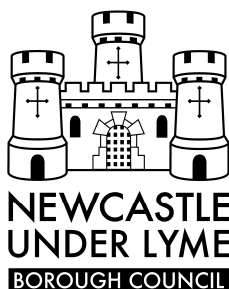


# Public Document Pack



PLEASE NOTE THAT PRAYERS WILL BE HELD AT 6.50PM BEFORE THE COMMENCEMENT OF THE BUSINESS OF THE COUNCIL.

THE MAYOR REQUESTS THAT ANY MEMBER WISHING TO PARTICIPATE IN PRAYERS BE IN ATTENDANCE IN THE COUNCIL CHAMBER BY NO LATER THAN 6.45PM.

Dear Sir/Madam,

You are summoned to attend the meeting of the Borough Council of Newcastle-under-Lyme to be held in the ***Council Chamber, Civic Offices, Merrial Street, Newcastle-under-Lyme, Staffordshire, ST5 2AG*** on ***Wednesday, 26th February, 2014*** at ***7.00 pm***.

## B U S I N E S S

- 1      **MINUTES** (Pages 1 - 8)  
To approve as a correct record the minutes of the meeting held on Wednesday 27<sup>th</sup> November 2013.
- 2      **Mayors Announcements**
- 3      **Report from the Public Protection Meeting held on 3rd February 2014** (Pages 9 - 14)
- 4      **Appointments of Monitoring Officer, Scrutiny Chair and Outside Body Representative** (Pages 15 - 18)
- 5      **Revenue and Capital Budgets and Council Tax 2014 - 2015** (Pages 19 - 46)
- 6      **Treasury Management Strategy 2014/2015** (Pages 47 - 68)
- 7      **Capital Strategy** (Pages 69 - 88)
- 8      **Localism Act - Publication of a pay policy statement for 2014/2015** (Pages 89 - 104)
- 9      **STATEMENT OF THE LEADER OF THE COUNCIL**  
To receive a statement by the Leader of the Council on the activities and decisions of Cabinet and items included on the Forward Plan.

This report will be sent to follow.

**10 REPORTS OF THE CHAIRS OF THE OVERVIEW AND SCRUTINY COMMITTEES**

**Chairs are requested to submit written reports (where possible) to the Democratic Services Manager by Monday 25<sup>th</sup> February 2014.**

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

**11 REPORTS OF THE CHAIRS OF THE STATUTORY COMMITTEES**

- a) Planning Committee
- b) Licensing Committee
- c) Public Protection Committee
- d) Audit and Risk Committee
- e) Standards Committee (minutes attached)

**12 QUESTIONS TO THE MAYOR, CABINET MEMBERS AND COMMITTEE CHAIRS**

In accordance with Procedure Rule 11, questions must be submitted at least 24 hours in advance of the meeting. Any questions considered urgent will only be accepted with the agreement of the Mayor prior to the meeting.

