

# Public Document Pack

**Date of meeting** Monday, 19th November, 2012  
**Time** 7.00 pm  
**Venue** Committee Room 1. Civic Offices, Merrial Street,  
Newcastle-under-Lyme, Staffs ST5 2AG  
**Contact** Louise Stevenson ext 2250

## **Transformation and Resources Overview and Scrutiny Committee**

### **AGENDA**

#### **PART 1– OPEN AGENDA**

- 1 Apologies**
- 2 DECLARATIONS OF INTEREST**  
To receive declarations of interest from Members on items included in the agenda.
- 3 MINUTES OF PREVIOUS MEETINGS**  
To consider the minutes of the previous meeting of this Committee held on 30 September 2012. The minutes will be sent to follow.
- 4 THE MODERNISATION OF THE POST OFFICE NETWORK (Pages 1 - 16)**  
To consider the modernisation of the Post Office network, in particular the possibility of partnership working, as a new scrutiny topic for the Committee. Richard Lynds, Senior Stakeholder Manager at the Post Office, will be attending to give a short presentation and to answer any queries.
- 5 TREASURY MANAGEMENT STRATEGY 2013/14 (Pages 17 - 36)**  
To consider the content of and scrutinise the Treasury Management Strategy for 2013/14, including the Prudential Indicators, Investment Strategy and Minimum Revenue Provision Strategy contained within it.
- 6 FINANCIAL AND PERFORMANCE MANAGEMENT REPORT TO END OF QUARTER TWO (SEPTEMBER) 2012 (Pages 37 - 46)**  
To consider the Financial and Performance Review for the 2012/13 second quarter (July-September).
- 7 REVIEW OF THE CONSTITUTION (Pages 47 - 48)**

To receive a briefing note regarding the Constitution Working Party's meeting on 7 November 2012.

**8 WORK PLAN (Pages 49 - 50)**

To discuss and update the work plans to reflect current scrutiny topics.

**9 URGENT BUSINESS**

To consider any business which is urgent within the meaning of Section 100B (4) of the Local Government Act 1972.

**Members:** Councillors Mrs Burgess, Clarke, Fear, Hambleton, Mrs Hambleton, Mrs Heames (Vice-Chair), Howells, Lawton, Mrs Peers, Mrs Shenton (Chair), Stringer, Waring and White

**'Members of the Council: If you identify any personal training / development requirements from the items included in this agenda or through issues raised during the meeting, please bring them to the attention of the Committee Clerk at the close of the meeting'**

Officers will be in attendance prior to the meeting for informal discussions on agenda items.

## DELIVERING PUBLIC SERVICES IN THE DIGITAL AGE



# Welcome to the Post Office

## THE POST OFFICE IS UNDERTAKING THE LARGEST INVESTMENT PROGRAMME IN ITS HISTORY.

The investment means there will be no closure programmes and will benefit communities across the UK by transforming the branch network, offering greater access to public services.

Around half of the UK's 11,500 Post Offices will convert to new style branches over the next three years, offering customers longer opening hours and a brighter more modern environment.

A more modern, sustainable network alongside an unrivalled infrastructure and reputation for trust, makes the Post Office an increasingly attractive channel for public services. The Post Office can meet the needs of Government and local authorities for improved delivery at reduced cost.



Around 4000 new style main branches will retain a dedicated Post Office area in a modern retail environment, and in many cases offer longer opening hours.

Around 2000 local branches will offer Post Office services from the store's retail counters allowing them to offer greatly extended opening hours.



FOR MANY PEOPLE, THEIR LOCAL POST OFFICE IS THE MOST IMPORTANT AND SOMETIMES ONLY PRACTICAL WAY OF ACCESSING VITAL PUBLIC SERVICES.

With more branches than all of the UK's banks combined, the Post Office serves communities right across the UK.

- + 93% of the population live within one mile of a Post Office
- + In deprived urban areas, 99% of the population live within one mile of a Post Office
- + 20 million customers – half the adult population – visit a Post Office branch every week
- + Half of all small and medium-sized enterprises use a Post Office every week





# Delivering public services in the digital age

## THE POST OFFICE PRESENTS THE PUBLIC WITH A FRIENDLY, FAMILIAR, LOCAL POINT OF CONTACT AND SECURITY FOR THEIR PERSONAL DATA.

Building on a long history of delivering essential government services – including managing more than three million Post Office card accounts for people receiving benefits, state pensions and tax credit payments – the Post Office is ideally positioned as an intermediary between the public and national and local government, offering:

- + Cost effective service delivery
- + A secure IT infrastructure that can work seamlessly with back offices
- + A full front office service for payments, applications, verification, data capture and information
- + A digital gateway for customers who are not online
- + A face to face channel for those transactions that can't be done online

Against a background of tight budget constraints, Government officials are tasked with finding new and effective ways of delivering services at reduced cost.

The Post Office can support this challenge whilst complementing the Government's 'channel shift', 'digital inclusion' and 'social and financial inclusion' agendas.



# Delivering public services in the digital age



With an eye on the 8.4 million people in the UK not yet online, Post Office has developed innovative assisted digital kiosks. These allow customers to access a range of forms and applications to print or complete online and submit direct to the relevant department or authority.

## Digital support services

For customers who are not online, the Post Office can offer assisted digital services giving direct access to government and local authorities' services, whilst helping customers develop the skills to go online themselves. For those who are already online, the Post Office is there for the elements that need to be conducted face to face such as identity and physical document verification, to support an online transaction with government.

## Delivering digital trust

From checking proof of age for young peoples' travel passes, through to capturing biometric images for foreign national visa applications, Post Office is trusted to provide identity and evidence management services for every part of society.

