2012.

RESOLVED: (a) That the current Challenge 21 policy be replaced by a Challenge 25 policy in the Gambling Policy for Newcastle under Lyme Borough Council.

(b) That the revised Gambling Policy be agreed.

14. PARLIAMENTARY BOUNDARY REVIEW CONSULTATION - REVISED BOUNDARIES OCTOBER 2012

A report was submitted to inform Members of the revised Parliamentary Constituency proposals for Staffordshire and Stoke on Trent.

Members agreed that the new proposals were an improvement on the previous submissions of September 2012 but were still flawed and as such could not be supported. It was recognised that the Boundary Commissions had taken the views and representations of Members into consideration and that an attempt had been made to try and preserve the identity of the Borough but that the changes were still not to be approved. Further dissatisfaction was voiced regarding the treatment of the rural wards in the new proposals.

There was no desire to submit any further representations but Members agreed that any communication with the Boundary Commission should be signed by both the Council Leader and the Mayor.

Resolved: That the new proposals were an improvement but that Members were still not satisfied with the treatment of the rural wards in Newcastle Borough.

15. MOTIONS OF MEMBERS - PROCEDURE RULE 12

There were no motions.

16. RECEIPT OF PETITIONS

A report was submitted to inform Members of the actions to be taken on a petition submitted by a group of local residents and users of Seabridge Community Centre in relation to the inclusion of the site of the Seabridge Centre in the Council's Strategic Housing Land Availability Assessment.

Resolved: **(a)** That the petition and the action taken by Officers be noted.
 (b) That the existence of the petition be reported to both the Planning Committee and Council in the context of the results of the full public consultation exercise, which has been recently undertaken in relation to preparation of the Site Allocations and Policies Local Plan.

17. **URGENT BUSINESS - PROCEDURE RULE 7**

There was no urgent business.

THE MAYOR DAVID BECKET
Chair

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COUNCIL

Wednesday, 23rd January, 2013

Present:- The Mayor David Becket – in the Chair

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

1. **DECLARATIONS OF INTEREST**

There were none

2. **APOLOGIES**

Apologies were received from Councillors Bannister, Mrs Heames, Lawton, Mrs Peers, White, Mrs Williams and Williams.

3. **EX-MAYORS-MRS BETTY COX AND MR VIC FINNEMORE**

The Mayor led a minutes silence as a mark of respect to the memories of Mrs Betty Cox and Mr Vic Finnemore, former Councillors and Mayors of the Borough, who had recently passed away.

4. **LOCALISED COUNCIL TAX SUPPORT SCHEME**

Consideration was given to a report seeking approval to adopt a Local Council Tax Support Scheme for the Borough for the 2013/14 financial year.

The Leader introduced the item explaining the process followed prior to presenting the scheme for Newcastle as set out in the report indicating that the Council was required to approve the scheme for 2013/14 by 31 January failing which a default and more draconian scheme prescribed by regulations and which did not consider the impact on our residents, being imposed by the Government.

The scheme placed before Council for approval had been the subject of an extensive consultation process with major precepting bodies and other interested organisations/individuals and aimed to better assist the most vulnerable residents of the Borough including the unemployed, part-time workers and those who were unable to increase their working hours.

The financial and resource implications were set out in the report where it was indicated that Localised Council Tax Support would be treated as a discount on the Council Tax bill, much like Single Persons Discounts resulting in a smaller Council Tax base.

Central Government were to provide funding under its new burdens scheme for Localised Council Support in connection with which initial payments had been made to local authorities with further payments to follow at least over the next two financial years.

In answer to a question from a Member it was indicated that the scheme before Council did not qualify for a one-off grant offered by the Government because it had been offered too late in the consultation process. Accordingly, there had been no time for the scheme to be altered and the consultation process begun again in time for it to qualify.

In his summing up the Leader of the Council re-emphasised the fact that failure to adopt the Localised Tax Support Scheme as presented would result in the default scheme being imposed and result in financial loss to the Council and all its precepting bodies.

Resolved: That the Local Tax Support Scheme for the Newcastle-under-Lyme Borough Council area be adopted for the 2013/14 financial year.

THE MAYOR DAVID BECKET
Chair

LICENSING COMMITTEE

7.00 pm, Wednesday, 13 February 2013

Present:- Councillor Trevor Hambleton – in the Chair

Councillors Mrs Bates, Cooper, Mrs Simpson, Tagg, Mrs Williams and Mrs Winfield

In attendance:- Steve Patrick (Licensing Officer), Paul Washington (Principal Solicitor) and Nick Lamper (Senior Member Services Officer)

1. APOLOGIES

Apologies for absence were submitted on behalf of Councillors Colin Eastwood, Ann Heames, Chloe Mancey, Simon White and John Williams.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

Resolved: That the minutes of the meeting held on 8 November 2012 be approved as a correct record and signed by the chairman.

4. LICENSING FEES FOR THE YEAR 2013/2014 IN RESPECT OF SEX ESTABLISHMENTS AND GAMBLING

A report was submitted requesting the committee to make recommendations to the council in relation to licensing fees for 2013/14 in respect of sex establishments and gambling.

The report outlined the requirement for the fees and charges to meet cost recovery criteria in accordance with the relevant provisions of Article 12.2 of the European Services Directive, Paragraph 12(d) of the Second Edition of the Guidance for Local Authorities on the Provision of Service Regulations, and Paragraph 86 of the Guidance for Business on the Provision of Service Regulations.

Resolved:

- (1) That the council be recommended to approve the fees for 2013/14 as set out in the appendix to the report; and
- (2) That, in respect of Sex Establishments, the council be recommended to set a fee of £1,500 for 2013/14 in relation to applications to vary.

5. LICENSING SUB-COMMITTEE

A report was submitted outlining recent decisions of Licensing Sub-Committee taken at meetings held since 4 October 2012.

Resolved: That the decisions be noted.

6. URGENT BUSINESS

There was no urgent business.

COUNCILLOR TREVOR HAMBLETON
Chair

The meeting concluded at 7.12 pm.

Agenda Item 6

REVENUE AND CAPITAL BUDGETS AND COUNCIL TAX 2013/14

Submitted by: Executive Director (Resources and Support Services)

Portfolio: Finance and Budget Management

Wards(s) affected: All

Purpose of the Report

This report sets out the recommendations of Cabinet for the Revenue and Capital Budgets for 2013/14 and sets out the recommendations for setting the 2013/14 Council Tax.

Recommendations

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

1. **Background**

1.1 This report is the culmination of the 2013/14 budget process, which started before the current 2012/13 budget was set. The Cabinet and the Transformation and Resources Overview and Scrutiny Committee (TROSC) have already considered the content of the 2013/14 Budget and the resultant Council Tax which is recommended. At its meeting on 6 February 2013 the Cabinet considered the comments of the TROSC of 24 January. After considering the various comments made the Cabinet recommend an unchanged Council Tax for this Council in 2013/14 of £176.93 (based on Band D), supporting a net Revenue Budget after use of reserves of £14,118,640.

2. **General Fund Budget 2012/13 – Projected Out-turn**

2.1 Monthly reports monitoring actual spending against budget have shown only small variances throughout the first ten months of the year.

2.2 The major pressure affecting the current budget continues to be that some sources of income (e.g. land charges fees, planning fees, market stall rents, commercial property rents, car parking fees) are yielding less compared to what would be expected to be received. All of these are areas which it was predicted would be affected by the current economic situation when the 2012/13 Budget was set in February 2012 and accordingly an allowance of £200,000 was included in the budget to cover such eventualities. Although this allowance is now insufficient to cover the likely total income shortfall for the year, there are a number of areas where spending is less than budgeted, which, if the trend continues, will to a large extent offset this.

2.3 Taking account of the above factors it appears likely that the outturn for 2012/13 will not differ significantly from the budget.

2.4 There have been a number of notable achievements so far in 2012/13, as set out below:

- Rationalisation of accommodation in the Civic offices to provide the letting space for co-location with key partners (Staffordshire County Council June 2012, and Police October 2012). Frontline police staff now present at the Guildhall and Kidsgrove Town Hall.
- Completion of the first two phases of the public realm work, which included changes to the layout of the bus station, the bus lane on Barracks Road, and entrance to the Ironmarket
- Recruitment of a Town Centres Manager

- 47 affordable housing units completed this year, adding to the programme of planned developments.
- Funding secured from the Health Service, West Midlands Ambulance and Safer Nights to provide a First Aid Triage Hub to support 10 operations as a pilot commencing April 2013.
- Progress with engagement of partners in developing key projects such as Let's Work Together and Troubled Families continues.
- Newcastle was the lead authority for a new postal contract with other local authorities, procured through a procurement framework agreement with anticipated savings per year of approximately £41,000. Overall procurement savings with various contracts identified this year totalling approx. £129,000.
- Recycling & Waste undertook a review of how street sweepings are processed resulting in a saving of approximately £50,000 for the Borough Council and £80,000 for the County Council.
- Street Pastor scheme has 10 volunteers currently being trained and three churches of various faiths signed up to the scheme's Charter and the second phase of the CCTV Volunteer project has seen a further 6 volunteers engaged.
- Successful delivery of the Community Engagement Framework has led to a further expansion this year due to a higher number of volunteer groups and individuals involvements.
- In partnership with other Staffordshire authorities, Newcastle has led a successful funding application for £39,000 from IEWM to support the councils to develop their trade waste and trade recycling services.
- Negotiated a two year price increase freeze with the Council's recycling contractor and also the green and food waste contractor making a saving of £10,000 in this financial year.
- Recycling & Waste has won two awards; Recycling Awareness Campaign 2012 and Best Local Authority 2012 UKAD & Biogas Association.
- Several awards gained by the Operations section; Gold standard in Britain in Bloom for 11th year running, Bronze award at Tatton Park, 9 green flags (highest in Staffordshire and third in West Midlands). Bereavement services gained gold standard in the Charter for the Bereaved.
- Working in partnership with Aspire to improve collection facilities in multi-occupancy properties and all schools now engaged in recycling with the authority.
- Kidsgrove Swimming Pool re-opened in November.
- Throughout July and August over 400 activities, ranging from craft activities, to learn to swim or to own a pony for the day, were promoted as part of the summer holiday programme for young people.
- Progress with consolidation of ICT software to improve efficiencies, reduce costs and make the best use of ICT.
- Customer Service has received the Customer Service Excellence award for the second year running.
- Commissioned projects to be delivered by the Third Sector.

3. **Revenue Budget 2013/14**

- 3.1 Excluding levies for Town and Parish Councils the recommended Borough Council Tax for a 'Band D property' remains at £176.93, the same level as in 2012/13.

	Estimated Expenditure £	Rate of Council Tax (Band D) £ p
Borough Council requirements –		
Total Net Expenditure	14,118,640	410.89
Less: External Support	<u>7,093,630</u>	<u>206.44</u>
	7,025,010	204.45
Collection Fund Deficit 2012/13	<u>3,700</u>	<u>0.11</u>
Requirement without Council Tax Support Grant	7,028,710	204.56
Less: Council Tax Support Grant	<u>949,280</u>	<u>27.63</u>
Borough Council Tax Requirement	<u>£6,079,430</u>	<u>£176.93</u>

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

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

<u>Parish</u>	<u>Rate of Council Tax (Band D) £ p</u>
Audley	19.17
Betley, Balterley and Wrinehill	17.26
Chapel and Hill Chorlton	15.23
Keele	22.88
Kidsgrove	14.77
Loggerheads	21.46
Madeley	44.60
Maer	18.64
Silverdale	7.99
Whitmore	21.04

The above levies are based on the requirements supplied by the parishes, all of which have forwarded their official precept demands to the Council.

4. **Medium Term Financial Strategy and Budgets for 2013/14**

- 4.1 Members will recall that the Council's updated Medium Term Financial Strategy (MTFS), as reported to Cabinet on 16 January 2013, forecast a budget shortfall of £1.783m for 2013/14, with additional shortfalls of £1.509m for 2014/15, £0.797m for 2015/16, £0.655m for 2016/17 and £0.657m for 2017/18. Officers are examining the implications of the forecasts for 2014/15 onwards for future budgets and will carry out an update of the MTFS and report to Cabinet in the new financial year to enable members to consider a budget strategy to bridge the predicted gap.
- 4.2 The 'gap' between expenditure and resources for 2013/14 of £1.783m arises from the factors set out in the table below:-

<u>CHANGES TO BASE BUDGET</u>	
<u>ADDITIONAL INCOME</u>	£'000
Fees and Charges	105
TOTAL ADDITIONAL INCOME (A)	105
<u>ADDITIONAL EXPENDITURE & LOSS OF INCOME</u>	
Loss of Revenue Support Grant and NNDR Grant	366
2012/13 Council Tax Freeze Grant - one year funding only	172
Planning Delivery Grant exhausted	100
Pay Awards	132
Incremental Rises	50
Superannuation increase in employers contribution	148
Reduced Vacancy Factor allowance	65
Price Increases e.g. energy, fuel, rates, insurances, supplies & services	71
Loss of Investment Interest due to less capital available to invest	59
Corporate Priorities (Apprentices, Home Security & Town Centre Partnership)	80
Adjustments re One-Off items included in Base	(90)
Additional Items since MTFs approved in November 2012 (see 3.4 above)	156
TOTAL ADDITIONAL EXPENDITURE AND LOSS OF INCOME (B)	1,309
<u>OTHER ITEMS</u>	
USE OF BUDGET SUPPORT FUND IN 2012/13 BUDGET (C)	179
CONTRIBUTION TO INSURANCE FUND TO REPLENISH BALANCE (D)	100
ADDITIONAL INCOME SHORTFALLS PROVISION (see 3.5 below) (E)	300
NET INCREASE IN BASE BUDGET (B+C+D+E-A)	1,783

- 4.3 In addition the Council also has a medium term capital programme. Details of this can be found in Appendix F to this report.
- 4.4 A number of proposals have been identified to bridge the £1.783m "Gap", following a service challenge process initiated by the Budget Review Group and subsequent consideration of options for producing a balanced budget by the Group. Some consist of savings in expenditure whilst others involve increasing income. These proposals total £1,898,000 and are summarised in the table below and set out in detail at Appendix C.
- 4.5 It should be noted that following issues raised at the Scrutiny Café and the TROSC meeting of 24 January, these proposals have been amended in so far as the proposal to delete £35,000 from the budget in respect of a vacant Planning Policy Officer post has been withdrawn. Alternative savings have been found, comprising:

- Additional income (£10,000) expected to arise from the implementation of charges for planning policy advice, as reported to Cabinet on 6 February;
- Additional savings in relation to the retendering of the contract for postal services (£14,000);
- There has been an opportunity to carry out a minor restructure to the Community Business Unit in the Operations Service, which will give rise to net first year savings of £11,000.

Category	Amount	Comments
	£'000	
Procurement	344	Smarter procurement and reductions in the amount of supplies procured
Additional Income	365	Includes new sources of income and additional income arising from increased activity. This amount is additional to the amount of £105,000 included in the MTFS in respect of a general 2% increase in fees and charges.
Good Housekeeping Efficiencies	328	Various savings arising from more efficient use of budgets
Staffing Efficiencies	500	No redundancies arise from these proposals.
Better Use of Assets	6	Streetscene plant and equipment efficiencies
Additional and Accumulated New Homes Bonus	204	The amount of NHB payable increases each year in line with new homes completed. £204k is half of the estimated additional sum available. The remaining £204k is to be used to support the housing element of the capital programme.
Implementation of Council Tax Reforms	81	Additional income arising largely from changes in respect of empty property and second homes. This is the Council's share of the total additional income which may arise.
Council Tax Freeze Grant 2013/14	70	See 4.6 below
Total	1,898	

4.6 It is not proposed to increase the Council's Council tax for 2013/14. The Council would be permitted to increase tax by up to 2.0 per cent, above which it is required to conduct a referendum to determine the views of taxpayers. The government again wish to see no increase in Council Tax for 2013/14 and are once more offering to pay a non specific grant to those councils which do not increase their council tax for 2013/14. The basis is less than the previous two council tax freeze grants, being payable at a rate equivalent to a 1.0 per cent increase in the authority's 2012/13 basic amount of council tax multiplied by its council tax base. For Newcastle, this would result in a grant of around £70,000 being payable, which is included in the table of proposals to close the budget gap at paragraph 4.5 above. The grant will be payable for two years, 2013/14 and 2014/15, no more payments being made after 2014/15. The grant of £173,000 in respect of the 2011/12 freeze will continue to be paid in 2013/14 and 2014/15, after which it will cease and is included in the base budget, so does not represent additional income.