**13 RECEIPT OF PETITIONS**

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

**14 STANDING ORDER 18 - URGENT BUSINESS**

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

Yours faithfully

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

Chief Executive

## **NOTICE FOR COUNCILLORS**

### **1. Fire/Bomb Alerts**

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

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

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

### **2. Attendance Record**

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

### **3. Mobile Phones**

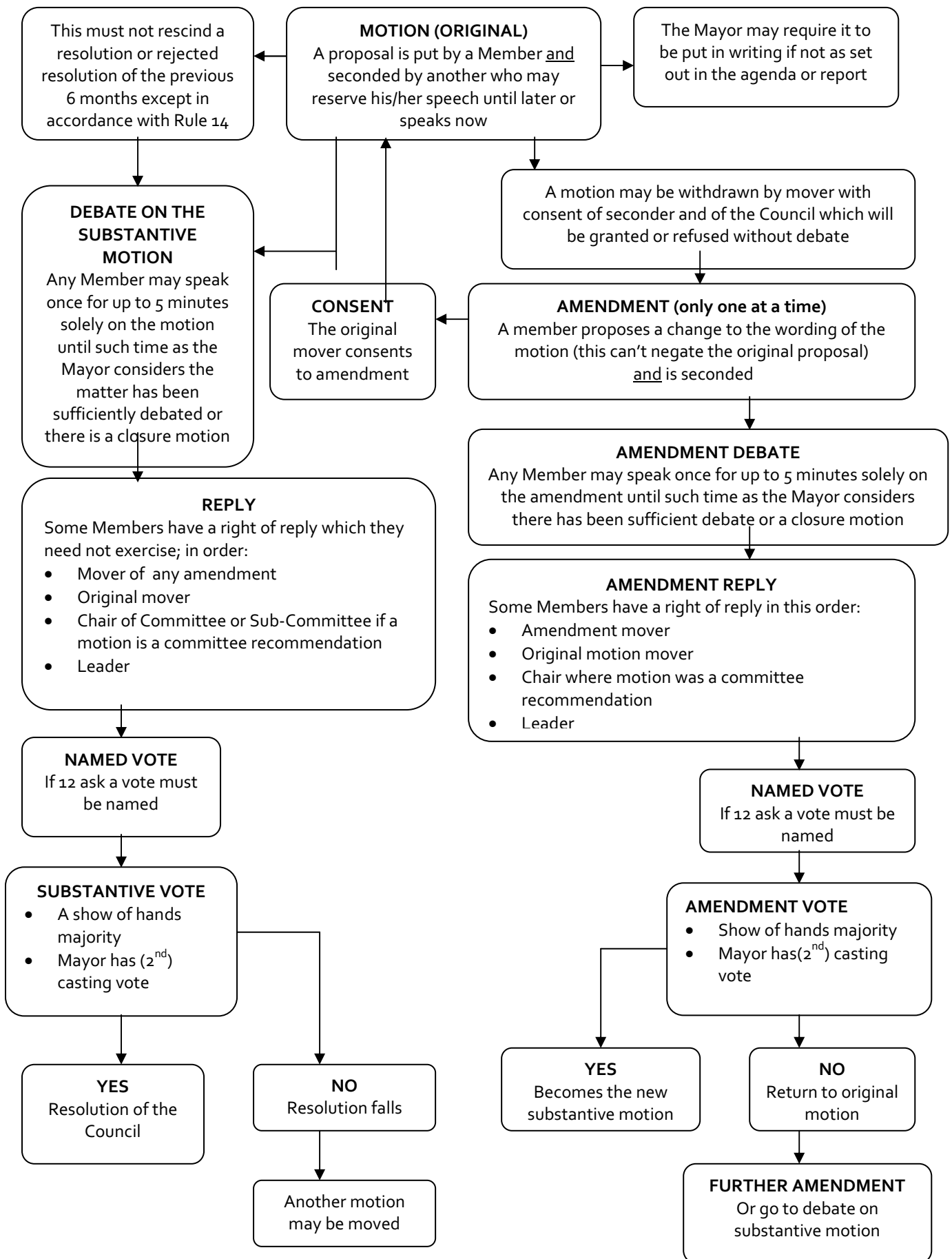
Please switch off all mobile phones before entering the Council Chamber.

### **4. Tea/Coffee**

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

### **5. Notice of Motion**

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



## COUNCIL

Wednesday, 27th November, 2013

**Present:-** Cllr Edward Boden – in the Chair

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

### 1. APOLOGIES

Apologies were received from Cllr Mrs Peers, Cllr Bannister, Cllr Becket, Cllr Mrs Hailstones and Cllr Mrs Hailstones.

### 2. MAYOR'S ANNOUNCEMENTS

The Mayor awarded Cllr Michael Clarke with a long service medal in recognition of him achieving 21 years as an elected member of the Council.

An invitation was extended to members to attend the Mayor's Carol Service at Sacred Heart RC Church in Silverdale on Sunday 22 December 2013 at 6.30pm.

The Charity Ball would be held in the Ballroom of Keele Hall on Friday 28<sup>th</sup> March 2014. Tickets for the Ball were priced at £35 and would be available from Peter Whalan from 2<sup>nd</sup> January 2014.

Members considered a report regarding the appointment of a town Crier for Newcastle under Lyme Town.

**Resolved:** That the Council appoint Gordon Brayford as the Town Crier for Newcastle under Lyme Town on a voluntary basis on the terms contained in the report.

### 3. MINUTES

Resolved: That the minutes of the meeting held on 11<sup>th</sup> September 2013 be agreed as a correct record.

### 4. MEMORANDUM OF UNDERSTANDING BETWEEN PM TRAINING AND THE COUNCIL

The Mayor welcomed Mr Brian Tomkins to the Council meeting. Mr Tomkins was the Chair of the Aspire Group. The Council Leader and Mr Tomkins formally signed the Memorandum of Understanding between the Council and PM Training.