Post Office is partnering and innovating to ensure the success of the 'digital by default' world, by delivering the essential front office services that consumers, businesses and government depend on to build and maintain confidence in the digital journey. Post Office believes it can play a valuable role in supporting key Government programmes such as Universal Credit and Identity Assurance.

## Payment services

Post Office can simplify payment services, reduce fraud and support the rationalisation of departmental front offices.

POST OFFICE IS WINNING BUSINESS BASED ON PRICE, ACCESS, SECURITY, CONVENIENCE AND THE CUSTOMER EXPERIENCE.

# Trialling new forms of service delivery

The Post Office is working with government departments, agencies and local councils to explore new forms of service delivery that improve accuracy, eliminate fraud and reduce costs.

Post Office branches in Liverpool for example have tested new processes to reduce errors in applications for Tax Credits on behalf of HM Revenue & Customs. Elsewhere, branches have trialled new ways to support National Insurance Number applications, rural sign-on for job-seekers and a document verification pilot for the Pensions Service on behalf of the Department for Work & Pensions (DWP).



Application, Enrolment and Identity (AEI) units are widely available across the Post Office network.

## Passport check and send service

Over 50% of the UK's 6 million UK Passport applications a year are submitted via the Post Office's Check and Send service available at 2,600 branches, greatly reducing the error rates.

## Biometric data capture

The Post Office Application, Enrolment and Identity (AEI) unit uses advanced biometric technology to capture fingerprints, electronic signatures and digital facial images. It is used by customers in almost 800 branches to renew photo card driving licences for DVLA and applications for foreign residence permits for UKBA. Since its introduction in 2010, AEI has been used for over one million transactions at Post Office branches.



# Driving change in local services

## POST OFFICE BRANCHES PLAY A CRITICAL ROLE IN ENABLING PEOPLE AND COMMUNITIES TO ACCESS KEY SERVICES.

We are working with councils across the country to develop new forms of service delivery, improving access and reducing costs.

In 2011 we ran a year long pilot with Sheffield City Council and local subpostmasters to explore how Post Office branches could become the front office for government in the city. The pilot demonstrated that councils who partner with the Post Office can enhance cost effectiveness and improve accessibility to services for local residents.

**“As public services move online, there is a role for Post Offices in the face-to-face transactions for those who can’t or won’t go online or where the transaction involves a face-to-face element.” \***

The Post Office has begun exploring strategic partnerships with 25 local councils. Together we are examining opportunities for improving efficiency and effectiveness through asset rationalisation and co-location, regional framework agreements and partnerships with private back-office service providers.

\* Strategic Relationships: Post Office sustainability through partnerships, Sheffield City Council, Post Office and National Federation of SubPostmasters 2012.