4.7 **Corporate Priorities.** A number of Council priorities have been provided for in the formulation of the MTFS, these include:

- **Town Centre Partnership (£30,000).** The development/improvement of the two main town centres (Newcastle and Kidsgrove) has been identified as a clear priority. In order to demonstrate that the Council is able to support and develop the town centres as vibrant places where people want to visit, work, invest and shop, the Council will seek to work in partnership with local businesses to develop an action plan for improving the economic prospects of the town centres.
- **Apprenticeships (£40,000).** In order to improve the opportunities and training prospects of young people in the Borough, the Council will provide further apprenticeship opportunities through the establishment of a 'shared apprenticeship scheme' in partnership with other local organisations within both the public and private sectors. Further details will be included in a report to Cabinet on 6 March 2013.
- **Home Security Support for Vulnerable Residents (£10,000).** Helping vulnerable people, including the elderly is a key priority of the Council. Community safety and fear of crime also remain an important theme for the council and partner agencies. In relation to home security there are two key issues: firstly the standard/condition of the property and secondly, the likelihood of the resident being targeted by a criminal. The Council seeks to address these issues by responding to resident requests for assistance and proactively targeting areas high crime in partnership with the Police.

Other noteworthy activities which are planned to be carried out during 2013/14 to be met from provision within the revenue or capital budgets are:

- Delivery and implementation of a new core CRM system due to go live in the summer of 2013
- Reviews and implementation of new strategies and policies over a wide range of services
- Funded through the European Regional Development Fund, a Newcastle Business Enterprise Coach to support unemployed people to be self-employed.
- Investigation and implementation of a new kerbside collection for small electrical appliances
- Completion of the gating off of problematic alleyways under the Green Routes scheme
- Implementation of the outcomes of the community centres review
- Partnership working with registered providers and the Homes and Communities Agency to deliver new affordable housing in line with the Local Investment Plan
- Work and Development of Warm Zone Eco brokerage service
- Completion of public realm improvements in the town centre and introduction of new market stalls
- Facilitation of the commencement of a new community fire station at Loggerheads
- Identification of a development partner to take forward the retail-led redevelopment of the former Sainsbury/Ryecroft site.
- Consultation to be undertaken by the council with communities on a draft Site Allocation Policies Local Plan around summer 2013.
- Establishment of a new Procurement Gateway process and progress work where analysis has identified procurement savings.

4.8 **Revenue Investment Fund.** In order to allow further initiatives to be brought forward in 2013/14 and/or future years it is intended to establish a "Revenue Investment Fund" which can be used to fund suitable projects. Accordingly, a sum of £100,000 has been included in the proposed budget as an initial contribution to set up the fund. Depending upon the Council's future budget position, further contributions to the fund may be made in the following years to enable this process to continue.

4.9 **Invest to Save.** During the budget challenge process a number of “invest to save” proposals were identified, which although requiring some expenditure to be incurred in the first instance could be capable of producing savings in future years. These require further study to determine their viability so nothing in relation to them has been included in the draft 2013/14 budget. However, it is proposed that viable proposals could be financed from the Budget Support Fund with the fund being “repaid” out of the revenue budget as resulting savings arise. Once the fund has been repaid the full amount it originally financed in respect of a particular proposal, the savings will be retained within the revenue budget, thereby providing an ongoing benefit. The balance that will be available in the Budget Support Fund at 1 April 2013 is estimated to be around £450,000. It is not proposed to make any contribution from the Budget Support Fund to support the 2013/14 budget. The fund should, therefore be able to sustain financing a reasonable number of “invest to save” projects. The repayment of its original funding via savings made could make further funding available if further “invest to save” proposals are identified in future years.

4.10 **Living Wage Initiative.** Cabinet decided at its meeting on 16 January 2013 that the Council will implement the Living Wage Initiative from 1 April 2013, whereby all of its workers will be paid at least the minimum wage (currently £7.45 per hour). The cost of bringing the small number of employees who currently fall below the minimum level is estimated to be £15,000, which is provided for in the proposed budget.

4.11 **Grant Funding.** The budget review challenge process has identified a range of grant funding arrangements and contributions made to various bodies, which taken together amount to around £623,000. It was noted that many of these arrangements have been in place for a number of years. Some, notably those covered by the third sector commissioning framework have been reviewed more recently but other areas have continued long standing practice. It is, therefore, intended to review all grant funding apart from the third sector commissioning activity. This amounts to a total of £374,250 of Borough Council resourcing. The Budget Review Group has felt that grant allocations should be subjected to close scrutiny to ensure that funding is:

- Appropriate for purpose
- Delivers its intended objectives
- Offers value for money
- Is supportive of the Council's priorities
- Meets the requirements of the Social value Act and gives social as well as economic benefit

It is not intended to consider changes or reductions in grant funding in 2013/14, rather to carry out a value for money exercise in relation to each of the various funding headings so that consideration can be given to the future level of grant funding for 2014/15 onwards. In parallel with this it is intended to review the governance arrangements which underpin the assessment and allocation of resources, in particular to examine the role which the Locality Action Partnerships can play as a mechanism for devolving funding and decision making to local communities.

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

	£'000	Report Reference
Changes to Base Budget	1,783	4.2
Savings/Increased Income	(1,898)	4.4
Establishment of Revenue Investment Fund	100	4.8
Living Wage Initiative	15	4.10
BUDGET SHORTFALL ('GAP')	-	

4.13 The government have now notified the Council of the final amount of its formula grant for 2013/14. This is the same as was notified as the provisional settlement figure, i.e. a decrease of £0.395m compared with 2012/13, which represents a 5.4% reduction.

5 **Balances and Reserves**

5.1 The Council's Balances and Reserves Strategy for 2012/13 is that there should be a minimum General Fund balance of £1.4m and a minimum balance on the Contingency Reserve of £100,000. The Council currently holds these reserves.

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

5.3 The review and risk assessment indicate the following:

- Most of the reserves are still adequate to meet normal levels of expenditure, with two exceptions set out below
- The Insurance Fund will be insufficient to meet the cost of premiums and claims from 2013/14 onwards, with the shortfall indicated as at 31 March 2014 being around £124,000.
- By 2014/15 the Renewals and Repairs Fund is likely to be insufficient to meet the cost of repairs and maintenance of council buildings and structures, with an estimated balance of £3,000 by 31 March 2014. It is felt that a balance of £3,000 provides too small a margin to cater for any unforeseen requirements.
- The level of minimum balances required after considering the risk assessment has reduced to £1.3m. This is due to a number of factors, for example:
 - ◆ The inclusion of an increased allowance for income shortfalls in the 2013/14 budget means that this risk is reduced and therefore requires less to be held in balances to mitigate any potential losses
 - ◆ Amounts of money invested that are potentially at risk continue to reduce
 - ◆ The risk of a National insurance increase has reduced as the Chancellor made no mention of an increase in his Autumn Statement

5.4 It is proposed, therefore, to reduce the amount held as a minimum balance by £200,000 and to use this to top up the Insurance Fund by £150,000 and the Renewals and Repairs Fund by £50,000.

5.5 Previous reports have drawn attention to the situation with regard to Municipal Mutual Insurance (MMI), whereby the Council may be subject to clawback in respect of claims settled by the company after they went into administration. Potentially the liability could amount to around £721,000. Current advice is that authorities should set aside around 25% of their potential liability as a provision to meet this eventuality. Presently, an amount of £100,000 is set aside in such a provision (the MMI Provision). A further £80,000 would be required to be set aside to represent 25% of the liability. It is proposed, therefore, that £80,000 be transferred from the Standards Fund, which has a balance of £95,000, into the MMI Provision. It is considered that the remaining balance on the Standards Fund will be sufficient to meet foreseeable costs, since only £5,000 has been charged to the Fund since it was established in 2005/06.

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

6 Consultation

- 6.1 An extensive public consultation exercise was carried out, beginning with a special budget edition of the "Reporter", which invited readers to complete a brief questionnaire setting out their views concerning options for the 2013/14 budget. There were also pages within the Council's website devoted to the budget consultation, including an online version of the questionnaire. Following on from this, a number of meetings were held at various locations across the Borough, giving opportunities for residents to contribute their views. In addition, Cabinet members and officers were available on a number of days, situated in gazebos in the town centres, to answer questions concerning the 2013/14 budget and to receive the views of the public. The Council's e-Panel was also consulted.
- 6.2 The Medium Term Financial Strategy and the budget proposals have also been considered by the TROSC at their meetings on 30 October 2012, 10 December 2012 and 24 January 2013. In addition members had the opportunity to raise issues and receive explanations concerning the proposed budget for 2013/14 at a Scrutiny Café event held on 17 January. Following the January TROSC meeting, the Chair fed back the Committee's comments to the Cabinet at their meeting on 6 February 2013.
- 6.3 A series of training sessions were also arranged to help members to appreciate the issues relating to the budget process and content and the changes being made to the local government finance system by central government, in order to assist them in their scrutiny role.

7. Risks

- 7.1 Appendix 'E' shows the risk assessment in relation to the 2013/14 General Fund Revenue Budget.

8. Capital Programme 2012/13 - 2013/14

- 8.1 The Capital Programme 2012/13 - 2013/14, recommended by Cabinet, is attached at Appendix 'F', 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 revenue consequences of the Capital Programme have been incorporated in the 2013/14 Revenue Budget.
- 8.2 New schemes total £615,500 plus £1,114,000 relating to the Housing Capital Programme. The remainder of items included in the Programme relate to continuing expenditure on current schemes, funding for which has already been approved. A summary of the new items included in the Programme and how they are proposed to be funded, is set out below:

Scheme	Cost	Funding		
		New Homes Bonus	Disabled Facilities Grant	Capital Receipts
	£'000s	£'000s	£'000s	£'000s
Housing Programme				
Disabled Facilities Grants	864	350	514	
Social Housing	65	65		
Empty Homes	30	30		
Health and Safety	50	50		
Warm Zone	60	60		
Home Improvement Agency	40	40		

Landlord Accreditation Scheme	5	5		
Vehicles Replacement	280			280
Waste Bins	50			50
Stock Condition Works				
Museum	15			15
Clayton Community Centre	15			15
Knutton Community Centre	30			30
Red St Community Centre	75			75
Commercial Portfolio	40			40
Civic Offices	50			50
Footpath Repairs	25			25
Play Area Refurbishment *	25			25
Railings/Structures Repairs	10			10
TOTAL	1,729	600	514	615

* Included in Replacement/Repair of Play Equipment in Appendix F

8.3 Continuation of the capital programme beyond 2013/14 is dependent upon the achievement of a programme of receipts from the disposal of assets. It is essential that sufficient capital receipts are generated from these asset sales to enable essential capital investment to take place.

8.4 The 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 £7,090 (in a full year once the projects are complete and operational), which equates to a council tax levy of £0.21, using the current council tax base for calculation purposes. This is based on £709,000 additional capital expenditure funded from Council resources and an assumed interest rate of 1.0%. Provision has been made in the 2013/14 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. **Co-operative Working with other Staffordshire Authorities**

9.1 A number of initiatives, outlined below, are underway or proposed whereby the Borough Council will work in co-operation with other Staffordshire Authorities for the overall benefit of the Staffordshire area and to deal with issues specific to Newcastle, particularly in the realm of economic regeneration and development. When these initiatives become fully operational they are likely to result in additional funds being available to further these objectives, on top of those available from the Council's own budgets or resources.

9.2 **District Deal.** This landmark agreement was signed at the Council meeting on 28 November 2012 by the Leaders of the Borough and County Councils. It sets out ways in which the two councils will work together to deliver beneficial outcomes for the people of this part of Staffordshire. It is one of a series of such agreements between the County Council and Staffordshire Districts, intended to translate the principles of the Stoke on Trent and Staffordshire Local Enterprise Partnership (LEP) into District Deals for individual District Council areas within the LEP. The District Deal confirms the two councils' shared priorities and commitments that will help support their aspirations and accelerate local growth. Areas identified for cooperative working include:

- Economic Development
- Transport and Infrastructure
- Culture and Environment
- Skills and Educational Attainment
- Vulnerable Communities
- Procurement

9.3 **Council Tax Technical Reforms Pooling.** The Local Government Finance Act 2012 allows local authorities who are billing authorities to apply certain technical reforms to council tax, largely in respect of empty homes and second homes, whereby increased charges may be levied on the owners or occupiers. The majority of the resulting additional income would benefit the major precepting authorities, particularly Staffordshire County Council; the Borough Council retaining only around 12.2 per cent of the total, an estimated £81,000 for 2013/14. However, discussions are ongoing with the County Council and the other District Councils in Staffordshire to pool the additional income arising from implementing the reforms into a fund to promote economic regeneration and other Council priorities in Staffordshire. By this means, it is intended that the initiative of the billing authorities to implement the technical reforms will result in tangible benefits to their own areas.

9.4 **Business Rates Pool Fund.** As a result of changes to the treatment of business rates collected by councils arising from the Local Government Finance Act 2012, which will allow part of the amount collected to be retained by them, the Council agreed to participate in a Stoke on Trent and Staffordshire Business Rates Pool to pool retained rates relating to a number of Staffordshire authorities, including Staffordshire County Council and Stoke-on-Trent City Council. This has benefits with regard to maximising the total amount retained, with the additional amount gained by pooling being available to participating authorities in a number of ways. One of the features of the pooling arrangement will be the establishment of an investment fund, which will receive 40 per cent of the amount gained each year. This will be used to finance projects which will contribute to economic regeneration within the areas of the participating authorities. Consideration of projects to be supported from the fund will be by the Pool Board, which consists of seven members, one from each of the participating authorities.

10. List of Appendices

Appendix A - Recommendations

Appendix B - Revenue Budget 2013/14

Appendix C - Savings and Efficiencies

Appendix D - Actual and Estimated Reserves at 31 March 2012 to 2014

Appendix E - Risk Assessment

Appendix F - Capital Programme 2012/13 to 2013/14, including financing of expenditure

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SCHEDULE OF DETAILED RECOMMENDATIONS

The following recommendations set out the decisions needed for the Council to set its own budgets and Council Tax for 2013/14.

Recommendations

- (a) That the Revenue Budget for 2013/14 be approved in the sum of £13,169,360 (£14,118,640 net expenditure less £949,280 council tax support grant) as set out in Appendix B.
- (b) That the Council Tax at Band 'D' be £176.93, unchanged from 2012/13.
- (c) That the Capital Programme to 2013/14 be approved as set out in Appendix F, together with the Prudential Indicator relating to the Incremental Impact of Capital Investment Decisions on the Council Tax.
- (d) That the revised minimum balances requirement be £1,300,000 and the excess of £200,000 above the current levels be transferred to the Insurance Fund (£150,000) and the Renewals and Repairs Fund (£50,000).
- (e) That £80,000 be transferred from the Standards Fund into the Municipal Mutual Insurance Provision.
- (f) That a Revenue Investment Fund be established with an initial contribution of £100,000 from the General Fund Revenue Budget in 2013/14.
- (g) That the principle of financing "invest to save" projects from the Budget Support Fund, as outlined in paragraph 4.9 of the report, be agreed.
- (h) That it be noted that at its meeting on the 16 January 2013 the Cabinet calculated the following amounts for the year 2013/14:
- (i) 34,361 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as its council tax base for the whole Council area for the year (Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act"))
- (ii) For dwellings in those parts of the Council's area to which a Parish precept relates as in the table below:
- | | |
|---------------------------------|-------|
| Kidsgrove | 6,259 |
| Loggerheads | 1,839 |
| Audley | 2,423 |
| Betley, Balterley and Wrinehill | 566 |
| Chapel and Hill Chorlton | 186 |
| Keele | 315 |
| Madeley | 1,413 |
| Maer | 245 |
| Silverdale | 808 |
| Whitmore | 1,240 |
- (i) That the Council Tax requirement for the Council's own purposes for 2013/14 (excluding Parish precepts) is £6,079,430.
- (j) That the following amounts be calculated for the year 2013/14 in accordance with Sections 31 to 36 of the Act:

APPENDIX A

- (i) £62,375,343 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act taking into account all precepts issued to it by Parish Councils.
- (ii) £56,003,240 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act.
- (iii) £6,372,103 being the amount by which the aggregate at (j)(i) above exceeds the aggregate at (j)(ii) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
- (iv) £185.45 being the amount at j (iii) above (Item R), all divided by Item T (h (i) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
- (v) £292,673 being the aggregate amount of all special items (Parish precepts) referred to in Section 34 (1) of the Act.
- (vi) £176.93 being the amount at (j) (iv) above less the result given by dividing the amount at (j) (v) above by item T (h (i) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item (Parish precept) relates.