**5. PROPOSED RETAIL-LED REDEVELOPMENT OF LAND AT RYECROFT**

A report was submitted to update Members on actions and next steps required to secure a retail-led regeneration and redevelopment of land in the Ryecroft area of the town centre and to seek approval for key actions required to enable progress to be made on the redevelopment plans.

An amendment to the report was submitted and it was agreed that the amendment be included as recommendation 3b on the report. The amendment stated:

*That the Civic Offices will not be relocated unless and until there is a clear business case for a new location and there is a firm contract in place to redevelop the whole of the Ryecroft Site.*

A debate was held on the amended report. A guarantee was sought from members that any borrowing be short term and of a bridging nature only, that any new development be of a modern design and if appropriate a greater degree of housing be provided on the site.

The Leader drew Members attention to paragraph 4.3 of the report and stated that all outcomes would be brought back to Full Council and be subjected to the fullest scrutiny.

Some concerns were raised regarding whether the library and guildhall would be included in the mix and whether this would result in less space for books and learning. At present there was no desire to include the Guildhall in the mix but the library situation could not be guaranteed.

Members also requested that any plans regarding demolition works be made public as soon as possible to avoid public disturbance and that a timeline for the entire project was essential.

**Resolved:**

1. That officers be authorised in liaison with its Joint Venture partner, Staffordshire County Council to commission the demolition of the former Sainsbury's store on the basis set out in the report, including the seeking of necessary consents.
2. Subject to in-principle approval being given to relocate from the Civic offices, officers be authorised to proceed with the formal marketing of the Ryecroft redevelopment opportunity, with the aim of securing a preferred developer/investor.
3. That approval is given, in principle, for officers to work with key partners in the preparation of a full business case for the relocation of the Civic Offices based upon the broad principles set out in the report in order to facilitate the comprehensive retail-led redevelopment of the Ryecroft area and to contribute towards broader regeneration objectives for the town centre.

- 3b. That the Civic Offices will not be relocated unless and until there is a clear business case for a new location and there is a firm contract in place to redevelop the whole of the Rycroft Site.
4. That officers be authorised in liaison with its Joint Venture partner, Staffordshire County Council to commission the demolition of the former Sainsbury's store on the basis set out in the report, including the seeking of necessary consents.
5. That provision of up to £75,000 revenue funding be made available from the Revenue Investment Fund and up to £50,000 of funding be allocated from the Capital Programme to support the actions set out in the report.
6. That officers report back to Members the outcomes of items 1 and 2 at the earliest available opportunity in order that the next key decision can be made.

## 6. MOTIONS OF MEMBERS

A motion had been submitted by Cllr Kyle Robinson and Seconded by Cllr Terry Turner regarding Kidsgrove Railway Station.

**Resolved:** 1. That this Council support the campaign efforts by Joan Walley MP, Kidsgrove Town Council and all others involved to secure funding to provide accessibility improvements for Kidsgrove Railway Station.

2. That the Leader of the Council write to the Secretary of State for Transport, Patrick McLoughlin MP, to ask that Kidsgrove Railway Station is made a priority for funding in the Access for All scheme this year.

## 7. REPORT OF THE LEADER OF THE COUNCIL

A report was submitted by the Leader of the Council regarding items that had been considered by Cabinet. Since the last meeting of the Full Council on the 11<sup>th</sup> September 2013, the Cabinet had met twice on the 18<sup>th</sup> September 2013 and the 16<sup>th</sup> October 2013.

Decisions sheets for those meeting could be found online using the links below or paper copies being made available upon request.

<http://moderngov.newcastle-staffs.gov.uk/ieListDocuments.aspx?CIId=118&MIId=1893&Ver=4>

<http://moderngov.newcastle-staffs.gov.uk/ieListDocuments.aspx?CIId=118&MIId=1894&Ver=4>

Notable decisions included:

- a. The Corporate Cleaning contract to save the authority money on servicing the cleaning requirement of our building.
- b. The appointment of Cllr Bates as the Council's director on the Kidsgrove Town Centre Partnership.
- c. Extension of the Multi-functional device contract to save around £50,000 over the next two years.

The Leader stated that the lease for Keele Golf Course was 25 years not 50 years as had been stated in the report.