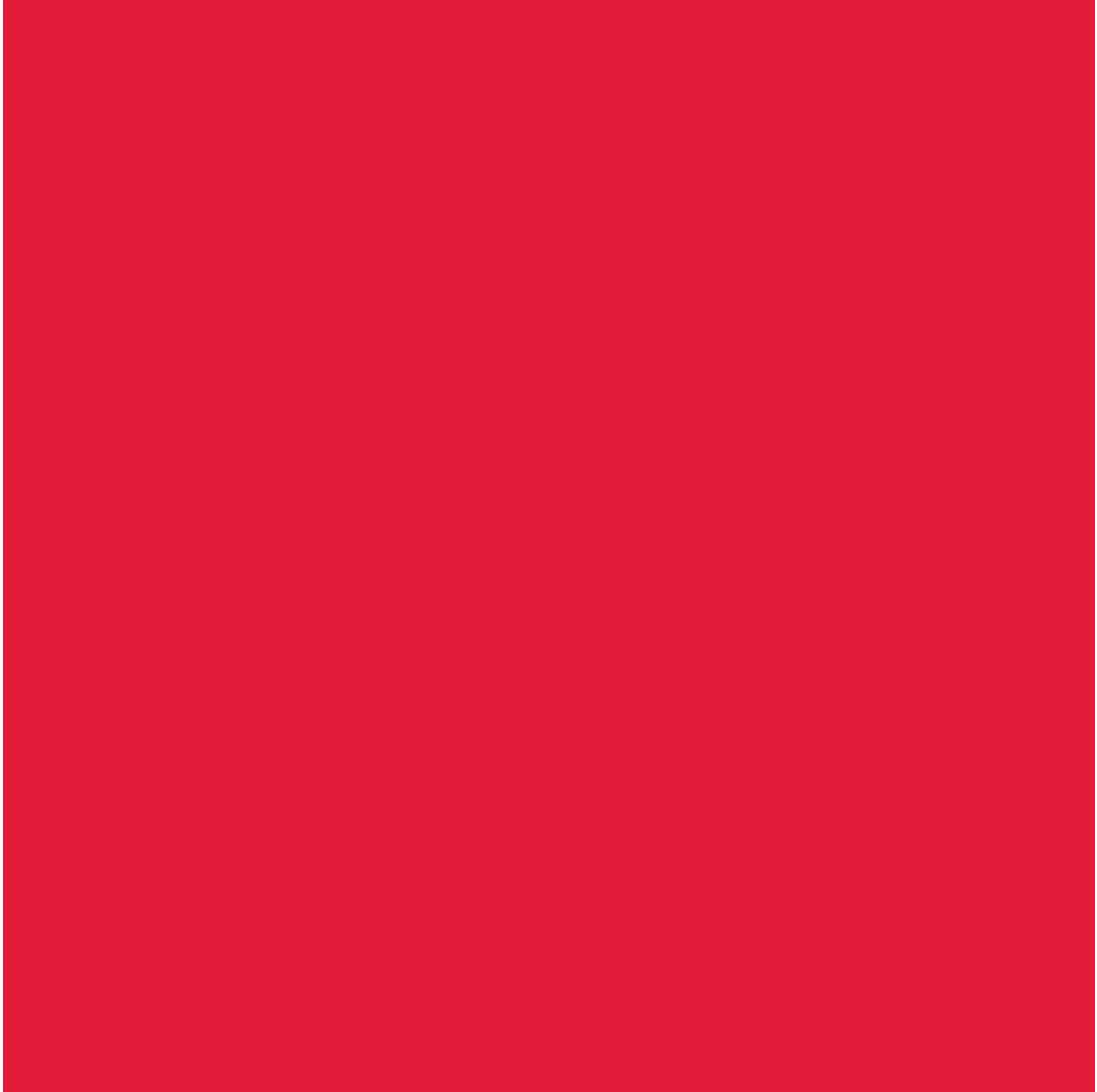


## Westminster City Council

Last year Post Office won a contract with Westminster City Council to provide a range of council services over branch counters: parking permit applications; parking scratch cards and penalty charge notices, casual trader vouchers and commercial waste sacks, as well as council tax and business rate payments.

Westminster Councillor Melvyn Caplan, said:

**“This innovative deal with the Post Office will give Westminster residents more choice of where to make their cash or cheque payments across the borough. The fact residents can pay a wide range of services in one spot also increases convenience and efficiency.”**



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INNOVATIVE, COMPETITIVE, SUCCESSFUL – TODAY'S POST OFFICE®

### **Make the Post Office your front office**

To discuss your requirements please get in touch with our Front Office for Government team.

Email us at [government@postoffice.co.uk](mailto:government@postoffice.co.uk) and visit [www.postoffice.co.uk/government](http://www.postoffice.co.uk/government)

April 2012

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## Delivering local services

Is it time to talk to the Post Office?





## Is it time to talk to the Post Office?

We'd love to talk to you about how Post Office can help you improve convenience and access to services and reduce your costs.

We are modernising. We are undertaking the largest investment and support programme in our history, with funding to improve and sustain thousands of Post Office branches in communities across the UK.

The investment is driving modernisation, growth and improved customer service including longer opening hours.

It will ensure our 11,500 branches are better placed than ever to help councils like yours improve the delivery and cost effectiveness of public services.



**Paula Vennells**  
Chief Executive,  
Post Office Ltd

**“** We are a trusted brand at the heart of communities across the UK, helping customers to access the vital public services they need

## A human touch in a digital age

With more branches than the UK's banks and building societies combined, supported by online, telephone channels and cutting-edge technology, Post Office can offer your customers increased convenience and access to services while reducing your front office costs.

We are building on our long history of delivering public services to become a front office for government in the digital age.

We are uniquely placed to provide a wide range of application, payment and identity verification services. This includes supporting customers who are not online to transact digitally with councils.

- Identity verification – through document checking and biometric data capture, we can help reduce fraudulent applications for services such as benefits, licences and permits
- Supported applications – we ensure applications are completed accurately and submitted securely
- Secure payment service – transactions are processed via our secure infrastructure that can work seamlessly with your back office
- A digital gateway – we can support customers who are not online to transact with you digitally, as well as providing a face-to-face channel for those transactions that can't be done online
- Convenience – with 93 per cent of adults living within one mile of Post Office branch (rising to 99 per cent in urban deprived areas), we offer customers unrivalled levels of access to public services.



**Councillor Nicholas Botterill**  
Leader,  
Hammersmith & Fulham Council

“ This ground-breaking partnership is a match made in heaven. This innovative arrangement offers residents much more choice and convenience as council services will be accessible from thousands of locations nationwide instead of just one or two locally

**Councillor Melvyn Caplan**  
Westminster City Council

“ This innovative deal with Post Office will give Westminster residents more choice of where to make their cash or cheque payments across the borough



## Delivering local services

Post Office already provides services such as bill payments to over 370 councils.

With investment in new technology and transformation of our network and services, we are increasing the range of council services accessed via Post Office branches.

### Hammersmith & Fulham

In May 2012, Post Office won a framework contract with Hammersmith & Fulham Council. It is heralded by the Council's leader as "ground breaking" and a "radical revolution" in the way services are delivered.

Hammersmith & Fulham residents will soon be able to access a range of council services from any UK Post Office branch, including payments for council tax, business rates, housing rents and service charges.

The arrangement can also be extended to include other services such as parking permits and outbound payments, supporting residents without bank accounts.

The new contract will initially save taxpayers around £90,000 a year from 2013/14.

In a UK first, the framework contract is available for other London boroughs to use, saving them considerable

time and money in procurement costs and speeding up improvements to local service delivery.

### Westminster City Council

Seeking to increase access to services while simultaneously reducing costs, last year Westminster City Council signed a wide-ranging contract with Post Office.

Pursuing its ambition to go 'cashless', Westminster wanted to partner with a trusted service provider that could offer residents increased access to local outlets. Post Office was the natural fit.

Our branches now deliver a wide range of application and payment services that include council tax and business rate payments, parking permit applications and penalty charging notices, as well as casual street trader vouchers, parking scratch cards and commercial waste sacks.

**We are working with Liverpool and Lancashire councils, together with their private sector-led joint venture companies, to explore how Post Office can support them to deliver front and back office services in both urban and rural areas.**



## Future opportunities

With the support of the Local Government Association, we have established a Pathfinder Programme with 25 councils. A key objective of the programme is to better understand how Post Office can help councils deliver services in new, innovative ways and what scope exists for closer working, for example, regional partnerships.

Post Office is also supporting a number of planned pilots in both rural and urban areas to see how branches can support councils to improve access to services and reduce costs.

Our new contract with Hammersmith & Fulham Council is one of the first successes of the programme.