(vii) **Part of the Council's Area**

Audley Parish Council	£196.10
Betley, Balterley and Wrinehill Parish Council	£194.19
Chapel and Hill Chorlton Parish Council	£192.16
Keele Parish Council	£199.81
Kidsgrove Town Council	£191.70
Loggerheads Parish Council	£198.39
Madeley Parish Council	£221.53
Maer Parish Council	£195.57
Silverdale Parish Council	£184.92
Whitmore Parish Council	£197.97

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

(viii)

Valuation Bands

	A	B	C	D	E	F	G	H
<u>Part of the Council's Area</u>	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Kidsgrove Town Council	127.80	149.10	170.40	191.70	234.30	276.90	319.50	383.40
Loggerheads Parish Council	132.26	154.31	176.35	198.39	242.47	286.56	330.65	396.78
Audley Parish Council	130.74	152.52	174.31	196.10	239.68	283.25	326.84	392.20
Betley, Balterley and Wrinehill Parish Council	129.46	151.04	172.61	194.19	237.34	280.49	323.65	388.38
Chapel and Hill Chorlton Parish Council	128.11	149.46	170.81	192.16	234.86	277.56	320.27	384.32
Keele Parish Council	133.21	155.41	177.61	199.81	244.21	288.61	333.02	399.62
Madeley Parish Council	147.69	172.30	196.92	221.53	270.76	319.98	369.22	443.06
Maer Parish Council	130.38	152.11	173.84	195.57	239.03	282.49	325.95	391.14

APPENDIX A

Whitmore Parish Council	131.98	153.98	175.97	197.97	241.96	285.95	329.95	395.94
Silverdale Parish Council	123.28	143.83	164.37	184.92	226.01	267.10	308.20	369.84
Other Parts of Borough Area	117.96	137.61	157.27	176.93	216.25	255.56	294.89	353.86

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

- (k) That it be noted that for the year 2013/14 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	684.83	798.97	913.11	1027.25	1255.53	1483.81	1712.08	2054.50
Staffordshire Fire Authority	45.09	52.61	60.12	67.64	82.67	97.70	112.73	135.28
Staffordshire Police Authority	118.41	138.14	157.88	177.61	217.08	256.55	296.02	355.22

- (l) That having calculated the aggregate in each case of the amounts at (j) (viii) and (k) above, the Council, in accordance with Section 30(2) of the Act, hereby sets the following amounts as the amounts of Council Tax for the year 2013/14 for each of the categories of dwelling shown below:

<u>Part of the Council's Area</u>	<u>Valuation Bands</u>							
	A	B	C	D	E	F	G	H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Kidsgrove Town Council	976.13	1138.82	1301.51	1464.20	1789.58	2114.96	2440.33	2928.40
Loggerheads Parish Council	980.59	1144.03	1307.46	1470.89	1797.75	2124.62	2451.48	2941.78
Audley Parish Council	979.07	1142.24	1305.42	1468.60	1794.96	2121.31	2447.67	2937.20
Betley, Balterley and Wrinehill Parish Council	977.79	1140.76	1303.72	1466.69	1792.62	2118.55	2444.48	2933.38
Chapel and Hill Chorlton Parish Council	976.44	1139.18	1301.92	1464.66	1790.14	2115.62	2441.10	2929.32
Keele Parish Council	981.54	1145.13	1308.72	1472.31	1799.49	2126.67	2453.85	2944.62
Madeley Parish Council	996.02	1162.02	1328.03	1494.03	1826.04	2158.04	2490.05	2988.06
Maer Parish Council	978.71	1141.83	1304.95	1468.07	1794.31	2120.55	2446.78	2936.14
Whitmore Parish Council	980.31	1143.70	1307.08	1470.47	1797.24	2124.01	2450.78	2940.94
Silverdale Parish Council	971.61	1133.55	1295.48	1457.42	1781.29	2105.16	2429.03	2914.84
Other Parts of Borough Area	966.29	1127.33	1288.38	1449.43	1771.53	2093.62	2415.72	2898.86

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Revenue Budget 2013/14

STATEMENT OF NET EXPENDITURE AND COUNCIL TAX REQUIREMENTS

Topic Area	2012/13 General Fund		2013/14 General Fund	
	Estimate 2012/13	Basic Band D Council Tax	Estimate 2013/14	Basic Band D Council Tax
Administration Before Recharges to Services	7,929,560	202.62	7,673,490	223.32
Less Recharges to Services	(7,939,510)	(202.87)	(7,673,490)	(223.32)
Total Administration Net of Recharges	(9,950)	(0.25)	-	-
Holding Accs Before Recharges to Services	2,514,380	64.25	2,409,790	70.13
Less Recharges to Services	(2,511,220)	(64.17)	(2,409,790)	(70.13)
Total Holding Accs Net of Recharges	3,160	0.08	-	-
Central Services	4,422,150	112.99	3,725,900	108.43
Cultural Services	4,371,010	111.69	4,433,350	129.02
Environmental Services	7,216,580	184.40	6,758,970	196.70
Planning	1,851,750	47.32	1,778,460	51.76
Transport	(280,310)	(7.16)	(274,970)	(8.00)
Housing	2,514,260	64.24	1,834,940	53.40
Net Cost of Services	20,088,650	513.31	18,256,650	531.31
Pensions Liabilities Account - Interest Costs	40,000	1.02	40,000	1.16
Less Return on Assets	(636,470)	(16.26)	(388,020)	(11.29)
Investment Properties	(426,580)	(10.90)	(272,500)	(7.93)
Net Operating Expenditure	19,065,600	487.17	17,636,130	513.25
Contribution to/(from) Revenue Reserves	(98,530)	(2.51)	397,400	11.57
Contribution to/(from) Capital Reserves	(2,144,400)	(54.79)	(2,114,000)	(61.52)
Contribution to/(from) Pension Reserve	(129,330)	(3.31)	(129,330)	(3.76)
Deferred Charges Write-off	(1,384,470)	(35.38)	(759,470)	(22.10)
Minimum Revenue Provision	125,070	3.19	163,000	4.74
Amount to be met from Government Grant and Local Taxpayers	15,433,940	394.37	15,193,730	442.18
Revenue Support Grant	(142,410)	(3.64)	(4,156,000)	(120.95)
Other Non-Specific Grants	(1,172,960)	(29.97)	(2,197,000)	(63.94)
NNDR Pool Receipts	(7,173,500)	(183.30)	(2,765,000)	(80.47)
Collection Fund Deficit/(Surplus)	(20,700)	(0.53)	3,700	0.11
Borough Council Tax Requirement	6,924,370	176.93	6,079,430	176.93
Staffs C.C. Precept		1,028.81		1,027.25
Fire Authority Precept		67.64		67.64
Police Authority Precept		177.61		177.61
Total Council Tax Requirement		1,450.99		1,449.43

The Council Tax Base used in the above table was fixed by the Cabinet at its meeting on 16 January 2013 at 34,361

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Savings and Efficiencies

Reference	Service Area	Description	2013/14 (£000's)	% of Budget Line(s)	Detail
Procurement					
P1	Chief Executive	Corporate Hospitality - Catering	1	29.7%	Consistent underspends of the budget
P2	Central Services	Computer software	4	100.0%	One off purchase of time/case management system - budget will not be required in future years
P3	Central Services	Books and publications	1	4.8%	Savings to be made on purchase of books and publications through procurement of e-versions
P4	Central Services	County Council land charges searches	4	9.5%	Potential savings in Staffordshire County Council land charges search fees (10% = £4,000)
P5	Central Services	Corporate subscriptions	2	8.0%	Savings in the Council's corporate subscriptions through negotiation and non renewal
P6	Communications	Print Room stationery	4	20.5%	Savings made in expenditure on paper purchased by the Print Room
P7	Communications	Print and publicity centralisation savings	6	5.5%	Savings generated from the centralisation of the Council's print and publicity budgets and the resulting challenges to purchasing
P8	Business Improvement and Partnerships	Insurance/risk	10	4.5%	Reduction in insurance premiums and value of risk charges made by insurers
P9	Business Improvement and Partnerships	Procurement savings not identified in other services	114	*	Procurement savings identified via Procurement Section (e.g. postal services, cash collections)
P10	Customer and ICT Services	ICT Software application purchase and maintenance	46	17.0%	Negotiation and renewal of ICT application/software contracts
P11	Customer and ICT Services	Books and publications	6	20.0%	Savings made on purchases of books, publications and mapping through procurement of e-versions
P12	Customer and ICT Services	Courier fees	3	11.0%	The procurement of a new back up system has eliminated the need to pay a courier to transport copies of backups
P13	Customer and ICT Services	Customer services computer software	4	92.5%	Saving in computer software licence following reduction in price
P14	Customer and ICT Services	Customer services uniforms	2	33.3%	Saving from more efficient purchasing of clothing/uniforms
P15	Customer and ICT Services	Franking machine maintenance	6	100.0%	Franking machine maintenance no longer required due to new methods of postage procured

Page Reference	Service Area	Description	2013/14 (£000's)	% of Budget Line(s)	Detail
P14	Housing	Housing advice contract with Aspire	25	7.6%	Reduction in value of contract for Housing Advice held with Aspire Housing
P17	Housing	Housing advice contract with Aspire - uplift	6	1.8%	Contract uplift not required
P18	Housing	Homelessness project contracts	24	21.1%	Reduction in values of contracts for provision of homelessness services
P19	Assets and Regeneration	Civic Offices/Guildhall and Central Depot gas, electric and general maintenance	31	13.9%	Procurement savings arising from gas, electricity and general maintenance of the civic offices, guildhall and central depot
P20	Environmental Health	Dog Wardens and Pest Control expenditure	10	49.4%	Reduction in budget required for materials for pest control resulting from better procurement and for other fees for services for dog wardens resulting from reduction in kennelling services required
P21	Recycling and Fleet	Garage Workshop parts and external repairs	10	6.3%	Savings to be made through better procurement of parts and better procurement of externally done repairs
P22	Operations	Parks and Open Spaces electric and water	6	19.7%	Reduction in electricity and water charges as a result of better procurement and operations
P23	Operations	Bereavement Services gas and electric	6	6.7%	Reduction in electricity and gas charges as a result of better procurement and operations
P24	Operations	Public Conveniences water charges	3	33.3%	Reduction in water charges as a result of better procurement and operations
P25	Operations	Streetscene materials	4	7.0%	Savings to be generated from better procurement of materials by the service
P26	Operations	Bereavement Services/Grounds Maintenance contract	7	2.0%	Contract will be managed at current level
			344		
Income					
I1	Central Services	Legal fees income generated	5	25.0%	Time/case management system will generate income in legal fees chargeable by the Council
I2	Central Services	Premises licences income	20	25.0%	Income in excess of budget in recent years, additional enforcement powers have been introduced regarding the collection of this licence fee
I3	Finance	Income Generation Project	25	*	Potential income generated from the commissioning of Deloitte to undertake an income generation exercise
Reference	Service Area	Description	2013/14 (£000's)	% of Budget Line(s)	Detail

APPENDIX C

I4	Customer and ICT Services	Income from Staffordshire County Council re. blue badges administration	6	150.0%	Income received from Staffordshire County Council for the administration of blue badges in excess of the amount budgeted for
I5	Customer and ICT Services	Waiver Permits	15	**	Introduction of charge for parking waiver permits
I6	Human Resources	Training room hire	2	200.0%	Training room hire to partners within the Civic Offices
I7	Revenues and Benefits	Greater recovery of housing benefit overpayments	10	10.0%	Recovery rates from housing benefits overpayments have increased over recent years
I8	Revenues and Benefits	Single person discount scheme	20	*	Increase in recovery from identification of fraudulent single persons discounts applied
I9	Housing	Private Sector Housing income	7	17.1%	Increase in amount of lettings fees and charges received by Private Sector Housing Renewal
I10	Assets and Regeneration	Additional accomodation rental income (total £320k)	90	28.1%	Additional rental income - full years impact of Police and Staffordshire County Council occupancy
I11	Assets and Regeneration	Public transport co-ordination	8	36.4%	Fees and charges from bus station departures have increased above the budgeted amount
I12	Environmental Health	Litter Fines Income	8	39.7%	Increase in budgeted income arising from litter fines
I13	Environmental Health	Private Water Supplies Income/Commercial Premises Survey	4	**	New source of income to be generated from the testing of private water supplies
I14	Planning and Development	Pre application enquiries charge	15	**	Introduction of charge for pre application enquiries
I15	Recycling and Fleet	Commercial Waste fees	20	5.1%	Increase in commercial waste fees to the Council through better promotion of the service and through shared services within the Commercial Waste Partnership
I16	Recycling and Fleet	MOT's, taxi inspections	3	20.0%	Further income to be obtained by the Garage Workshop from MOT's, taxi inspections and external work (e.g. Aspire Housing)
I17	Recycling and Fleet	Commercial Waste use of waste transfer station	5	5.9%	Income to be obtained through increased commercial use of the waste transfer station
I18	Recycling and Fleet	Dry recycling fees and charges - increase in receipts	15	5.0%	Increase in income received from dry waste recycling fees and charges
I19	Leisure and Cultural	Football Development income from KRC	8	**	Income from continued use of Knutton Recreation Centre football pitches
I20	Leisure and Cultural	Jubilee 2 reduction in net operating cost - prior to increase in fees and charges	26	27.0%	Net reduction in Jubilee 2 operating budget as per the approved business plan

Reference	Service Area	Description	2013/14 (£000's)	% of Budget Line(s)	Detail
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Page 36	Operations	Parks and Open Spaces income	5	14.7%	Increases in income due to increases in receipts from general rents (i.e. football grounds etc) and bowls fees
	Operations	Highways Amenities income	3	2.2%	Uplift in reimbursement from Staffordshire County Council re. highways amenities grounds maintenance
	Operations	Bereavement Services income	35	12.3%	Increases in income due to increases in receipts from cemeteries and crematorium fees and charges
	Operations	Streescene Income	10	14.3%	Extra income to be generated from the service through better marketing and exploration of possible new customers
			365		
Good Housekeeping Efficiencies					
G1	Central Services	Legal fees and other associated expenditure savings	19	10.0%	Time/case management system will generate savings in legal fees purchased in by the Council and further reductions in general Central Services budgets
G2	Communications	Research	3	33.3%	Savings in postages due to electronic and face to face consultation and general office supplies
G3	Communications	Computer software	21	84.0%	Budget no longer required following the exploration of the open sourcing of a suitable system, budget requirement for the maintenance of the system is less than is budgeted for
G4	Communications	Civic gifts.prizes reduction and sundry savings	2	37.7%	Budget requirement for civic gifts/prizes, conference and computer hardware costs is less than is budgeted for
G5	Business Improvement and Partnerships	Community Development Grant - budget not required	30	100.0%	Grant not utilised
G6	Business Improvement and Partnerships	Community Chest grants - cap at current level of expenditure	5	7.1%	Grants given out are under the amount provided for
G7	Finance	Nu-Links contribution	4	100.0%	Nu-links has ceased to exist, a contribution is not required
G8	Finance	External audit fees	58	39.7%	Reduction in the fees charged by the Council from its external auditors following Central Governments procurement
G9	Human Resources	Job Evaluation scheme	1	40.0%	Reduction in required fees/numbers of re-evaluation of posts
G10	Human Resources	Reduction in catering and stationery	2	85.0%	Reduction in catering at training events and stationery requirements
G11	Revenues and Benefits	Revenues and Benefits legal fees	4	12.7%	Reduction in legal fees required when compared to recovery caseload
G12	Revenues and Benefits	Revenues and Benefits land registry fees	6	53.2%	Reduction in land registry fees paid for by Revenues Billing
G13	Leisure and Cultural	Community Recreation Service rents and other expenditure	23	51.1%	Rental budget for buildings, land and rooms historically under utilised by service, no longer required due to new location
Reference	Service Area	Description	2013/14 (£000's)	% of Budget Line(s)	Detail