**Resolved:** That the report be received.

**8. REPORTS OF THE CHAIRS OF THE OVERVIEW AND SCRUTINY COMMITTEES**

Verbal and written updates were received from the Chairs of the Overview and Scrutiny Committees on work undertaken since the last meeting of the Council.

**Health Scrutiny Committee:**

**Report on University Hospital of North Staffordshire (UHNS) and the Future of the Mid-Staffordshire NHS Foundation Trust**

This matter had been discussed at the Health Scrutiny Committee on 20th November 2013. At this meeting, the Committee made a number of points including: -

- There was support, as expressed by the Committee, for focusing further scrutiny on the impact on residents of the changes being proposed and also the process of transition and how that was to take place
- The Committee felt that scrutiny of the financial issues relating to this matter and the impact on other NHS services were not of the same priority as the impact on residents and the transition process in terms of further scrutiny by this Council
- The proposals around developing a joint committee were supported by the Committee, but – in providing recommendations to Council – the Committee felt that this was detail to be worked out in conjunction with other relevant organisations as a follow up to agreement by Council on the principle of undertaking further scrutiny work as a Council into this issue
- The Committee also focused on examples of how any changes could impact on UHNS – including waiting lists and areas such as elective surgery

The Committee agreed these points as recommendations to Council unanimously.

Council discussed the recommendations and there was unanimous support regarding the fact that the Council should act for the residents of the Borough in this matter. It was however also noted that there would be accountability sessions with UHNS organised by the County Council and that the Borough Council currently had a code of joint working with the County and that care should be taken to avoid any duplication of work.

**Resolved:**

- a) That the updates be received and the work undertaken noted
- b) That Council note the contents of the scrutiny briefing note (attached at appendix A).
- c) That Council support the recommendations from the Health Scrutiny Committee meeting of 20<sup>th</sup> November 2013 that any impact on the residents of the Borough of Newcastle under Lyme of the transfer of services from Stafford hospital to UHNS should be the subject of detailed scrutiny by this local authority



- d) That Council further supports the recommendation that this council should consult with other organisations potentially affected by these changes in order to ensure that any scrutiny reflects, as far as possible, the catchment area of UHNS

9. **REPORTS OF THE CHAIRS OF THE STATUTORY COMMITTEES**

Verbal updates were received from the Chairs of the Statutory Committees on work undertaken since the last meeting of the Council.

**Resolved:** That the updates be received and the work undertaken noted.

10. **QUESTIONS TO THE MAYOR, CABINET MEMBERS AND COMMITTEE CHAIRS**

**Question 1 submitted by Cllr Howells:**

Given the facts that:

Britain is now the fastest growing Economy in the developed world (OECD Monday 18 November 2013) 1.4 million more private sector jobs have been created since the last General Election Britain now has record levels in employment and in view of the recent revelations surrounding the Rev Paul Flowers (former Chairman of the Cooperative Bank, formal Labour District Councillor and former adviser to the Labour Party), do you agree that it would be wise for the Council to clearly distance itself, for the avoidance of any doubt, from the Cooperative Movement by deleting the reference to "...a co-operative council ..." in its Newcastle under Lyme Borough Council Plan 2013/13 – 2015/16 (page 21 where it reads "Newcastle-under-Lyme Borough Council is working towards being a co-operative council ...") and instead insert "...a partnership council encouraging enterprise ...."?

**Response from Cllr Snell:**

No

**Supplementary question from Cllr Howells:**

Does any Newcastle under Lyme or Kidsgrove Councillors receive any co-op funding?

**Response from Cllr Snell:**

This is all on public record

**Question 2 submitted by Cllr Sweeney:**

What is the Leader's view on zero hour contracts?

**Response from Cllr Snell:**

Zero hour contracts can be unjust when they are used inappropriately but there are some people who have requested to remain on such contracts.

**Supplementary questions from Cllr Sweeney:**

Are there staff at the Council employed on zero contract hours and does the Leader except that there is little difference between zero hour and casual contracts?

**Response from Cllr Snell:**

There are 83 people employed on such hours, generally in the sports departments, many of whom are students whom such an arrangement suits. Talks were currently underway with staff on zero hour contracts, the trade unions and managers regarding the future of such contracts.