**Councillor Peter Box**  
Chair,  
LGA Economy  
and Transport  
Board



This is a welcome opportunity to explore how we can work together as partners with Post Office and local subpostmasters to help ensure that the local network best serves the interests of people, and to see what Post Office can offer in helping councils reduce their costs and improve access to services



### APPLY, BOOK AND ISSUE IT

- Licences
- Parking permits
- Travel passes
- Street trader licences
- Registrar appointments
  - Blue badges
  - Taxi licencing
  - Waste permits
  - Leisure classes

### PAY IT

- Rent
- Council tax
- Business rate
- Fixed penalty notice
  - Licence fees
  - Housing benefit rebates
  - Mortgage payments
  - Adult education fees

### REQUEST AND REPORT IT

- Bin collection advice
- Waste recycling times
- All council forms, including print on demand
- Parking permits and scratch cards
- Incident reporting, e.g. housing repairs, street lighting faults
- Recycling information

Post Office branches have the potential to support councils across a wide range of services

### PROVIDE IT

- Enrolment
- Electoral registration
- Biometric enrolment
- Evidence management support, e.g. housing and council tax applications

### FIND IT

- Consultations, policies and plans
  - Elections
  - Notices and news
  - Contact points

### CLAIM IT

- Asylum seekers
- 16/18 care leavers
  - School uniform vouchers
  - Rebates
- Council tax and housing benefit



## Modernising the Post Office network

The Government has recognised the enormous economic and social value of the Post Office. It is funding a significant support and investment programme for our network. Post Office is an independent business, recently separated from Royal Mail, and remains in the public sector.

We are now modernising our branch network and the IT infrastructure that supports it. Over the next three years, around 6,000 branches will be converted into new, more modern formats. There is no programme of branch closures.

At the heart of our modernisation plans are two new models.

### Main branch

Main-style Post Office branches offer a modern environment and in many cases extended opening hours.

They offer a dedicated Post Office counter with a

**George Thompson**  
General Secretary,  
National Federation  
of Subpostmasters



Post Offices provide a focal point for communities across the country, and our branches are the perfect channel for customers to access local government services in a trusted, convenient and professional environment





Mark Cullinan  
Chief Executive,  
Lancaster City Council



We are working with Post Office in rural and deprived areas and see opportunities to spread services from our town centres to a wider range of access points. We can't do cash transactions as efficiently as they can and it saves us the cost of handling cash

comprehensive range of products and services, as well as the majority of Post Office services available at the retail position during the extended hours the retail business is open.

Many branches will feature new assisted self-service technology.

We already have main branches operating across the UK and feedback has been positive.

## Local branch

The local model will see Post Office services offered on the retail counter, rather than from a dedicated Post Office counter. This means services will be available for longer – for the same hours that the retail business is open.

The model is designed to be used for automated transactions, making it quick and easy for staff to operate and helping to keep customer queuing times to a minimum.

We already have numerous local branches operating across the UK and feedback has been positive.



Consistently achieving more than **90 per cent** customer satisfaction at main and local branches

## Get in touch

If you are considering how to reduce your front office costs at the same time as improving convenience and access for residents and customers, now may be the time to talk to Post Office.

Email [government@postoffice.co.uk](mailto:government@postoffice.co.uk) with your details, where possible outlining your objectives, ideas and proposed timeframe for change.

June 2012

## TREASURY MANAGEMENT STRATEGY 2013/14

**Submitted by:** Head of Finance

**Portfolio:** Finance & Budget Management

**Ward(s) affected:** All Indirectly

### **Purpose of the Report**

To consider the content of and scrutinise 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 Committee consider and scrutinise the content of the Treasury Management Strategy for 2013/14.**
- (b) That the Committee approve the strategy for submission to the Full Council on 27 February 2013.**
- (c) That the current contract with Sector Treasury Services Ltd be recommended for extension 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 will be submitted to the Full Council for approval at its meeting on 27 February 2013.

## **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 (DCLG) 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 draft Strategy Report for 2013/14 is attached at Appendix A.
- 2.2 The draft proposed prudential indicators relating to treasury management are contained in the report.
- 2.3 The draft 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 draft Minimum Revenue Provision Strategy for 2013/14 is contained in Annex C to the report.

## 3. **Legal and Statutory Implications**

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

## 4. **Financial and Resource Implications**

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

## 5. **Major Risks**

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

## 7. **List of Appendices**

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

## 8. **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 Ltd Treasury Management Strategy Statement template (issued on 17/11/11).



**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)*	(231)*	(331)*	(431)*

The CFR is estimated to increase each year by £0.1m, being the net amount of new finance lease liabilities and minimum revenue provision made via the capital financing reserve (also in relation to finance leases). Both the above transactions arise as a result of the implementation of IFRS and its requirements in respect of the accounting treatment of finance lease transactions.

*\* Updated estimates will be provided in the final version*

The amounts shown above will change if the Council needs to borrow to finance 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)
<b>Net Revenue Stream</b>	15,592	15,384	15,018 *	14,670 *	14,505 *
<b>Financing Costs</b>	(191)	(194)	(114) *	(64) *	(64) *
<b>Ratio</b>	(1.23%)	(1.26%)	(0.76%) *	(0.43%) *	(0.44%) *

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.

*\* Updated estimates will be provided in the final version*

## 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 £4,500,000 \*, 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.