APPENDIX C

G14	Leisure and Cultural	Community Recreation Service grants	15	74.8%	Proportion of grants budget not used - required amount left on budget
G15	Leisure and Cultural	Football Development reductions in expenditure	5	53.8%	General reduction to required budget amounts based on historical expenditure
G16	Leisure and Cultural	Community Centre contributions ending - last year	10	100.0%	Contributions were given to Community Centres on a reducing basis at the establishment of management committees, 2011/12 is the last year of the contributions as per the Community Centre agreements
G17	Assets and Regeneration	Public transport repairs/maintenance and equipment	2	11.3%	Reduction in the budget required to repair, maintain and purchase equipment relating to public transport
G18	Assets and Regeneration	Water courses	9	35.7%	Reduction in the budget required to repair and maintain water courses
G19	Planning and Development	Development Control expenditure	25	7.7%	Reductions in general Development Control budgets required as per historical expenditure - including other fees for services and legal fees
G20	Planning and Development	Planning Policy expenditure	15	57.5%	Reductions in general Planning Policy budgets required as per historical expenditure - including other fees for services and post entry training requirements
G21	Housing	Private Sector Housing expenditure	6	20.2%	Reductions in general Private Sector Housing Renewal budgets required as per historical expenditure - including other fees for services
G22	Environmental Health	Environmental Health and Pollution Control expenditure	24	15.9%	General reductions in budgets required as per historical expenditure and partly due to sharing of expertise and equipment with other Authorities - including other fees for services, legal fees and equipment purchases (result
G23	Recycling and Fleet	Recycling Bring Sites	40	88.9%	Set up costs of bring sites - only an ongoing maintenance cost is now required
			328		

Staffing Efficiencies

S1	Central Services	Additional full year salary saving from Land Charges restructure	2	2.6%	Part year saving of salary taken in 2011/12 - full year effect in 2012/13
S2	Communications	Marketing Officer post	28	10.4%	Termination of temporary contract
S3	Communications	Training	2	50.0%	Completion of post entry training by existing staff member
S4	Business Improvement and Partnerships	Replacement of Community Safety Manager post with grade 8 post	15	10.9%	Replacement of vacant post with lower graded post
Reference	Service Area	Description	2013/14 (£000's)	% of Budget Line(s)	Detail

Page 38	S6	Customer and ICT Services	ICT temporary staff	10	20.0%	Reduction in requirement for external expertise following negotiation and renewal of ICT application/software contracts
	S7	Customer and ICT Services	Post Room staff savings	20	34.5%	Non-filling of vacant 29.6 hour administration post
	S7	Finance	Part Time Officers	13	3.4%	Reduction in hours of 2 officers returning from maternity leave
	S8	Finance	Pay Award 2012/13	58	*	Allowance in budget for 2012/13 not now required
	S9	Human Resources	Terms and conditions review	100	*	Terms and conditions review being undertaken. Options are currently being consulted on
	S10	Human Resources	Corporate training budget	15	33.3%	Reduction in the Councils corporate training budget - efficiencies gained through centralisation of budget
	S11	Human Resources	Human Resources overtime	1	50.0%	Reduction in overtime required by service
	S12	Assets and Regeneration	Civil Enforcement Officer post	8	13.8%	Removal of vacant post from the budget - post not utilised in recent years, 30% of post is attributed to the general fund budget, 70% to decriminalised parking
	S13	Assets and Regeneration	Electrician Post	50	55.6%	Establishment of in house post will reduce the payments made to external providers
	S14	Planning and Development	Development Control temporary staff	10	100.0%	No requirement for temporary staff within the service
	S16	Planning and Development	Market supplements	9	1.9%	Market supplements savings
	S17	Housing	Housing Market Renewal Officer Post	37	19.7%	Vacant post
	S18	Administration	Temporary staff	4	100.0%	No requirement for temporary staff in administration section
	S19	Recycling and Fleet	Food Waste Service	25	8.9%	Removal of vacant Waste Management Operative post - Food Waste
	S20	Operations	Streetscene employee allowances	1	33.3%	Savings made due to implementation of new out of hours rota
	S21	Operations	Landcape Officer post	43	23.2%	Removal of vacant post from the budget
	S22	Operations	Streetscene Neighbourhood Manager - additional full year saving	4	0.2%	Part year saving of salary taken in 2011/12 - full year effect in 2012/13
	S23	Housing	Housing Team	35	10.7%	Minor Restructure
	S24	Operations	Community Business Unit	11	5.7%	Minor Restructure
				500		

Reference	Service Area	Description	2013/14 (£000's)	% of Budget Line(s)	Detail
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Better Use of Assets					
B1	Operations	Streetscene plant and equipment efficiencies	6	3.3%	Efficiencies gained from better planning of routes and useage of vehicles and plant to reduce need to short term hire
			6		
Corporate, Reserves and Council Tax Rise					
C1	Corporate	New Homes Bonus funding	204	***	Contribution to revenue budget from New Homes Bonus
C2	Corporate	Council Tax Freeze Grant	70	***	1% of Council Tax
C3	Corporate	Council Tax reforms	81	***	Potential extra income dependant upon schemes implemented
			355		
Grand Total			1,898		
<p>* <i>Unable to determine % at current time</i> ** <i>Introduction of new charge</i> *** <i>Not applicable</i></p>					

Scheme	Corporate Priorities		2012/13 Est	2013/14 Est	Total Exp	External Cont	Council Financing		
			Exp	Exp					
			£	£	£	£	£		
Regeneration, Planning & Town Centres Development									
Housing Renewal	a	c	116,000		116,000		116,000		
Empty Homes	a	c	30,000	30,000	60,000	60,000			
Home Loans	a	c	10,000		10,000	10,000			
Health and Safety	a	c	44,000	50,000	94,000	94,000			
Warm Zone	a	c	5,000	60,000	65,000	65,000			
Home Improvement Agency	a	c	40,000	40,000	80,000	80,000			
Accredited Landlords Scheme	a	c	5,000	5,000	10,000	10,000			
Disabled Facilities Grants	a	c	894,000	864,000	1,758,000	1,758,000	0		
Newcastle Town Centre Partnership	a	b	d	111,100	100,200	211,300	105,700	105,600	
Newcastle Town Centre Works	a	b	d	553,700		553,700	900	552,800	
Choice Based Lettings		c		30,500		30,500	30,500	0	
Ecohomes Project		b	c	121,100		121,100	121,100	0	
Future Housing Projects Beasley Place		b	c	300,000		300,000	300,000	0	
Social Housing		b	c	300,000	65,000	365,000	365,000	0	
Madeley Extracare Contribution		b	c	115,000		115,000	115,000	0	
Land Purchase/Feasibility Studies	a	b	c	d		26,000	3,800	22,200	
Midway MSCP Repair Works	a				33,700	33,700		33,700	
Ryecroft Development		b			31,000	59,000	67,500	22,500	
Rose Cottage		b			110,400			110,400	
S106 Expenses Lowlands Road		b			1,000	280,600		281,600	
Architectural Feasibility Study		b	d		2,000	3,000		5,000	
Grant Repayment Lancaster Buildings		b			15,500			15,500	
Strategic Investment Framework		b			13,800			13,800	
Stock Condition Works - Commercial Portfolio		b				40,000		40,000	
Totals	a	b	c	d	2,882,800	1,622,800	4,505,600	3,186,500	1,319,100

GRAND TOTAL	a	b	c	d	5,505,200	2,458,200	7,963,400	4,382,400	3,581,000
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Notes -

Corporate & Sustainable Communities Priorities -

- a Clean, Safe & Sustainable Borough,
- b Borough of Opportunity
- c A Healthy & Active Community
- d Becoming a Co-operative Council which delivers High-Quality Community Driven Services

Sources of Funding	2012/13 Est	2013/14 Est	Total Exp
	Exp	Exp	
	£	£	£
Other Revenue Funds	451,000		451,000
Capital Receipts	1,942,600	1,187,400	3,130,000
External Grants/Contributions	3,111,600	1,270,800	4,382,400
Capital Programme	5,505,200	2,458,200	7,963,400

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Actual and Estimated Reserves at 31 March 2012 to 2014

Reserve	Actual Balance at 31 March 2012	Estimated Net movement in 2012/13	Estimated Balance at 31 March 2013	Estimated Net movement in 2013/14	Estimated Balance at 31 March 2014	Purpose	Notes
	£'000s	£'000s	£'000s	£'000s	£'000s		
General Fund Balance	1,400	-	1,400	-	1,400	Working balance to cover unforeseen adverse events affecting the budget	Approved minimum balance to be £1,400,000, as confirmed by risk assessment
Insurance Fund	240	(232)	8	(132)	(124)	To meet premiums and insurance administration costs	
Contingency Reserve	108	-	108	-	108	To meet cost of unforeseen contingencies or for any other purpose approved by the Council	Approved minimum balance is £100,000
Equipment Replacement Fund	229	46	275	46	321	To pay for the replacement of certain items of plant and equipment, eg cremators	
Renewals and Repairs Fund	43	(20)	23	(20)	3	To meet the cost of repairs and maintenance of Council owned buildings and structures	
ICT Development Fund	732	(519)	213	2	215	To meet the cost of new IT requirements	balance committed to finance capital expenditure
New Initiatives Fund	125	(20)	105	(20)	85	To fund new initiatives, both capital and revenue	Also earmarked to cover costs arising from loss of exempt VAT status (c£100,000 per annum, should this occur)
Budget Support Fund	624	(179)	445	-	445	To support the General Fund revenue budget or to meet the cost of specific items approved by the Council	
Conservation and Heritage Fund	57	3	60	3	63	To provide grants to owners of historic buildings to maintain their repair	
Museum Purchases Fund	77	1	78	1	79	To purchase exhibits and to conserve and enhance the display of exhibits	
Maintenance Contributions	98	(6)	92	(6)	86		Sums are received from developers to pay for a period of maintenance costs following transfer of land to the Council
RENEW Reserve	132	(10)	122	(10)	112	To meet revenue costs arising from participation in the Housing Market Renewal Pathfinder for N Staffordshire (RENEW)	
Standards Fund	95	-	95	-	95	To ensure the Council meets its responsibilities under the ethical and other standards frameworks	
Planning Delivery Grant Reserve	73	(73)	-	-	-	For any purpose determined by the Council (capital or revenue)	No grants received after 2009/10
Deposit Guarantee Reserve	24	2	26	2	28	To hold balances relating to rent guarantees	
New Home Bonus Reserve	264	-	264	(264)	-	To hold New Homes Bonus grant payments pending use	

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Project – Budget Forecast 2013/14 – Required Balances/Contingency Reserve

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

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

All of the risks fall into the “Finance” Category

Item No.	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
1	Increase in fees and charges does not result in higher income levels	Shortfall in income leading to overspends	3 x 4	High	Included in calculation of prudent minimum balances. Also £500k set aside to cover the potential effects on income of the current economic climate	3 x 3	High	None	Exec Mgt Team	N/a
2	Income cannot be collected because of non-availability of service (e.g. through closure of facilities for repairs)	Shortfall in income leading to overspends	3 x 3	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
3	Income falls short of Budget because of general reduction in activity, eg because of economic recession	Shortfall in income leading to overspends	3 x 5	High	Included in calculation of prudent minimum balances. As above, £500k set aside to cover the potential effects on income of the current economic climate	3 x 3	High	None	Exec Mgt Team	N/a
4	Bad debts reduce the Council’s income	Shortfall in income leading to overspends Need to top up Bad Debts Provision	3 x 4	High	The Council has a bad debts provision (£388k balance at 31/03/12).	3x 3	High	Increase monitoring of collection performance	Exec Dir Resources	N/a

APPENDIX E

Page 46	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
5	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 3.0% with a view to reducing this in steps of 0.5% in each of the next 4 years. This is realistic compared with experience from previous years.	3 x 3	High	None	Exec Mgt Team	N/a
6	Employee Budgets - The 2013/14 employee pay settlement results in an increase higher than included in the budget.	Additional unbudgeted costs	3 x 3	High	Balances sufficient to deal with any additional costs, plus reduced job security in economy.	3 x 3	High	None	Exec Mgt Team	N/a
7	Problems with staff recruitment/retention result in significant use of agency/interim staff at extra cost or the payment of market supplements	Additional unbudgeted costs	3 x 3	High	Situation subject to ongoing review.	3 x 3	High	None	Exec Mgt Team	N/a
8	Council becomes liable to pay compensation or legal fees or other unforeseen commitment arises.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
9	Inflation relating to supplies and services exceeds the allowance in the budget.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
10	Existing commitment(s) missed out of budget	Additional unbudgeted costs	3 x 2	Moderate	Budgets subject to checking at several levels. Preparation of standstill budget for comparison.	3 x 2	Moderate	None	Exec Mgt Team	N/a
11	Fall in interest rates reduces income to the Council.	Investment income targets not met	4 x 4	Extreme	Rates are very low now. A decrease would make only a relatively small difference. Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
12	Profile of capital spend differs adversely from that assumed in the investment interest calculation	Investment income targets not met	3 x 3	High	Capital Budgets have been realistically set. Due to low interest rates investment income is no longer	3 x 3	High	None	Exec Mgt Team	N/a

APPENDIX E

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
					significant.					
13	Fuel costs increase by more than allowed for in budget.	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget.	2 x 3	Moderate	None	Exec Dir Op Serv	N/a
14	Energy costs increase by more than allowed for in budget.	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget. Fixed contracts.	2 x 3	Moderate	None	Exec Mgt Team	N/a
15	Unforeseen major repairs needed to Council properties.	Additional unbudgeted costs	4 x 3	High	Planned maintenance programme in place and stock condition survey.	3 x 2	Moderate	None	Exec Mgt Team	N/a
16	Insurances – unexpected increases in premiums.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Chief Exec	N/a
17	Insurances - high level of excesses to be met by Council or uninsured losses	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances. Insurance Provision established.	3 x 3	High	Monitor level of Insurance Provision	Chief Exec	N/a
18	Government increase NI rates during 2013/14. An increase of 1% adds about £100,000 to the Council's costs	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Dir Resources	N/a
19	Loss of VAT Exempt Status	Additional unbudgeted costs	3 x 3	High	None	3 x 2	Moderate	Continue to monitor position regularly	Exec Mgt Team	N/a
20	Savings built into Budget are not realised	Additional unbudgeted costs	3 x 3	High	Regular Budget Monitoring	3 x 3	High	None	Exec Mgt Team	N/a
21	New Legislation imposes extra costs but provides insufficient resources	Additional unbudgeted costs	3 x 3	High	Contingency Reserve available. Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
22	Partnerships - expenses falling on Council as accountable body	Additional unbudgeted costs	3 x 3	High	Monitor partnership activities and ensure carried out according to agreements. Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a