*\* An updated estimate will be provided in the final version*

- **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:

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

	<b>2013/14 Estimate (£000's)</b>	<b>2014/15 Estimate (£000s)</b>	<b>2015/16 Estimate (£000's)</b>	<b>2016/17 Estimate (£000's)</b>
<b>Borrowing</b>	15,000	15,000	15,000	15,000
<b>Other Long Term Liabilities</b>	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 (PWL) 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
<b>2013/14</b>	100%	0%	100%	0%
<b>2014/15</b>	100%	0%	100%	0%
<b>2015/16</b>	100%	0%	100%	0%
<b>2016/17</b>	100%	0%	100%	0%

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

	Borrowing		Investments	
	Upper	Lower	Upper	Lower
<b>2013/14</b>	100%	0%	100%	0%
<b>2014/15</b>	100%	0%	100%	0%
<b>2015/16</b>	100%	0%	100%	0%
<b>2016/17</b>	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
<b>Beyond 31/03/14</b>	5,000
<b>Beyond 31/03/15</b>	5,000
<b>Beyond 31/03/16</b>	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. **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	Monthly Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
<b>Dec 2012</b>	0.50	0.60	1.30	1.50	3.70	3.90
<b>March 2013</b>	0.50	0.60	1.30	1.50	3.70	3.90
<b>June 2013</b>	0.50	0.60	1.30	1.50	3.80	3.90
<b>Sept 2013</b>	0.50	0.60	1.40	1.60	3.80	4.00
<b>Dec 2013</b>	0.50	0.60	1.50	1.70	3.80	4.00
<b>March 2014</b>	0.50	0.60	1.70	1.80	3.90	4.10
<b>June 2014</b>	0.50	0.70	1.90	1.90	4.00	4.20
<b>Sept 2014</b>	0.50	0.90	2.10	2.00	4.10	4.30
<b>Dec 2014</b>	0.75	1.10	2.30	2.10	4.20	3.40
<b>March 2015</b>	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. 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:

	<b>£000's</b>
<b>Beyond 31/03/13</b>	5,000
<b>Beyond 31/03/14</b>	5,000
<b>Beyond 31/03/15</b>	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 £4,500,000 \*. 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.

*\* An updated estimate will be provided in the final version*

#### ***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. MMFs are monitored by the official ratings agencies and due to many requirements that need to be fulfilled, the funds usually receive the highest quality rating (AAA) so provide minimal risk. They are very flexible and can be withdrawn in the same way as any other call deposit.
- **MRP** – the Minimum Revenue Provision represents the revenue charge for the repayment of debt.
- **PWLB** – the Public Works Loan Board is a statutory board that is run within the UK Debt Management Office (DMO), its function is to lend money to Local Authorities and other prescribed bodies.
- **Supranational Bonds** – bonds issued by institutions such as the European Investment Bank.

# Agenda Item 6

## FINANCIAL AND PERFORMANCE MANAGEMENT REPORT TO END OF QUARTER TWO (SEPTEMBER) 2012

**Submitted by:** Head of Finance and Head of Business Improvement & Partnerships

**Portfolio:** Communications, Transformation & Partnerships/Finance and Budget Management

**Wards Affected:** All

### **Purpose**

To provide Transformation and Resources Overview & Scrutiny Committee with the Financial and Performance Review for the 2012/13 Second Quarter (July-September).

### **Recommendations**

- (a) That Members note the contents of the report and recommend that the Council continues to monitor and scrutinise performance alongside finances.**
- (b) That Members note that the appendix is an interim performance report to be further developed as detailed in the Performance Management Framework Review. The intention is to report performance information in a new format as the work is progressed.**
- (c) That Members feedback their views and comments to members of Cabinet prior to the December meeting.**

### **Reasons**

These monitoring reports provide information about the corporate performance of individual council services, alongside financial information.

## **1. Background/Issues and Options**

- 1.1 This report provides Members with a detailed update on how the Council has performed during the second quarter of 2012/13 by presenting performance data set in a financial context.
- 1.2 The Council approved a General Fund Revenue Budget of £14,260,980 on 22 February 2012. The actual position compared to this budget is continuously monitored by managers in order to detect any significant variances of expenditure or income from the approved amounts contained in the budget. Regular reports are made available to members by the Portfolio Holder for Finance and Budget Management informing them of the current position, highlighting any significant factors giving rise to variances.
- 1.3 A Capital Programme totalling £18,480,100, covering the two years 2011/12 to 2012/13, was approved at the same Council meeting. Of this total, £4,457,200 was estimated to be spent in 2012/13.
- 1.4 This report also provides detailed analysis of performance in the second quarter, focusing on key performance indicators.
- 1.5 A summary of the overall picture is presented in section 5 of this report. Performance is progressing well, with the majority of targets currently met.

## 2. **Revenue Budget Position**

2.1 The overall position at 30 September shows a favourable variance of £15,000. At this point in the financial year, we would have expected to have spent approximately £4.132 million: we have actually spent £4.117 million. Contributing factors to the variance include:

- Sources of income such as land charges, planning fees, market stall rents, commercial property rents and car park fees, continuing to yield less compared to what we would, in the past, have expected to receive up to this point in the year. Because we anticipated economic problems would continue in 2012/13 an allowance of £200,000 was included in the budget which will help to cover these shortfalls. After the offset of this allowance income is still significantly lower than the amounts expected.
- One main overspend has occurred in respect of Kidsgrove Sports Centre (£79,000) due to the part closure of the facility over the last 12 months as repair works have been carried out to the roof of the swimming pool.
- On the positive side, there have been a number of income sources whereby income has exceeded what we would have expected to receive up to 30 September, these include litter fines, Jubilee 2 income, burial fees and licensing fees.
- There are also significant savings on supplies and services and employee savings arising from factors including the non filling of a number of vacant posts.

2.2 With regard to Jubilee 2, the positive position recorded in the first few months after the centre opened up to the end of the previous financial year has continued. Last year income totalled £377,508 compared with the estimate of £340,142. Up to the end of period 6 this year, income totals £701,903, compared to the budget of £591,200 (due to increased usage of the facility), whilst expenditure totals £796,916, against expected spend at this point in the year of £715,905 (due to overspends including; casual salaries for overnight cleaning before cleaning contractor appointed - £26,000, 16 months NNDR charge - £41,000, utilities due to CHP unit not fully efficient - £15,000, cleaning chemical costs increased due to higher usage - £8,000, repairs and maintenance including chlorination of water system and water testing beyond business plan budget - £6,000).

## 3. **Capital Programme Position**

3.1 The Capital Programme approved by Council in February 2012 has been updated to take account of slippage in 2011/12. Where planned expenditure did not occur last year, this has been added to the budget for 2012/13 (apart from any cases where costs have been reduced or expenditure will no longer be incurred). The revised budget for capital projects in 2012/13 totals £5,418,300. The Capital Programme Review Group considered and agreed the revised Capital Programme at its meeting in early July and monitoring is now being carried out against this revised Programme.

3.2 £1,614,900 of the revised budget was expected to be spent by 30 September. Actual spending was £1,119,800. The variance of £495,100 is mainly accounted for by variances in relation to two projects, the Ecohomes project where the contribution for the installation of solar panels is still to be paid and Section 106 Works at Lowlands Road which is awaiting completion of environmental works.

## 4. **Investment Counterparties**

4.1 Investment counterparties with whom money is invested, as at 1 November 2012 are as follows (with the parent company shown in brackets, where applicable):

Halifax Bank of Scotland (*Lloyds Banking Group*)  
Heritable Bank (*Landsbanki*)  
Royal Bank of Scotland (*Royal Bank of Scotland Group*)

4.2 With regard to the Council's frozen investment in Heritable Bank, the total amount repaid now amounts to some £1,869,521, which is around 74% of the total that was frozen. The Administrators current prediction is that 86-90% of the £2,500,000 invested will be repaid.

## 5. **Performance**

5.1 The Corporate Performance ('dashboard') report is attached as Appendix A.

5.2 The information is presented in four sections against each priority.

5.3 There are measures detailing progress against our priorities and outcomes and the number of quarterly indicators is 27. This is an interim performance report which will be progressed and developed in line with a longer term aim – to identify and focus on key measures that we consider to be of a cross cutting nature and ensure progress against our outcomes over the coming years. The measures to be used in forthcoming reports for 2012-13 and to measure progress in the Council Plan 2013-14 to 2015-16, will be determined at outcome-focussed workshops and one-to one meetings held with relevant officers of the council.

5.4 The appendix comments on individual indicators where they raise an issue or where either a target has been met, or the direction of travel is not positive.

5.5 The proportion of indicators which have met their targets, based on data at the time of compiling this report, was 75%.

5.6 Positive performance can be seen in a range of services although it must be borne in mind that the results later in the year can be different and that some services have seasonal factors.

5.7 There are a very small number of areas listed in this report which are not on target, though none causes concern at present. In all cases, the management of the service is aware of the issues and are taking steps to deal with the situation. Further updates will be provided for Members in future reports.

## 6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

6.1 All of these indicators link to corporate priorities.

## 7. **Legal and Statutory Implications**

7.1 The Council has a duty to set targets for performance of a range of functions and needs to monitor these closely.

## 8. **Equality Impact Implications**

There are no differential equality issues.

## 9. **Financial and Resource Implications**

9.1 Any positive variance for the full year on the General Fund Revenue Account will enable that amount to be transferred to the Budget Support Fund and will be available in future years for

use as the Council considers appropriate. Conversely, if there is an adverse variance, the amount required to cover this will have to be met from the Budget Support Fund.

10. **Major Risks**

- 10.1 The current economic situation represents the greatest risk to the revenue budget, particularly with regard to the impact it may have upon income receivable in relation to services where customers may chose whether or not to use Council facilities, such as car parking and other areas directly affected by the economic downturn, such as land charges and planning applications. The situation will be monitored through the normal budget monitoring procedures.
- 10.2 The capital programme will require regular monitoring to identify any projects which are falling behind their planned completion dates. This will be carried out by the Capital Programme Review Group, which meets on a monthly basis together with quarterly reports to Cabinet.
- 10.3 The above represents a high level view of risk. There are detailed risk registers available if Members wish to see them.

11. **List of Appendices**

Appendix A - Corporate Performance ('Dashboard')

12. **Background Papers**


Working papers held by officers responsible for calculating indicators.











## Newcastle Borough Council – Qtr 2 Performance Report

### Priority 1 - A clean, safe and sustainable borough where:

- Levels of safety will have improved, along with standards of public health:
- Vulnerable citizens and victims of crime will be provided with high quality support:
- The negative impact that the Council, residents and local businesses have on the environment will have reduced:
- Our streets and open spaces will be clean, clear and tidy:
- Town centres across the borough will be sustainable and safe:
- Working in partnership to support victims of anti-social behaviour, crime and domestic violence:
- Focus with partners on empowering local people in communities:






Indicator	Qtr 2 Result	Qtr 2 Target (if applicable)	Comments Qtr 2	2012/13 Target	Target Achieved in Qtr 2?
Number of food establishments which are broadly compliant with good hygiene law	91%	85%	Food business operators have demonstrated good compliance with legal requirements, the launch of the national food hygiene rating scheme and publicising hygiene scores have assisted in improving standards across businesses.	85%	
Violence with injury	193	N/A	Violence with injury incidents have increased by 16% from the previous quarter, which the police and the Community Safety Partnership are looking to address.	N/A	N/A
Anti-social Behaviour	1139	N/A		N/A	N/A
Serious acquisitive crime	156	N/A	Anti-social behaviour results have increased by 3% compared with the year to date figure of 2011-12. However the results for the Serious Acquisitive Crime indicator is down on the previous quarter result by 14%.	N/A	N/A