Page 48	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
23	Civil Emergency	Additional unbudgeted costs	5 x 2	High	Bellwin Scheme should meet 85% of cost	4 x 2	Moderate	None	Exec Mgt Team	N/a
24	Investment Counterparty (including own bank re current account, etc) fails to meet its financial commitments	Loss of interest due Ongoing loss of interest owing to loss of capital	4 x 3	High	Use of credit rating agencies Counterparty list based on minimum ratings with CDS overlay. Limits to investments with one counterparty (£7m)	3 x 3	High	Frequent reviews of investment strategy	Exec Dir Resources	N/a
25	Municipal Mutual Insurance (MMI) Clawback	Additional unbudgeted costs	4 x 4	Extreme	MMI Provision	4 x 3	High	Consider increasing amount of provision if reports from administrator indicate it to be necessary	Exec Dir Resources	N/a
26	Change over to and implementation of Localised Council Tax Support	Additional unbudgeted costs	3 x 3	High	Local scheme	3 x 3	High	None	Exec Dir Resources	N/a
27	Funding reductions/removal due to introduction of Police and Crime Commissioner	Shortfall in income leading to overspends	2 x 3	Moderate	Curtail expenditure	2 x 3	Moderate	None	Exec Mgt Team	N/a
28	Data Protection breach resulting in fine	Additional unbudgeted costs	3 x 3	High	Data Protection Policy Reminders to staff	3 x 3	High	None	Exec Mgt Team	N/a

Capital Programme

NEWCASTLE-U-LYME BOROUGH COUNCIL CAPITAL PROGRAMME 2011/12 - 2013/14

Scheme	Corporate Priorities	2012/13 Est	2013/14 Est	Total Exp	External Cont	Council Financing
		Exp	Exp			
		£	£	£	£	£
Safer Communities						
Parkhouse/Lymedale CCTV	a b d	15,000		15,000		15,000
CCTV Replacement Equipment	a b	25,000		25,000		25,000
Totals	a b c d	40,000	0	40,000	0	40,000

Scheme	Corporate Priorities	2012/13 Est	2013/14 Est	Total Exp	External Cont	Council Financing
		Exp	Exp			
		£	£	£	£	£
Environment & Recycling						
Pool Dam Valley Marshes Nature Reserve	a b	47,000		47,000	47,000	0
Cemetery Memorial Safety Programme	a	37,300		37,300		37,300
Low Carbon Works	a	13,400		13,400	13,400	0
Waste Bins	a	50,000	50,000	100,000		100,000
Audley Burial Facilities	a	17,700		17,700		17,700
General Projects						
Asset Disposal Programme	b	16,000		16,000		16,000
General Contingency		85,300		85,300		85,300
Final Accounts & Retentions Various		56,900		56,900		56,900
Totals	a b c d	323,600	50,000	373,600	60,400	313,200

Scheme	Corporate Priorities	2012/13 Est	2013/14 Est	Total Exp	External Cont	Council Financing
		Exp	Exp			
		£	£	£	£	£
Culture & Leisure						
Replacement/Repair of Play Equipment	a c	51,000	121,600	172,600		172,600
Jubilee 2	a b c d	144,000		144,000	0	144,000
Wolstanton Marsh Improvements	a c	157,000		157,000	157,000	0
Silverdale Community Facilities	a c	675,000	50,300	725,300	725,300	0
Footpath Repairs	a c	25,000	25,000	50,000		50,000
Railings/Structures Repairs	a c	10,000	10,000	20,000		20,000
Castle Motte Heritage Works	a	35,000	12,200	47,200	47,200	0
Neighbourhood Park The Wammy	a c	199,000	7,000	206,000	206,000	0
Stock Condition Works - Museum	c		15,000	15,000		15,000
Clayton Community Centre	c		15,000	15,000		15,000
Knutton Community Centre	c		30,000	30,000		30,000
Red Street Community Centre	c		75,000	75,000		75,000
Totals	a b c d	1,296,000	361,100	1,657,100	1,135,500	521,600

Scheme	Corporate Priorities	2012/13 Est	2013/14 Est	Total Exp	External Cont	Council Financing
		Exp	Exp			
		£	£	£	£	£
Operational Equipment/Buildings/ICT Development Fund						
ICT PC Replacements	a d	20,000	93,800	113,800		113,800
ICT Replacement Servers	a d	12,600		12,600		12,600
Customer Relationship Management	d	64,200		64,200		64,200
ICT Projects	d	451,000		451,000		451,000
Vehicles	a d	415,000	280,500	695,500		695,500
Stock Condition Works - Civic Offices	d		50,000	50,000		50,000
Totals	a b c d	962,800	424,300	1,387,100	0	1,387,100

APPENDIX F

Scheme	Corporate Priorities	2012/13 Est Exp	2013/14 Est Exp	Total Exp	External Cont	Council Financing
		£	£	£	£	£
Regeneration, Planning & Town Centres Development						
Housing Renewal	a c	116,000		116,000		116,000
Empty Homes	a c	30,000	30,000	60,000	60,000	
Home Loans	a c	10,000		10,000	10,000	
Health and Safety	a c	44,000	50,000	94,000	94,000	
Warm Zone	a c	5,000	60,000	65,000	65,000	
Home Improvement Agency	a c	40,000	40,000	80,000	80,000	
Accredited Landlords Scheme	a c	5,000	5,000	10,000	10,000	
Disabled Facilities Grants	a c	894,000	864,000	1,758,000	1,758,000	0
Newcastle Town Centre Partnership	a b d	111,100	100,200	211,300	105,700	105,600
Newcastle Town Centre Works	a b d	553,700		553,700	900	552,800
Choice Based Lettings	c	30,500		30,500	30,500	0
Ecohomes Project	b c	121,100		121,100	121,100	0
Future Housing Projects Beasley Place	b c	300,000		300,000	300,000	0
Social Housing	b c	300,000	65,000	365,000	365,000	0
Madeley Extracare Contribution	b c	115,000		115,000	115,000	0
Land Purchase/Feasibility Studies	a b c d		26,000	26,000	3,800	22,200
Midway MSCP Repair Works	a	33,700		33,700		33,700
Ryecroft Development	b	31,000	59,000	90,000	67,500	22,500
Rose Cottage	b	110,400		110,400		110,400
S106 Expenses Lowlands Road	b	1,000	280,600	281,600		281,600
Architectural Feasibility Study	b d	2,000	3,000	5,000		5,000
Grant Repayment Lancaster Buildings	b	15,500		15,500		15,500
Strategic Investment Framework	b	13,800		13,800		13,800
Stock Condition Works - Commercial Portfolio	b		40,000	40,000		40,000
Totals	a b c d	2,882,800	1,622,800	4,505,600	3,186,500	1,319,100

GRAND TOTAL	a b c d	5,505,200	2,458,200	7,963,400	4,382,400	3,581,000
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Notes -

Corporate & Sustainable Communities Priorities -

a Clean, Safe & Sustainable Borough,

b Borough of Opportunity

c A Healthy & Active Community

d Becoming a Co-operative Council which delivers High-Quality Community Driven Services

Sources of Funding	2012/13 Est Exp	2013/14 Est Exp	Total Exp
	£	£	£
Other Revenue Funds	451,000		451,000
Capital Receipts	1,942,600	1,187,400	3,130,000
External Grants/Contributions	3,111,600	1,270,800	4,382,400
Capital Programme	5,505,200	2,458,200	7,963,400

TREASURY MANAGEMENT STRATEGY 2013/14

Submitted by: Head of Finance

Portfolio: Resources and Efficiency

Ward(s) affected: All Indirectly

Purpose of the Report

To approve the Treasury Management Strategy for 2013/14, including the Prudential Indicators, Investment Strategy and Minimum Revenue Provision Strategy contained within it.

Recommendations

- (a) That the Treasury Management Strategy Report for 2013/14 be approved.**
- (b) That the Prudential Indicators contained within the report be approved.**
- (c) That the Investment Strategy contained within the report be approved.**
- (d) That the Minimum Revenue Provision Strategy contained within the report be approved.**
- (e) That the current contract with Sector Treasury Services Ltd be extended for a further 12 months.**

Reasons

The Council needs to have an approved Treasury Management Strategy for 2013/14 in place before the start of the 2013/14 financial year.

At the Council meeting of 24 June 2009 it was resolved that the strategy be scrutinised by the Transformation and Resources Overview and Scrutiny Committee before being submitted for approval by Full Council. The strategy was scrutinised by the Transformation and Resources Overview and Scrutiny Committee on 19 November 2012.

1. Background

- 1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice. This requires a report to be prepared and approved by the Council concerning the strategy to be followed in carrying out its treasury management activities in the forthcoming financial year, 2013/14.
- 1.2 The Local Government Act 2003 and Regulations thereto specify that local authorities must have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities in setting their affordable borrowing limits. This is to be achieved by setting a number of "prudential indicators" covering various aspects of treasury management. Accordingly, the appropriate prudential indicators have been incorporated in the relevant sections of the Treasury Management Strategy Report.
- 1.3 In addition the Department for Communities and Local Government issued revised "Guidance on Local Authority Investments" in March 2010, under powers contained in Section 15 (1)(a) of the Local Government Act 2003. The Act states that local authorities must have regard to

this guidance. The Guidance recommends that an Annual Investment Strategy, setting out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments is produced and approved by the Full Council.

2. **Issues**

- 2.1 The Strategy Report for 2013/14 is attached at Appendix A.
- 2.2 The proposed prudential indicators relating to treasury management are contained in the report.
- 2.3 The Investment Strategy for 2013/14 is contained in Annex A to the report.
- 2.4 Details of the methodology involved in the production of the counterparty listing are contained in Annex B to the report.
- 2.5 The Minimum Revenue Provision Strategy for 2013/14 is contained in Annex C to the report.

3. **Legal and Statutory Implications**

- 3.1 See Background for details.

4. **Financial and Resource Implications**

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

5. **Major Risks**

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

6. **List of Appendices**

- 6.1 Appendix A - Treasury Management Strategy Report 2013/14.

7. **Background Papers**

CIPFA Treasury Management Code of Practice (revised November 2009 and again in November 2011);

Council's Treasury Management Policy Statement,

CIPFA Prudential Code for Capital Finance in Local Authorities and guidance notes thereto,
Local Government Act 2003,

Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,

Guidance on Local Authority Investments issued by the Department for Communities and Local Government (revised March 2010).

Sector Treasury Services' Treasury Management Strategy Statement template

TREASURY MANAGEMENT STRATEGY REPORT 2013/14

1. Introduction

1.1 **Background**

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

Treasury management is defined as:

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

1.2 **Statutory Reporting Requirements**

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. The reports required are as follows:

Prudential and Treasury Indicators and Treasury Strategy (This report) – This report is required to be scrutinised by the Transformation and Resources Overview and Scrutiny Committee prior to being reported to Full Council. This report covers:

- prudential indicators;
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators;
- an investment strategy (the parameters on how investments are to be managed); and
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time)

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

An Annual Treasury Outturn Report – This report is received by Full Council. This provides details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.3 **Treasury Management Strategy for 2013/14**

The strategy for 2013/14 covers two main areas:

Capital Issues

- prudential indicators;
- the MRP Policy (Annex C).

Treasury Management Issues

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

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the DCLG MRP Guidance, the CIPFA Treasury Management Code and the DCLG Investment Guidance.

2. Prudential and Treasury Indicators

2.1 Background

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

The indicators are intended to demonstrate that the Council has fulfilled the objective of ensuring that its capital investment decisions are 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.

2.2 Capital Prudential Indicators

- **Actual and Estimate of Capital Expenditure**

This indicator relating to Actual and Estimates of Capital Expenditure is reported separately to the Council meeting which sets the General Fund Revenue Budget and the Council Tax (27 February 2013).

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

The second prudential indicator is the Council’s Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. The Capital Financing Requirement is derived from the Council’s balance sheet by consolidating various items appearing in it which relate to capital, such as: fixed assets (including property, plant and equipment, investment properties, long term debtors, assets held for sale and intangible assets); the revaluation reserve, capital adjustment account and deferred capital receipts. Following the introduction of International Financial Reporting Standards (IFRS) in 2011/12, the calculation of the CFR now has to include any other long term liabilities (e.g. finance leases) brought onto the balance sheet. The relevant figures for this Council are set out in the table below:

31/03/12 Actual (£000’s)	31/03/13 Estimate (£000’s)	31/03/14 Estimate (£000’s)	31/03/15 Estimate (£000’s)	31/03/16 Estimate (£000’s)
(31)	(131)	1,000	1,000	1,000

The amounts shown above from 2013/14 onwards allow for the possibility that the Council may need to borrow during those years to finance capital expenditure which cannot be funded from other revenue or capital resources. However, the likelihood of this and the amounts involved cannot be assessed with any certainty at this point.

2.3 Affordability Prudential Indicators

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

This indicator relating to Estimates of the Incremental Impact of Capital Investment Decisions on Council Tax is reported separately to the Council meeting which sets the General Fund Revenue Budget and the Council Tax (27 February 2013).

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

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

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

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

	2011/12 Actual (£000's)	2012/13 Estimate (£000's)	2013/14 Estimate (£000's)	2014/15 Estimate (£000's)	2015/16 Estimate (£000's)
Net Revenue Stream	15,592	15,384	15,050	14,097	14,087
Financing Costs	(191)	(194)	(114)	(64)	(64)
Ratio	(1.23%)	(1.26%)	(0.75%)	(0.45%)	(0.45%)

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

2.4 Treasury Indicators

- **Actual External Debt and Net Borrowing**

Debt

Currently the Council has no long term external debt and is categorised as a 'debt free' authority. Short term external loans (i.e. repayable on demand or within 12 months) can be taken to fund any temporary capital or revenue borrowing requirement. The amounts involved would fluctuate according to the cash flow position at any one time. Such short term borrowing does not affect the Council's 'debt free' status.

Any surplus funds arising, for example from favourable cash flow or as a result of asset sales, are potentially available for use as an alternative to short term borrowing. The Actual External Debt of the Council as at the end of the previous financial year is a Prudential Indicator. This indicator

comprises actual borrowing (short and long term) as shown in the Council's balance sheet. This indicator will reflect the actual position at one point in time. As at 31 March 2012 the Actual External Debt of the Council was nil.

Investments

It is estimated that the amount of receipts in hand, plus reserve balances, and available for investment at 1 April 2013 will be in the region of £5,500,000, all of which will be managed In House. The decline in total investments is due to a combination of very few capital receipts being received due to the economic downturn and capital expenditure being incurred.

- **Limits to Borrowing Activity (The Operational Boundary and The Authorised Limit for External Borrowing)**

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

At present borrowing is not being used to fund the capital programme because the Council has had sufficient reserves and useable capital receipts to finance capital expenditure from these sources. Borrowing may become an option if these resources become sufficiently depleted that they are insufficient to finance proposed capital expenditure deemed to be affordable 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. These factors have been taken into account in calculating the Prudential Indicators referred to below.

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

The Operational Boundary

This 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. Following the introduction of International Financial Reporting Standards in 2011/12, finance leases must now be included in this figure. As referred to above, the Council may, if considered desirable from a treasury management point of view, take out long term loans to finance capital expenditure incurred in 2013/14, 2014/15, 2015/16 and 2016/17. The figures shown in the table below reflect the possibility that up to £5,000,000 may be borrowed at any one time on a long term basis in 2013/14. The Operational Boundaries for the Council are set out below:

	2013/14 Estimate (£000's)	2014/15 Estimate (£000s)	2015/16 Estimate (£000's)	2016/17 Estimate (£000's)
Borrowing	5,000	5,000	5,000	5,000
Other Long Term Liabilities	626	626	626	626

The Authorised Limit for External Borrowing

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

	2013/14 Estimate (£000's)	2014/15 Estimate (£000s)	2015/16 Estimate (£000's)	2016/17 Estimate (£000's)
Borrowing	15,000	15,000	15,000	15,000
Other Long Term Liabilities	626	626	626	626

Sources of Borrowing: Temporary borrowing will take place via money brokers, from building societies, banks, local authorities, individuals and commercial organisations. If the Council decides to borrow on a long term basis to fund capital expenditure it is anticipated that this will be via the Public Works Loans Board. The Public Works Loan Board (PWLb) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Interest Rates, Loan Periods and Types of Loan: The most favourable options will be selected, depending upon market conditions prevailing at the time of borrowing. The aim will be to minimise the impact upon revenue accounts and to achieve efficient management of the Council's debt portfolio. Advice will be taken, as appropriate from the Council's treasury management advisors, Sector Treasury Services. The Council will be eligible for loans at a reduced rate, around 20 basis points less than normal, (the Treasury Certainty Rate) from the PWLB during 2013/14.