Indicator	Qtr 2 result	Qtr 2 target (if applicable)	Comments Qtr 2	2012/13 Target	Target Achieved
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		applicable)			in Qtr 2?
The amount of residual household waste per household	107kg	112.5kgs	The figures stated for the two indicators are estimated at this time, with the results confirmed in due course.	450kgs	
Percentage of household waste sent for reuse, recycling and composting	57%	52%		52%	
Measure missed bin collections on all our routes	45.79	100	The number of missed bins remains low with performance continuing to be strong in this area.	100	
% of investment portfolio (NBC owned) which is vacant.	8.4	12%	The percentage for the second quarter is well within target.	12%	
% improvement in street and environment cleanliness					
a) litter	12.09	9	The result is off target for the litter element of this survey. All the results have been analysed in order to improve on the results by Qtr 3.	9	
b) detritus	9.75	9	Slightly off target	9	
c) graffiti	2.48	3	On target	3	
d) fly-posting	0.50	0	Slightly off target	0	



**Priority 2 – A borough of opportunity where:**

- Levels of worklessness will have reduced:
- Local people will be able to access opportunities for personal development and growth
- Housing will be available and accessible to meet a range of diverse needs
- Key parts of the borough will have been regenerated and there will have been overall economic growth

Indicator	Qtr 2 result	Qtr 2 target (if applicable)	Comments Qtr 2	2012/13 Target	Target Achieved in Qtr 2?
Number of cases where positive action was successful in preventing homelessness (from the P1E)	129	125	The NHA team have worked well again this quarter, with the number of service users receiving homelessness prevention assistance from the service exceeding the target.	500	
Continued engagement with the Family Employment Initiative (FEI)	140	135	The result for the half year is 276 people engaged against a target of 270. The details of engagement are as follows: Engagement target 27 per month (Qtr 2, 98 including 16 into voluntary work), Training target 9 per month (Qtr 2, 26), Employment target 9 per month (Qtr 2, 16).	540	
NI 157a Percentage of Major Planning Applications determined within time	70	75 (60)	The performance for major applications has not met the target with 7 decisions made out of a possible 10 in the first half year. This is a cumulative indicator and it should be noted that in the current quarter the result for decisions completed was 100%.	75 (60)	
NI 157b Percentage of Minor Planning Applications determined within time	88.9	85 (65)	The performance for minor applications has met the target. For the category of "other," the performance for this quarter was marginally below the locally set target but exceeded the government target of 80% and so is still performing well. For the sake of clarity the national performance targets set by government have been shown in brackets against our locally set targets.	85 (65)	
NI 157c Percentage of Other Planning Applications determined within time	94	95 (80)		95 (80)	





Priority 3 – A healthy and active community where:





- People who live work, visit or study in the borough will have access to high quality facilities
- Levels of cultural activity and participation in the arts will have increased
- There will be a range of healthy lifestyle choices, resulting in an increase in participation in sport and physical activity
- Local people will be more able to work together to solve local problems
- Council services will be influenced by resident engagement, enabling local communities to shape services which directly affect their lives

Indicator	Qtr 2 result	Qtr 2 target (if applicable)	Comments Qtr 2	2012/13 Target	Target Achieved in Qtr 2?
Number of people accessing leisure and recreational facilities	271,388	285,000	The figure for usage at Jubilee 2 for the first six months continues to be high at 242,985, with the overall usage for facilities for the period being a total of 271,388. The usage figure for the service has not met the target in the second quarter. This is due to the impact of the pool closures at the Kidsgrove centre. Work is underway at the centre to re-commission the pools as soon as practical.	570,000	
Number of people visiting the museum	33,225	31,500	The figures for the second quarter have improved and are above the target set.	63,000	

**Priority 4 – Becoming a Co-operative Council delivering high quality, community-driven services where:**

- The Council will have increased the capacity and skills of its workforce
- Councillors will be community champions and powerful community advocates
- The Council will have delivered further efficiencies
- High performing services will be provided for all residents and customers
- The Council will be an open, honest and transparent organisation which undertakes regular consultation with its residents and listens to their views

Indicator	Qtr 2 result	Qtr 2 target (if applicable)	Comments Qtr 2	2012/13 Target	Target Achieved in Qtr 2?
<b>Average number of days lost, per employee, to the Council through sickness</b>	3.72	3.45	The indicator has performed well previously but is slightly off target during this quarter. This is due largely to the effect of a number of long term sickness cases. All sickness absence is continuing to be pro-actively managed with HR support.	6.9	
<b>Percentage of invoices paid on time(within 30 days)</b>	97.41	97	Performance is now slightly above target	97	
<b>% projected variance against full year council budget</b>	0.1%	No variance	Performance is in line with the target (£15,000 positive variance at period 6)	No variance	
<b>% requests resolved at first point of contact</b>	96.52%	75	Our performance continues to be well above target.	75	

Indicator	Qtr 2 result	Qtr 2 target (if applicable)	Comments Qtr 2	2012/13 Target	Target Achieved in Qtr 2?
% Unmet demand (number of calls not answered as a % of total call handling volume)	8	10	Performance is above target. This is a good achievement, given that the contact centre has recently added to its services by taking Leisure telephone calls.	10	
Percentage of Council Tax Collected (Cumulative)	52.9	50.11	Progress in the first half of the year has continued favourably with performance within the targets set.	97.5	
Percentage of NNDR collected	61.8	58.3		96	
Time taken to process Housing Benefit/Council Tax new claims and change events	11.51 days	13 days		10 days	



## **CONSTITUTION WORKING PARTY**

### **BRIEFING NOTE FOR TRANSFORMATION & RESOURCES - NOVEMBER 2012**

#### **BACKGROUND**

- On 11th July this year Council adopted a revised Constitution, which incorporated all of the amendments recommended by the Working Party. In addition it was agreed that the Working Party carried out a continued review of the Constitution. It was also agreed that 'Constitutional Review' forms part of the ongoing responsibilities of the Transformation and Resources Scrutiny Committee.
- At that meeting of Full Council elected members were encouraged to become more involved with the review and to provide feedback to the Working Party on existing elements of the Constitution and to also identify areas for future review. Over the summer months several councillors submitted feedback and this formed the basis for the most recent meeting of the Working Party, which was held on 7<sup>th</sup> November.
- The following sections of this report outline areas reviewed at that meeting, however they are not presented as comprehensive minutes.

#### **Appendix 10 – Procedure Rules for Scrutiny Committees**

- Sect 12 (12.1/12.2) – This deals with 'members and officers giving account' and their attendance at scrutiny meetings to explain matters within their remit. It has become custom and practise, in this council, for Chairs of Scrutiny Committees to have to issue formal invitations to Cabinet Members in advance of each and every meeting where their attendance is required. The Working Party has been asked to look at revised wording in this section to simplify the process. This would not alter the nature of the attendances, or the need for such members and officers to be there to purely answer questions and not take part in any debate.

#### **Part 4 – Procedure Rules**

- A flowchart has recently been designed and distributed to all members, to assist with disclosable pecuniary interests. The Working Party welcomed the introduction of the document and requested that the 'Declaring Interests Flowchart' be added to the Constitution as a more permanent aide memoir.
- The Working Party also discussed whether there should be a requirement to hold a register of trade union memberships, and this will be considered further at their next meeting.

#### **Part 2 – Section 4 – The Full Council**

Various suggested amendments, questions and confirmations had been received regarding this particular section.

- 4.4 (vi) – It was confirmed that Full Council agrees the appointments to Outside Bodies however it was recommended that the list should be reviewed.

- 4.4 (xi) – Clarification will be added to the term ‘local choice functions’
- 12.7 – An amendment was suggested to record the provision that the returning officer has power to appoint a deputy who may act in their absence.

### **Appendix 7 – Procedure Rules for Council Meetings**

- 11.2 – This section refers to questions having to be put in writing with at least 24 hours notice. This will be amended to add ‘or on a matter within other agenda items’.
- 11.4 and 12.1 – Some minor typographical errors have been amended.
- 15.4 – An additional line will be added at the end of the section, which reads: ‘Note – this rule is required by law’.
- Call-In Flow Chart – Some revisions will be made to clarify the stages in the process, particularly with regard to time limits.

### **Full Council Meetings – Prayers**

- Representations had been received by the Working Party regarding the saying of prayers at Full Council. This was not only in the light of the High Court ruling regarding Bideford Council, but also personal concerns raised by individual councillors.
- Current practise is for prayers not to be agendised and the meeting is only declared open after prayers have concluded. It was recognised that many members view the start of the meeting as being the procession into the Council Chamber by the Mayoral party. It was also noted that currently each Mayor makes the decision about saying of prayers when they take office.
- The Working Party reminded themselves that an additional element is for members to have due regard to officers, who currently have no choice about whether to remove themselves from prayers and as such could be being placed in a discriminatory position.
- It was recognised that this is a very sensitive issue and not one about which the Working Party could simply make a recommendation after one meeting. It was agreed to look at best practice in neighbouring authorities; consult with both the Mayor and the Chief Executive; and to also seek views from all elected members.

### **BACKGROUND PAPERS**

Full Council Agenda and Minutes 11 July 2012

Full Council Agenda and Minutes 16 May 2012

Transformation and Resources Agenda and Minutes 13 February 2012

Transformation and Resources Agenda and Minutes 23 April 2012

Transformation and Resources Agenda and Minutes 12 June 2012

Cllr Elizabeth Shenton  
Chair, Transformation & Resources Scrutiny Committee

## TRANSFORMATION AND RESOURCES

Title	Scrutiny Method	Progress to Date/Actions from last Meeting	Expected Completion Date	Expected Outcomes/Date for Progress to be Assessed
Revenue and Capital Budget <b>(AMBER)</b>	Full Committee	<ul style="list-style-type: none"> <li>Report at 03.09.2012 meeting - timetable &amp; process of budget scrutiny explained – T &amp; R happy with the budget setting process timetable.</li> <li>Finance &amp; budget training sessions taking place</li> </ul>		
Capital Strategy	Full Committee	Expected at 10 Dec meeting		
Treasury Management Strategy	Full Committee	To be considered at November meeting.		
Scale of Fees and Charges	Full Committee	Expected in January 2013.		
Financial and Performance Management Report <b>(GREEN)</b>	Full Committee	<ul style="list-style-type: none"> <li>Continue to monitor &amp; scrutinise performance alongside finances &amp; that quarterly reports are provided to Committee.</li> <li>To include J2 figures (income over target).</li> <li>Report for 2012/13 second quarter expected 19.11.12. First report in new format.</li> </ul>		
Flexible Working for NBC Employees <b>(AMBER)</b>	Full Committee	<ul style="list-style-type: none"> <li>Committee to receive regular updates.</li> <li>Update provided at September meeting - next update expected March 2013</li> </ul>		
Review of the Constitution <b>(AMBER)</b>	<b>Working Group:</b> Cllr Shenton Cllr Holland Cllr Snell	<ul style="list-style-type: none"> <li>Remain as living doc to be kept under review - still areas to review.</li> <li>Request that doc be put on website as PDF with search facilities.</li> <li>Next meeting of WG – 07.11.2012.</li> <li>Update at 19.11.12 meeting.</li> </ul>		
Modernisation of the Post Office Network	TBC	<ul style="list-style-type: none"> <li>To consider the modernisation of the Post Office network and the possibility of partnership working.</li> <li>Rep from PO attending 19.11.2012 meeting. Presentation to committee.</li> </ul>		

### MEMBERS SUGGESTIONS FOR SCRUTINY TOPICS

<b>Suggested by:</b>	<b>Suggestion for Scrutiny Topic:</b>

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