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

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

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

	Borrowing		Investments	
	Upper	Lower	Upper	Lower
2013/14	100%	0%	100%	0%
2014/15	100%	0%	100%	0%
2015/16	100%	0%	100%	0%
2016/17	100%	0%	100%	0%

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

	Borrowing		Investments	
	Upper	Lower	Upper	Lower
2013/14	100%	0%	100%	0%
2014/15	100%	0%	100%	0%
2015/16	100%	0%	100%	0%
2016/17	100%	0%	100%	0%

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

- **Total Principal Funds Invested for Periods Greater than 364 days**

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

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

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

	£000's
Beyond 31/03/14	5,000
Beyond 31/03/15	5,000
Beyond 31/03/16	5,000

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

3. **Leasing**

3.1 **Requirement for the Year**

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

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

3.2 Period and Type of Lease

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

3.3 Leasing Consultants

The current contract with the Council's Treasury Management advisors includes the provision of leasing advice.

4. Treasury Management Training**4.1 On the Job Training**

Officers engaging in Treasury Management activities will receive appropriate training. In particular, the Accountancy Assistant (Treasury Management) will receive on the job training from the Principal Accountant in all aspects of the day to day operation of the Treasury Management function.

4.2 Training Courses

Officers engaging in Treasury Management activities will also attend any suitable courses/seminars provided by the Council's Treasury Management Consultants, Sector Treasury Services and any other appropriate organisations where it is considered that this will increase or complement their expertise in relation to the Treasury Management function. Training needs are reviewed on a regular basis.

4.3 Members Training

It is envisaged early in the Financial Year commencing 1 April 2013, to run some training sessions for Members in respect of Treasury Management.

5. Policy on the use of External Service Providers

Your officers will continue to work with the Council's Treasury Management Advisors, Sector Treasury Services Ltd, to monitor market trends and to advise on strategic considerations affecting borrowing strategy and sums available for investment and any other relevant treasury management matters. Quarterly meetings are held to ensure quality of service is maintained and to develop a constructive relationship. The current three year contract expired on 31 March 2012. However, the tender specification incorporates the option to extend the contract for a further two years. This option was exercised to extend the contract for a further year up to 31 March 2013. Because the service provided by Sector has continued to be satisfactory it is proposed to extend the contract for one final year until 31 March 2014, following which a procurement exercise will be undertaken to let a new contract for treasury management advisory services.

6.0 Prospects for Interest Rates

The Council has appointed Sector as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table and information gives the Sector central view:

	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
Dec 2012	0.50	0.60	1.30	1.50	3.70	3.90
March 2013	0.50	0.60	1.30	1.50	3.70	3.90
June 2013	0.50	0.60	1.30	1.50	3.80	3.90
Sept 2013	0.50	0.60	1.40	1.60	3.80	4.00
Dec 2013	0.50	0.60	1.50	1.70	3.80	4.00
March 2014	0.50	0.60	1.70	1.80	3.90	4.10
June 2014	0.50	0.70	1.90	1.90	4.00	4.20
Sep 2014	0.50	0.90	2.10	2.00	4.10	4.30
Dec 2014	0.75	1.10	2.30	2.10	4.20	4.40
Mar 2015	1.00	1.40	2.60	2.30	4.30	4.50

Growth in the UK economy is expected to be weak in the next two years and there is a risk of a technical recession (i.e. two quarters of negative growth). Bank Rate, currently 0.50%, underpins investment returns and is not expected to start increasing until quarter 3 of 2014/15 despite inflation currently being well above the Monetary Policy Committee inflation target. Hopes for an export led recovery appear likely to be disappointed due to the Eurozone sovereign debt crisis depressing growth in the UK's biggest export market.

This challenging and uncertain economic outlook has several key treasury management implications:

- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of much higher counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2013/14;
- Borrowing interest rates are currently attractive, but may remain low for some time. The timing of any borrowing will need to be monitored carefully;

7.0 Treasury Management Scheme of Delegation

Full Council

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

Transformation and Resources Overview and Scrutiny Committee

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

Audit and Risk Committee

- scrutiny of Treasury Management performance including receiving and reviewing a mid-year report.

8. Treasury Management role of the Section 151 Officer

The S151 (responsible) officer role includes:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;

- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

ANNEX A**Investment Strategy 2013/14****1. Introduction****1.1 Background**

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

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

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

1.2 Possible Revisions to the Strategy

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

2. Security of Investments**2.1 Specified and Non-Specified Investments**

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

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

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

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

and in appropriate cases the advice of the Council's treasury management advisors will be sought. In considering whether it is prudent to place funds for longer than 12 months in 2013/14 and in determining the period of such investment the principles and limits set out under "3.0 Liquidity of Investments" below will apply together with the counterparty listing criteria set out in Annex B.

2.2 Use of Sector Creditworthiness Service

This Council uses the creditworthiness service provided by the Council's treasury management advisors, Sector Treasury Services. This service has been progressively enhanced over previous years and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

This modelling approach combines credit ratings, credit watches, credit outlooks in a weighted scoring system for which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments and are therefore referred to as durational bands.

All credit ratings will be monitored on a daily basis. The Council is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service.

2.3 Local Authority Mortgage Guarantee Scheme

The Local Authority Mortgage Guarantee Scheme is a scheme whereby local authorities would issue mortgages to potential home-buyers to support the local area and address pressing issues in increasing the supply of affordable housing. If the Council participates in the Local Authority Mortgage Guarantee Scheme, it may be required to place a deposit with the mortgage provider(s) up to the full value of the guarantee. The deposit will be in place for the term of the guarantee (i.e. 5 years, with the possibility of a further 2 year extension if the account is 90+ days in arrears at the end of the initial 5 years) and may have conditions/structures attached. The mortgage provider will not hold a legal charge over the deposit.

2.4 Approved Investment Instruments

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

Extract from Schedule to TMP 4

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

Because fund managers are not currently employed this means that investments in 2013/14 will be limited to fixed cash deposits, money market funds and the Debt Management Account Deposit Facility (DMADF). The DMADF is guaranteed by HM Government and offers investors a flexible and secure facility to supplement their existing range of investment options.

3. **Liquidity of Investments**

3.1 **Maximum Investment Periods**

The Council will determine the maximum periods for which funds may prudently be committed. Investments will be for whatever period is considered appropriate by 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.

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. Investments will be regarded as commencing on the date the commitment to invest is entered into, rather than on the date on which the funds are actually paid over to the Counterparty.

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

	£000's
Beyond 31/03/13	5,000
Beyond 31/03/14	5,000
Beyond 31/03/15	5,000

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

4. **Return on Investments (Yield)**

4.1 **Current Economic Climate**

Due to ongoing global economic uncertainties, investment returns are likely to remain relatively low during 2013/14. Interest rates on Instant access deposit accounts and Notice accounts are currently more attractive than interest rates being offered by the market.

4.2 **Prudent Investments**

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

5. **Specific Strategy 2013/14**

5.1 **Capital Receipts in Hand and Balances Held in Reserves**

Amount Available for Investment

It is estimated that the amount of receipts in hand, plus reserve balances, and available for

investment at 1 April 2013 will be in the region of £5,500,000. The reasons why this has reduced since the last annual strategy have been explained above in Section 2.4 of the Treasury Management Strategy Report.

Period of Investment

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

Forward Commitment

This involves agreeing in advance to place an investment with a borrower at a future specified date at an agreed interest rate. It is done in order to obtain the benefit of what are considered to be better rates than might be available later, when physical funds are likely to be available. No forward commitment has taken place to date in 2012/13. It is possible that forward commitment may be employed in 2013/14 in instances where 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.

5.2 Investment of Money Borrowed in Advance of Need

It is not the Council's intention to undertake any borrowing in advance of need during 2013/14.

5.3 Other Temporary Surpluses

Amount Available for Investment

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

Prudent financial management dictates that these temporary surpluses should be invested or used to redeem temporary loans if any are outstanding, 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 temporary surplus funds will be invested on a short term basis in order that they will be available for use as and when required. This requirement has been recognised in the calculation of the Prudential Indicator relating to total principal sums invested for periods longer than 364 days set out earlier.

Return 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.

5.4 Sector Treasury Services' view on Interest Rates

Part of the service provided by the Council's Treasury Management Advisors, Sector, is to assist the Council in the formulation of a view on interest rates, the following gives their view of the Bank of England base rate for financial year ends (March):

- 2012/13 0.50%
- 2013/14 0.50%
- 2014/15 1.00%

There is a downside risk to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be an upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate.

ANNEX B**Counterparty Listing Criteria**

This Council applies the creditworthiness service provided by Sector. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

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

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments and are therefore referred to as durational bands. The service provided now gives an improved level of security for making investment decisions. It is also a service which the Council would not be able to replicate using in house resources.

The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

This methodology does not apply the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. This Council will not use the approach suggested by CIPFA to determine creditworthy counterparties as Moodys are currently much more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Council with few banks on its approved lending list. The Sector creditworthiness service uses a wider array of information other than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The Council will also consider using other Local Authorities when making fixed investments.

ANNEX C

Minimum Revenue Provision Policy

1. Background

Local Authorities are required to set aside a minimum amount from revenue to fund capital expenditure, this is known as the Minimum Revenue Provision. This means that the Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement) through a revenue charge (the Minimum Revenue Provision).

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

2. Minimum Revenue Provision Policy in respect of Finance Leases

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

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

3. Minimum Revenue Provision Policy – Other Capital Expenditure

3.1 Capital Financing Requirement (CFR)

The Council's Capital Financing Requirement is currently negative. This means that there is no requirement to set aside a MRP for the redemption of external debt. The Prudential Indicator for the CFR, shown at 2.2 in the Treasury Management Strategy, indicates that the CFR will continue to be a negative amount over the period covered by the Strategy. This is based on the assumption that there will be no capital expenditure incurred which cannot be funded from available capital or revenue resources, i.e. it will have to be funded by borrowing. As indicated elsewhere, there is a possibility that borrowing may have to be employed to fund capital investment, particularly in projects necessary to ensure operational continuity. Accordingly, the Council needs to determine the option it will employ to make the necessary MRP in respect of the amount borrowed, if this occurs.

3.2 Option for making Minimum Revenue Provision.

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

ANNEX DTreasury Management – Glossary of Terms

- **Basis Points** – there are 100 basis points to 1%.
- **CDS** – ‘Credit Default Swap’ is an additional assessment of credit worthiness by providing a risk analysis of changes in credit quality as perceived by the market.
- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations.
- **Counterparty** – an institution with whom a borrowing or investment transaction is made.
- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. The main rating agencies are Fitch, Standard and Poor’s and Moody’s.
- **DCLG** – Department for Communities and Local Government.
- **DMADF and DMO** – the DMADF is the ‘Debt Management Account Deposit Facility’ which is a highly secure fixed term deposit account with the Debt Management Office, part of Her Majesty’s Treasury.
- **Forward Commitments** - agreeing in advance to place an investment with a borrower at a future specified date at an agreed interest rate.
- **GILTS** – the name given to bonds issued by the UK Government. Gilts are issued bearing interest at a specified rate, however, they are traded on the markets like shares and their value rises or falls accordingly. The ‘yield’ on a gilt is the interest paid divided by the market value of that gilt.
- **Leasing** - a lease is a contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset.
- **Liquidity** – relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.
- **Money Market Funds (MMF)** – Money Market Funds are investment funds that are invested by a Fund Manager in a wide range of money market instruments. MMF’s are monitored by the official ratings agencies and due to many requirements that need to be fulfilled, the funds usually receive the highest quality rating (AAA) so provide minimal risk. They are very flexible and can be withdrawn in the same way as any other call deposit.
- **MRP** – the Minimum Revenue Provision represents the revenue charge for the repayment of debt.
- **PWLB** – the Public Works Loan Board is a statutory board that is run within the UK Debt Management Office (DMO), it’s function is to lend money to Local Authorities and other prescribed bodies.
- **Supranational Bonds** – bonds issued by institutions such as the European Investment Bank.

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CAPITAL STRATEGY

Submitted by: Head of Finance

Portfolio: Resources and Efficiency

Wards Affected: All

Purpose

To consider and approve the Capital Strategy 2013 to 2016.

Recommendation

That the Capital Strategy be approved.

Reason

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

1. Background

- 1.1 The previous Capital Strategy was approved by the Council on 22 February 2012. It covered the period 2012 to 2015. When Full Council considered revised Financial Regulations on 25 February 2009 it resolved that following discussion by the Cabinet the Capital Strategy be approved by Full Council.
- 1.2 The purpose of the Capital Strategy is to set out how the Council proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and stakeholders with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council's revenue budget. It covers the period 2013 to 2016. It will serve as a useful point of reference when determining or reviewing the Council's Capital Programme.

2. Issues

- 2.1 The 2013 to 2016 Capital Strategy is appended to this report at Appendix A.
- 2.2 The principles set out in the Capital Strategy 2013 to 2016 are largely unchanged from the previous Strategy. However, some changes have been made to Section 5 (resources available to finance capital investment) and Section 11 (future capital programme). These are to reflect the current financial situation at the Council, which has seen a decline in resources available for capital investment since the previous Strategy was produced, although it should be noted that the previous Strategy predicted that this would occur. There are also changes to Section 1 (Introduction) and Section 4 (external influences, partners and consultation with stakeholders).
- 2.3 The main changes are summarised below, referenced to the paragraph number concerned:
 - 1.2. The current Capital Programme amounts have been included. The approved Capital Programme over two years is £18,480,800 with £4,457,200 programmed for 2012/13.

The revised 2012/13 Programme is £5,418,300. The corresponding amounts in the previous Strategy were: £21,638,800, £10,374,500 (2011/12) and £16,783,300 (revised 2011/12).

- 5.3. The amount of usable capital receipts in hand at 1 April 2012 is £2.4m compared to £6.0m at 1 April 2011
- 5.5. The balance on the ICT Development Fund at 1 April 2012 is £0.7m compared to £0.8m at 1 April 2011. The balance on the New Initiatives Fund at 1 April 2012 is £0.1m compared to £0.2m at 1 April 2011. The LSVT Capital Fund is exhausted with a nil balance at 1 April 2012 compared to a balance of £2.3m at 1 April 2011.

A number of additional items have been included, as follows:

- 4.7. Reference to the establishment of a Town Centre Partnership.
 - 5.7. A 50/50 split between capital and revenue in respect of New Homes Bonus grant, as approved by Council.
 - 5.10. The establishment of a business rates pool and a consequent capital investment fund, which is a new development
 - 5.11. Proposals to pool income arising from the implementation of council tax reforms and a consequent capital investment fund, which is a new development.
 - 11.2. The appendices setting out assets available or potentially available for disposal contained in the Asset Management Strategy 2013 – 2016.
 - 11.6. An additional paragraph, which refers to an indicated shortfall in resources to finance projects to ensure continued service delivery and the possible need to borrow to finance such projects pending asset sales receipts being received.
- 2.4 The Strategy was considered by Cabinet on 16 January 2013 and is recommended to you for approval. The Transformation and Resources Scrutiny Committee had earlier scrutinised the strategy, on 10 December 2012, and raised no comments.

3. **Financial and Resource Implications**

There are none deriving directly from the Strategy.

4. **Appendices**

Appendix A - Capital Strategy 2013 to 2016



CAPITAL STRATEGY 2013 to 2016

Approved by Council 27 February 2013

CONTENTS

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1. INTRODUCTION

- 1.1 The purpose of the Capital Strategy is to set out how the Council proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and stakeholders with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council's revenue budget. It will serve as a useful point of reference when determining or reviewing the Council's Capital Programme.
- 1.2 The Council's current detailed capital investment plan is contained in its Approved Capital Programme. A two year programme was approved by Full Council on 22 February 2012. This programme provides for £18,480,800 of investment over the two-year period in projects across all of the Council's priority areas, of which £4,457,200 was programmed to be spent in 2012/13. Since then, programmed expenditure for 2012/13 has been reviewed, resulting in a revised 2012/13 outturn figure of £5,418,300 being agreed. This takes account of slippage coming forward from 2011/12. Full Council will consider a capital programme to continue investment beyond 2012/13 on 27 February 2013.
- 1.3 The Strategy has been prepared against a background of continuing reductions in funding provided to local authorities by central government and its agencies, arising from the need to restrain public expenditure owing to the ongoing economic recession and to rebalance public finances. At the same time, the Council's own resources available to finance capital projects have reduced to a very low level and will need replenishing before any substantial further capital investments can be made. As a result the Council is considering and consulting upon a programme of asset disposals to address this situation. In the interim period, before asset sales can provide these additional resources, the current approved Capital Programme was restricted to cover a two year period, 2011/12 to 2012/13. This included only £0.5m of new projects in 2012/13 funded from the Council's own resources, all of which were essential to maintain operational continuity.

2. KEY OBJECTIVES AND PRIORITIES

- 2.1 The Council's Priority Areas contained in its (2013/14 to 2015/16) Council Plan are:
- A Clean, Safe and Sustainable Borough
 - A Borough of Opportunity
 - A Healthy and Active Community
 - Becoming a Co-operative Council delivering high quality, community driven services
- 2.2 Capital investment projects will be included in the Council's Capital Programme on the basis that they address issues arising from one or more of the Priority Areas contained in the Council Plan. An indication is shown against each project in the Programme of the area or areas whose issues it addresses.
- 2.3 New proposals for capital investment will be assessed against the corporate priority areas to ensure that they will contribute towards achieving the aims expressed. This assessment will be carried out as part of the appraisal process for new projects.
- 2.4 The Council will also endeavour, through its programme of capital investment, to maintain its assets to a standard such that they remain fit for purpose, enabling continuity of service delivery. In particular, it will carry out regular surveys of its stock of buildings and structures to ascertain their state of repair and any remedial works

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which may be necessary. Repair or improvement works arising from such surveys will be carried out subject to the availability of resources and consideration of the role the building plays in service delivery and the need to continue the relevant service in order to contribute to meeting corporate priorities. If a building is no longer required for service delivery, it will either be considered for alternative use by the Council or its partners or disposed of and the proceeds made available for future capital investment in priority areas. All property assets are held to either (i) provide Council services, (ii) provide an investment return or (iii) to further regeneration projects.

- 2.5 Regular reviews of the property portfolio will be carried out by the Assets Review Group, chaired by the Executive Director (Regeneration and Development). This action has identified properties or land which could potentially be disposed of, following a consultation process in the case of significant proposals, and a capital receipt obtained from the sale. However, because of the currently poor market conditions arising from the economic recession it is unlikely that significant sales will take place in the short term, both because of lack of demand and the need to obtain the best sale price.
- 2.6 Where suitable "Invest to Save" projects can be identified the Council will actively pursue such projects as it recognises the benefits, in the form of reduced costs falling on the General Fund Revenue Account, that can result from such investment.
- 2.7 The Council will seek, where practicable and economically justifiable, to develop its investment projects having regard to principles of sustainability, for example in relation to materials used and environmentally friendly modes of operation once in use, following construction or purchase.

3. LINKS WITH OTHER STRATEGIES, POLICIES AND PLANS

- 3.1 As well as the Council Plan and the Capital Programme the Capital Strategy has clear links to many of its other strategies, policies and plans, the most significant of which are:
 - Asset Management Strategy
 - Medium Term Financial Strategy
 - Service and Financial Plans
 - Value For Money Strategy
 - Procurement Strategy
 - Economic Development Strategy
 - North Staffs Green Spaces Strategy
 - Leisure Strategy
 - Private Sector Housing Renewal Strategy
 - Housing Strategy
 - Cultural Strategy
 - Customer Access Strategy
 - Energy Efficiency and Climate Change Strategy and Carbon Reduction Plan
 - Treasury Management Strategy
 - Performance Plan
- 3.2 An important link is to the Asset Management Strategy (AMS) in that many capital investment projects are related to the Council's fixed assets, such as its stock of buildings. Needs and priorities identified in the AMS will require consideration for inclusion in the Council's Capital Programme and have wider financial consequences.
- 3.3 The Medium Term Financial Strategy will take account of the revenue effect of capital investment.

- 3.4 Capital investment proposals are contained in the Service and Financial Plans produced as part of the annual budget cycle. Some of these proposals may be included in the Capital Programme.
- 3.5 Appraisal, procurement and management of capital projects needs to be carried out with regard to the objectives and methodologies contained in the Value for Money Strategy and the principles and practices set out in the Procurement Strategy.
- 3.6 The various service based strategies will inform the Council's capital investment process through their identification of areas for action and of priorities within individual service areas.
- 3.7 The Treasury Management Strategy needs to reflect planned capital spend, particularly with regard to setting limits for tying up money over the longer term and the limits relating to the amount of permitted borrowing.
- 3.8 The Performance Plan contains the same data regarding Priority Areas as the Council Plan together with similar actions proposed to achieve the aims expressed in relation to the Priority Areas so by linking to the Council Plan the same link is made to the Performance Plan.
- 3.9 In addition the Capital Strategy will be influenced by the results of any Service Reviews which have been carried out by the Council, either as part of the budget preparation process or as one-off exercises. Where these reviews identify areas of service which are to be discontinued, this may give rise to assets which will be available for disposal and possibly generate a capital receipt which will be available for funding further capital investment. Alternatively reviews may identify areas for investment, including potential "invest to save" projects, some of which may be capital investment.

4. EXTERNAL INFLUENCES, PARTNERS AND CONSULTATION WITH STAKEHOLDERS

- 4.1 The Council's capital investment plans are influenced by a number of external parties and factors: central government and its agencies, legislation requiring capital works, partner organisations, businesses, developers and by its stakeholders' needs and views, particularly those of Borough residents.
- 4.2 Government sponsored initiatives and programmes will influence the projects which the Council will include in its capital investment plans. In particular, its Housing Investment Programme in which the Council participates with regard to Disabled Facilities Grants is a major area of investment where funding is provided by Government to meet a proportion of the costs of some of these activities. This funding largely consists of grant payments to partially meet the cost of disabled facilities grants payable to eligible applicants.
- 4.3 Where it may be required by legislation to carry out works of a capital nature, such as to comply with the Disablement Disability Act or Health and Safety requirements, or anti-pollution regulations, the Council will consider the most effective way to discharge its obligations and appropriate provision will be made in its Capital Programme once it has determined that it shall carry out the necessary work and that this should be capitalised.
- 4.4 The Council works with a wide range of partners from the public, private, voluntary and community sectors, all of which have an influence over its spending priorities. Relationships with partners, including those concerning capital matters, will be

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governed by the Council's Partnerships Code of Practice. Wherever possible the Council will seek to work in partnership with others to deliver its capital investment programme in order to provide facilities which meet its own and partners needs. When working with the private sector, the objective will be to maximise the benefits to the Council and the community from any projects, both in terms of outputs and in relation to obtaining funding for the project.

- 4.5 The Council is a participant in the Local Strategic Partnership (LSP) and will have regard to the content of its Sustainable Community Strategy together with any other elements of the partnership which relate to capital investment and may be able to use the capital programme as a means of fulfilling some of its obligations to the LSP.
- 4.6 Projects for consideration for inclusion in the Capital Programme may arise from the Council's participation in the Staffordshire and Stoke on Trent Local Enterprise Partnership (LEP)
- 4.7 The Council intends to establish a Town Centre Partnership, together with relevant stakeholders such as representatives of retailers and businesses in the town centres of Newcastle and Kidsgrove. The partnership will be able to identify proposals for town centre improvements which could be incorporated in future capital programmes. It may also present an opportunity for costs to be shared between the parties likely to benefit from their implementation.
- 4.8 The availability of external funding will also influence the projects which the Council will include in its capital investment plans. This is referred to in the following section of the Strategy.
- 4.9 Regard will be had to the Council's obligations under Disabled Access requirements in putting forward proposals for capital investment and in the design of any facilities which are proposed.
- 4.10 Wherever possible the principles of sustainability will be incorporated into any capital projects.

5. RESOURCES AVAILABLE TO FINANCE CAPITAL INVESTMENT

- 5.1 Capital investment may be financed by any one or a combination of the following:
 - Use of Capital Receipts
 - Use of Reserves
 - Government Grants
 - Contributions from External Parties
 - Directly from the General Fund Revenue Account
 - Private Finance Initiative (PFI) or similar schemes
 - Borrowing
- 5.2 The Council is presently debt free, having no long term loans outstanding. Its current policy, expressed in its Treasury Management Strategy for 2012/13, approved by Council on 22 February 2012, is that it is not intended to utilise borrowing to fund the capital programme in view of the Council currently possessing sufficient reserves and useable capital receipts to finance capital expenditure from those sources. It is stated that borrowing may become an option in future years only if these resources become sufficiently depleted, that they are insufficient to finance proposed capital expenditure and, if the costs of borrowing compare favourably with those of alternatives such as using unapplied capital receipts. It is probable that for a period of time during the span of the Capital Strategy capital resources will be depleted to the extent that they

are insufficient to finance further significant capital investment, including projects necessary to ensure operational continuity.

- 5.3 Capital Receipts have been the major source of funding for the Capital Programme in recent years. The amount of useable capital receipts in hand at 1 April 2012 was £2.4m. The majority of capital receipts are committed to finance the currently approved Capital Programme. Additional capital projects may be financed from capital receipts obtained by asset sales or other new capital streams.
- 5.4 In the normal run of events, new sources of capital receipts are somewhat limited. A previously significant source has been the Council's continuing right to a share of receipts arising from tenants of Aspire Housing under the Right to Buy legislation. However, Right to Buy sales have diminished both because of the present depressed property market and there being fewer potential purchasers as time goes by. These receipts are fully committed to finance the cost of the Renewal and Disabled Facilities Grants not met from Government Grant. Government attempts to increase the sale of public sector housing, through changes to the rules governing their sale, could increase activity and lead to a small revival in these receipts. In addition there are usually some small receipts from the sale of minor pieces of land or property but these are unlikely to be significant in amount over the two year period.
- 5.5 The Council has established a number of reserves which are available to finance capital investment. These are as follows:
- ICT Development Fund
 - New Initiatives Fund
 - LSVT Capital Fund

The ICT Development Fund is specifically earmarked for meeting the costs of ICT development, both capital and revenue. The balance on the Fund at 1 April 2012 was £0.7m.

The New Initiatives Fund's purpose is to finance new initiatives, both capital and revenue, not currently provided for in the Council's budgets. The balance on the Fund at 1 April 2012 was £0.1m, all of which will be required to meet the cost of ongoing revenue account initiatives or earmarked for covering costs which may arise if the Council suffers the loss of its exempt VAT status for a period.

The LSVT Capital Fund was established to receive the principal element of leasing charges made to services under the internal leasing scheme, which has been used to charge financing costs to users of ICT and other equipment where the initial purchase of that equipment was financed by using capital receipts arising from the disposal of the housing stock referred to above. This mechanism is intended to ensure that a sum equivalent to the capital receipt used is made available to finance future capital investment. The entire balance on the Fund was utilised in 2011/12 to finance capital expenditure, resulting in a nil balance at 1 April 2012. In future the only income to the fund will be contributions from revenue in respect of internal leasing repayments, which will amount to around £0.13m in 2012/13, reducing over time, until all existing leases have expired.

- 5.6 The use of capital receipts and reserves to finance new capital projects has an effect upon investment income receipts and hence the General Fund Revenue Account. At current investment interest rates of around 1.0% (rates available in the market currently pay a premium of up to an additional 0.5% above the base rate of 0.5%), every £100,000 of such capital receipts or reserve balances used will cost £1,000 to the revenue account on an ongoing basis. The use of capital receipts and reserves to finance the Capital Programme 2011/12 to 2012/13 was taken account of in the

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Medium Term Financial Strategy and in the 2012/13 Revenue Budget. Any receipts generated from the sale of assets will be invested until they are required to finance capital expenditure.

- 5.7 Wherever Government grants are available to meet all or part of the cost of capital projects the Council will ensure that these are applied for and used to maximise the amount of investment which can be made and the benefit which will result from that investment. Currently, the Council apply New Homes Bonus grant in a 50/50 proportion, half in support of the revenue budget and half to finance housing capital projects included in the housing investment element of the capital programme, in accordance with the 2012/13 budget report considered by Full Council on 22 February 2012.
- 5.8 Wherever possible and appropriate, funding will be sought towards the cost of capital projects from external parties. These will include property developers, government agencies, funding from the European Union (normally channelled via a UK Government Department), funding bodies such as the National Lottery or the Football Foundation, and partner organisations that may join with the Council to bring forward particular projects of mutual benefit. In the current climate, however, the Council may find such sources of funding to be limited compared with previous years.
- 5.9 A Community Infrastructure Levy will be introduced in respect of new developments from 2013/14 onwards. This will provide funding for capital investment required as a result of a development taking place, for example new roads or footpaths. It will partially replace "Section 106" contributions payable by developers as a condition of being granted planning permission.
- 5.10 As a result of changes to the treatment of business rates collected by councils (to be implemented by the Local Government Finance Act 2012), which will allow part of the amount collected to be retained by them, there are proposals for a Stoke on Trent and Staffordshire Business Rates Pool to pool retained rates relating to a number of Staffordshire authorities, including Newcastle Borough Council. This has benefits with regard to maximising the total amount retained, with the additional amount gained by pooling being available to participating authorities in a number of ways. One of the features of the pooling arrangement will be the establishment of an investment fund to finance projects which will contribute to economic regeneration within the areas of the participating authorities.
- 5.11 Proposals for Staffordshire authorities to pool the additional income arising from the implementation of council tax technical reforms, if agreed, would enable the establishment of a further investment fund to assist economic development within Staffordshire, including Newcastle.
- 5.12 There is no intention to charge any capital investment directly to the General Fund Revenue Account.
- 5.13 The Council does not presently intend to consider the use of Private Finance Initiative type arrangements or tax increment financing to meet the cost of capital investment.
- 5.14 The Executive Director (Resources and Support Services) will prepare estimates of the resources which are presently in hand plus those likely to be available in future to finance capital investment. He will keep these estimates up to date and periodically report upon them to Cabinet and Council, particularly when the Capital Programme is being considered. The Council will decide on the appropriate form of financing for projects included in the Capital Programme based on advice from the Executive Director as to availability and the consequences and costs of use of the various options.

- 5.15 The need to have available liquid funds to be used to pay for capital projects will be borne in mind when drawing up the Council's Treasury Management Strategy. An appropriate limit will be placed on long term investments based on predictions of the capital spending profile over the period covered by the Strategy so that there are likely to be enough readily available easily cashable investments to meet requirements.

6. REVENUE IMPLICATIONS

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

7. APPRAISAL OF INVESTMENT PROPOSALS

- 7.1 In accordance with the Council's Financial Regulations proposals for new capital investment estimated to cost more than £20,000 will be subject to the Benefits Management Model process, whereby a business case will be made out for the proposal based on whole life costing, its fit with corporate priorities will be demonstrated, outcomes detailed, and project milestones set out. The process will consider the availability of resources to fund the project and its effect, if any, upon the revenue budget in future years. Less significant projects costing below £20,000 will be subject to a simplified process. All new capital investment proposals must be appraised by the Capital Programme Review Group prior to specific Cabinet approval being requested. Before any project may be commenced Specific Cabinet approval must be obtained and the project must be included in the Approved Capital Programme, after considering its priority relative to other proposed projects and the overall level of resources available to fund the Capital Programme as a whole.
- 7.2 A Risk Assessment, in the approved corporate format, will be completed for all capital projects subject to the Benefits Management Model process.

8. MONITORING ARRANGEMENTS AND PROJECT MANAGEMENT

- 8.1 Progress in relation to individual projects will be monitored through the Council's arrangements for the monitoring of capital projects, which entail quarterly monitoring reports to be received by the Cabinet. The Capital Programme Review Group will also review project progress and corrective action will be initiated where projects fall behind schedule, appear likely to overspend or otherwise give cause for concern. Individual Project Forms will be maintained in respect of each project by the

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Executive Director (Resources and Support Services) which will track the progress of projects and be available to officers and members with an interest in reviewing progress of those projects. Monitoring will also take place as part of the Benefits Management Model process, whereby reports will be completed for any projects which deviate from planned progress.

- 8.2 All projects will be assigned to a named officer who will be responsible for overseeing the project, including project monitoring and control and implementing exception reports and, where appropriate, corrective action if the project deviates from its planned progress or cost.
- 8.3 Where complex major projects are to be carried out, consideration will be given to employing the Prince2 project management methodology.
- 8.4 All capital projects will be subject to Internal Audit review to ensure correct procedures have been followed and sums have been paid out in accordance with Financial Regulations and Standing Orders as they relate to contracts. Where projects have received funding from government or quasi-governmental sources, the expenditure will also be subject in many cases to external audit by auditors from the Audit Commission. European Union funded projects may also be subject to audit by auditors on behalf of that body. Where monitoring returns or claims for reimbursement of expenditure are required to be sent to funding bodies, these will be completed and forwarded promptly to the relevant body in compliance with any deadlines laid down by them.
- 8.5 All capital investment proposals and project progress and management are subject to the Council's scrutiny arrangements.

9. STATUTORY FRAMEWORK

- 9.1 The Council's capital investment is carried out within the statutory framework laid down by the Local Government Act 2003 and regulations under that Act. Accordingly, only expenditure which fits the definition of capital expenditure contained in the Act or Regulations pursuant to it will be capitalised.
- 9.2 Capital expenditure is defined by the 2003 Act as that which falls to be capitalised in accordance with proper practices, which means in accordance with the Code of Practice on Local Authority Accounting, published by the Chartered Institute of Public Finance and Accountancy (CIPFA), applicable to all local authorities. Annex A sets out a summarised version of the definition provided by the Code. In addition there are a number of other types of expenditure that have been defined by Regulations as being treatable as capital in nature. Generally these do not apply to this Council.
- 9.3 It should be noted that the Act and Regulations are framed in a permissive way, allowing local authorities to capitalise expenditure which fits the definition but not forcing them to capitalise such expenditure. The Council will decide, therefore, whether to include a project meeting the capital definition in its capital programme or to meet its cost from a revenue account.
- 9.4 The Council does not set a minimum amount for the capitalisation of expenditure (de minimis level). Accordingly, any expenditure complying with the above definition may be capitalised.
- 9.5 Capital Finance Regulations stipulate that amounts of less than £10,000 may not be treated as capital receipts. Accordingly, any such sums received, although otherwise capital in nature, will be credited to a revenue account.

10. PROCUREMENT

- 10.1 Regard will be had to the contents of the Council's Procurement Strategy when considering the delivery of capital projects.
- 10.2 Where estimated project contract costs exceed the relevant European Union threshold, the appropriate EU tendering procedures will be followed.
- 10.3 Standing Orders relating to contracts will apply to all contracts proposed to be let in relation to capital projects, together with Financial Regulations and the provisions of the Council's scheme of Delegation.
- 10.4 The achievement of Value for Money will be a guiding principle in the procurement of capital works and services and in managing contracts.

11. FUTURE CAPITAL PROGRAMME

- 11.1 During the period covered by this Strategy, there will be a need for some items of capital investment to be made in order to ensure continued service delivery or to comply with statutory requirements or to ensure health and safety of staff and public. Examples of these include: operational building repairs and maintenance; replacement of vehicles, plant and equipment required to deliver services; disabled facilities grants.
- 11.2 Funding for additional projects not essential to operational continuity will depend on capital receipts from asset sales. Appendices to the Asset Management Strategy 2013-2016 set out the assets which will be available for disposal during this period and the arrangements to be adopted for public consultation concerning their disposal. Additionally, the appendices indicate a larger number of potential assets for disposal towards and beyond the end of the said strategy. It is intended that the planning merits of those assets be determined during the preparation of the Council's Site Allocation and Policies Local Plan (likely to be completed around the end of 2014/15).
- 11.3 Work is ongoing to compile a basic programme containing those projects which it can be foreseen will be necessary to ensure service delivery or to comply with statutory requirements or ensure health and safety. The programme will also contain projects which are fully funded by external parties and which meet corporate priorities. The overall size of the programme will be determined by the resources estimated to be available to fund it.
- 11.4 It will be essential to apply a robust prioritisation process to determine which projects are included in the capital programme and are subsequently proceeded with. No projects should be considered in isolation. They must be required to be measured against all other competing projects to determine which should go forward. This process should also apply to any projects which are proposed subsequent to the approval of the programme, to ensure that only those projects with a high priority are proceeded with and funds are not diverted to projects of a lesser priority.
- 11.5 Funding for this basic programme is likely to be available to some extent from the following sources:
- Further capital receipts from asset sales
 - Right to Buy capital receipts
 - Government grants
 - Other external contributions
 - Internal lease repayments

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

- 11.6 Current estimates of the amount required to be invested in projects to ensure continued service delivery compared with forecasts of likely receipts from asset sales and other available resources indicate that there will be insufficient resources available to fund all of these requirements over the two year period 2012/13 to 2013/14 and possibly beyond this. It is unlikely that significant sales of assets will be achieved within this timeframe, given poor market conditions and the time normally taken before an asset is finally disposed of. The Council may, therefore, have to review its stance with regard to borrowing, if this proves to be the only practical means of funding necessary investment, particularly if a major unforeseen item of capital expenditure were to materialise, for example major repairs to enable an operational building to continue to be used or new legislation requiring capital spending.

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

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

Expenditure that should be capitalised will include expenditure on the:

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

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

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

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

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

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

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

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LOCALISM ACT 2011 – PUBLICATION OF A PAY POLICY STATEMENT FOR 2013/14

Submitted by: Chief Executive – John Sellgren

Portfolio: Finance and Budget Management

Ward(s) affected: Not applicable

Purpose of the Report

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

Recommendation

That the Pay Policy Statement attached at Appendix A to this report be approved and published on the council's website by 31 March 2013.

Reasons

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

1. Background

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

2. Issues

- 2.1 To promote accountability, the Act requires pay policy statements, and any amendments to them, to be considered by a meeting of full council. In addition, full council should be offered the opportunity to vote before large salary packages are offered in respect of a new appointment (£100,000 and over).
- 2.2 For the purposes of transparency, it is considered that when the full council is discussing the pay policy statement, such discussions should be open to the public. Approved pay policy statements must be published on the authority's website and in any other manner that the authority thinks appropriate, as soon as is reasonably practicable after they are approved or amended.
- 2.3 With regard to fairness, the government recommends the publication of an organisation's pay multiple – the ratio between the highest paid employee and the median average earnings across the organisation – as a means of illustrating that relationship. Any policies on performance related pay must be included in the pay policy statement and authorities are

encouraged to consider whether an element of the basic pay of senior staff should be subject to meeting pre-arranged objectives. The statement must also include the authority's policy on whether they permit individuals to receive salary and pension at the same time so that taxpayers can have the opportunity to question whether they are getting value for money from arrangements where it could appear that the authority is paying an individual twice for doing the same job.

2.4 The council's current approach to pay policy is set out at Appendix A.

3. **Options Considered**

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

4. **Proposal**

4.1 It is proposed that the council approves the content of the Pay Policy Statement for 2013/14 based on the same format used for last year, as set out at Appendix A, with a view to this being published on the council's website by 31 March 2013. This will ensure that the appropriate information is made available to the public in accordance with the requirements of the Localism Act 2011.

5. **Reasons for the Preferred Solution**

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

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

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

7. **Legal and Statutory Implications**

7.1 Preparation of a Pay Policy Statement for 2013/14 is a requirement under section 38(1) of the Localism Act 2011.

7.1 Under Section 40(1) of the Act, Authorities must have regard to the guidance issued by the Department for Communities and Local Government in preparing and approving pay policy statements.

7.2 Before it takes effect, the Pay Policy Statement must be approved by a resolution of the authority. This must be done no later than 31 March 2013.

7.3 Following approval, the statement must be published as soon as possible on the authority's website (and in any other manner the authority thinks fit).

7.4 An authority may amend its Pay Policy Statement and this also requires resolution.

8. **Equality Impact Assessment**

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

9. **Financial and Resource Implications**

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

10. **Major Risks**

Not applicable.

11. **Sustainability and Climate Change Implications**

Not applicable.

12. **Key Decision Information**

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

13. **Earlier Cabinet/Committee Resolutions**

Council – 19 May 2010 – Resn 12/11
Establishment of the Chief Officer Appointment, Review and Appeals Committee.
Council – 28 March 2012 – Item 7
Approval of 2012/13 Pay Policy Statement

14. **List of Appendices**

Appendix A – Pay Policy Statement 2013/14

15. **Background Papers**

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

The above documents are available in the Members' Room and also from the Head of Human Resources.

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Newcastle-under-Lyme Borough Council

Pay Policy Statement – 2013/14

Introduction and Purpose

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

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

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

Legislative Framework

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

Pay Structure

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

There have been no increases in the national pay spine since April 2009.

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

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

Senior Management Remuneration

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

The posts falling within the statutory definition are set out below, with details of their basic salary as at 1 April 2013;

National Joint Council (JNC) Chief Officers

- (a) Chief Executive (Head of the Paid Service)
The current salary of the post is £99,736. This is a spot salary. There is no incremental point range.
- (b) Executive Directors – 3 posts as follows:
 - Executive Director – Resources and Support Services (Section 151 Officer)
 - Executive Director – Operational Services
 - Executive Director – Regeneration and Development

The salaries of posts designated as Executive Directors fall within a range of 4 incremental points between £78,739 rising to a maximum of £83,993.

- (a) Heads of Service – 3 posts as follows:
 - Heads of Service Band 1 – 2 posts*
 - Head of Business Improvement & Partnerships
 - Head of Central Services (Monitoring Officer)

The salaries of Band 1 posts fall within a range of 5 incremental points between £49,555 rising to a maximum of £55,073.

Heads of Service Band 2 – 1 post

Head of Communications

The salaries of Band 2 posts fall within a range of 5 incremental points between £44,601 rising to a maximum of £49,527.

Deputy Chief Officers

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

Head of Customer and ICT Services

Head of Leisure and Cultural Services

Head of Operations

Head of Planning and Development

Head of Assets

The salaries of Band 1 posts fall within a range of 5 incremental points between £49,555 rising to a maximum of £55,073.

Heads of Service Band 2 – 6 posts

Head of Finance

Head of Human Resources

Head of Revenues & Benefits

Head of Recycling Strategy & Fleet Services

Head of Environmental Health Services

Head of Housing & Regeneration Services

The salaries of Band 2 posts fall within a range of 5 incremental points between £44,601 rising to a maximum of £49,527.

- (b) Grade 13 - 1 post, salary within a range of 5 incremental points between £38,961 rising to a maximum of £42,499

Audit Manager

- (c) Grade 12 - 4 posts, salary within a range of 4 incremental posts between £35,430 rising to a maximum of £38,042

Democratic Services Manager

Partnerships Manager

Principal Solicitor x 2

- (d) Grade 11 - 1 post, salary within a range of 4 incremental points between £31,754 rising to a maximum of £34,549

Business Improvement Manager

- (e) Grade 10 - 2 posts, salary within a range of 4 incremental points between £29,236 rising to a maximum of £31,754

Communications Team Leader

Design and Print Team Leader

- (f) Grade 9 - 1 post, salary within a range of 4 incremental points between £27,052 rising to a maximum of £29,236

Land Charges and Information Team Leader

There have been no increases in the pay spines for JNC chief officers since April 2008.

There have been no increases in pay spines for NJC employees since April 2009.

Recruitment of Chief Officers

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

Where the council remains unable to recruit chief officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive chief officer post, the council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The council does not currently have any chief officers engaged under such arrangements.

Additions to Salary of Chief Officers

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

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

Payments on Termination

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

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

Flexible Retirement

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

Publication

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

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

Lowest Paid Employees

The lowest paid persons employed under a contract of employment with the council are employed on full time (37 hours) equivalent salaries in accordance with the National Living Wage which is set independently annually each November. As at 1 April 2013, the lowest paid employee will be paid at the Living Wage hourly rate of £7.45 which equates to a full-time equivalent salary of £14,373.

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

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

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

The current pay levels within the council define the multiple between the lowest paid (full time equivalent salary) employee and the Chief Executive as 1:6.94 and; between the lowest paid employee and average chief officer (excluding the Chief Executive, including deputy chief officers) as 1:3.47. The multiple between the median (average) full time equivalent earnings and the Chief Executive as 1:4.78 and; between the median (average) full time equivalent earnings and average chief officer as 1:2.39.

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

Accountability and Decision Making

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

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

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

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

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

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

Date of Statement: 28 February 2013

SALARY SCALES FROM 01.04.09

Grade	Spinal Column Point	Spinal Column £ Salary Point	Grade	Spinal Column Point	Spinal Column £ Salary Point	Grade	Spinal Column Point	Spinal Column £ Salary Point
Grade 0	4	12,145	Grade 5	16	16,440	Grade 10	35	29,236
				17	16,830		36	30,011
Grade 1	4	12,145		18	17,161		37	30,851
	5	12,312		19	17,802		38	31,754
	6	12,489		20	18,453			
	7	12,787		21	19,126	Grade 11	38	31,754
	8	13,189					39	32,800
			Grade 6	21	19,126		40	33,661
Grade 2	6	12,489		22	19,621		41	34,549
	7	12,787		23	20,198			
	8	13,189		24	20,858	Grade 12	42	35,430
	9	13,589		25	21,519		43	36,313
							44	37,206
Grade 3	10	13,874	Grade 7	25	21,519		45	38,042
	11	14,733		26	22,221			
	12	15,039		27	22,958	Grade 13	46	38,961
	13	15,444		28	23,708		47	39,855
							48	40,741
Grade 4	13	15,444	Grade 8	29	24,646		49	41,616
	14	15,725		30	25,472		50	42,499
	15	16,054		31	26,276			
	16	16,440		32	27,052	Grade 14	49	41,616
	17	16,830					50	42,499
			Grade 9	32	27,052		51	43,405
				33	27,849		52	44,331
				34	28,636			
				35	29,236			

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

All chief officers are currently entitled to a car lease subsidy, the value of which is currently £2,750 per annum.

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

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

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

Fees paid for Returning Officer Duties

Chief Executive

There is a County Council Election in May 2013. The fee paid is £0.06056 per elector. Based on an electorate of 97,353, the payment will be £5,895.70.

Evening Meetings

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

<u>Finish time of meeting</u>	<u>Payment</u>
Up to 9pm	£31.90
9.01 – 10pm	£42.50
10.01 – 11pm	£53.20
After 11pm	£63.85

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**FLEXIBLE RETIREMENT FOR MEMBERS OF THE
LOCAL GOVERNMENT PENSION SCHEME**

POLICY STATEMENT

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

APPENDIX A

- (v) The council will not agree to waive pension benefit reductions.
- (vi) Following the reduction in hours or grade, the council will not offer alternative employment to top-up the loss of income.
- (vii) The council will not agree to requests that would, overall, lead to the employee being better off than before flexible retirement and will only consent to the release of the accrued benefits if this is the case.

4. **Approval Process**

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

5. **Review**

- 5.1 The Policy is to be reviewed annually.

Approved December 2008 – Cabinet
Reviewed April 2009 – No changes
Reviewed April 2010 – No changes
Reviewed December 2011 – No changes