**Question 3 submitted by Cllr Holland:**

Last week, Newcastle's MP Paul Farrelly visited Chesterton, to learn about the excellent work that the Salvation Army is doing there, to help the unemployed into work. Does the Leader welcome the Government's efforts to tackle unemployment, which have seen the creation of 1.4 million new jobs since 2010, meaning more people in this country are now in work than ever before, and what is his administration doing to help people into employment in our community?

**Response from Cllr Snell:**

If new jobs are being created then this is a good thing. The Council is working closely with aspire to open up supply chain contracts, using its commissioning powers and working with Newcastle College to help young people into work and to ensure that they have the right skill set for the job market.

**Question 4 from Cllr Fear:**

Does the Leader endorse plans to charge the Borough's residents for the Council's rat catching service?

**Response from Cllr Snell:**

Cross party consensus regarding this had been reached and the Public Protection Committee where the issue had been recently discussed. Care however had to be taken to ensure that the service was not cost prohibitive.

**11. REPORT FROM THE HS2 WORKING GROUP**

The HS2 Working Group was set up to explore the arguments for and against the proposed High Speed Rail link between the North of England and London. The preliminary report of the working group was attached as appendix 1.

Cllr Stringer thanked the working group for its hard work and highlighted the real cross party working that had been achieved. A particular achievement had been the attendance at a meeting of representatives from HS2 which highlighted the high esteem within which the Group was held. It was expected that the scheme would go ahead in some form and this had been taken into account by the Group. It was however also seen as a great opportunity to work with other authorities to help create a fully integrated transport system.

Other Members thanked the Group for its hard work and conclusions that were based on facts, evidence, common sense and consultation.

**Resolved:**

That the Council oppose the HS2 proposals. In so doing, it should join forces with Staffordshire County and the other Councils within Staffordshire to establish a joint policy of opposition but not necessarily link in with any national protest movement. However in the event that the scheme is given assent in Parliament the following recommendations are made:

1. That the Council should work with the relevant parties to ensure that the environmental impact is kept to a minimum. Wherever possible land should be restored to its original condition after the completion of construction
2. That the Council should work with the relevant parties to ensure that compensation is full and fair with particular reference to those who live outside the area where compensation is automatic and those who are owners of agricultural land
3. That the Council should work with Network Rail to ensure that the provision of train services to London from Stoke are as frequent as possible. Also that quality commuter services are initiated at the earliest possible opportunity.
4. That the Council should continue to seek opportunities to enhance the development of business and employment that may arise from the rail network.

**12. LOCALISED COUNCIL TAX REDUCTION SCHEME**

A report was submitted to approve a Local Council Tax Reduction Scheme for the borough area for the financial year 2014/15.

Section 13A of the Local Government Finance Act 1992, substituted by section 10 of the Local Government Finance Act 2012 required each billing authority in England to make a Localised Council Tax Reduction Scheme, specifying the reductions which are to apply to amounts of Council Tax payable by persons or classes of person whom the authority consider are in financial need.

Any scheme needed to be approved by the 31 January before the start of a new financial year or a default scheme prescribed by regulations will be imposed by the Secretary of State for Communities and Local Government. A default scheme would involve expenditure at a higher level than the available central government funding.

**Resolved:** That the Local Council Tax Reduction Scheme for the Newcastle-under-Lyme Borough Council area as detailed is adopted for the financial year 2014/15.

**Chair**



1. **REPORT TITLE** Minutes from the Public Protection Committee meeting held on 3<sup>rd</sup> February 2014.

**Submitted by:** (Democratic Services Manager)

**Portfolio:** (Safer Communities)

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

## **Purpose of the Report**

For Council to confirm the recommendations made by the Public protection Committee at the meeting held on 3<sup>rd</sup> February 2014 in relation to the age of hackney carriage vehicles and driver qualifications.

## **Recommendations (to be in bold)**

**That Council confirm the recommendations of the Public Protection Committee made at the meeting held on 3<sup>rd</sup> February 2014.**

## **Reasons**

As this is a matter of Council Policy it falls within the remit of Full Council to confirm the recommendations.

## **Background**

The following policy recommendations were made by the Public Protection Committee at the meeting held on 3<sup>rd</sup> February 2014:

- That, from 1 April, 2014, in relation to applications to licence Hackney Carriage vehicles, that are purpose built and wheelchair accessible, the vehicles shall be less than 5 years of age when first tested. These vehicles will continue to be relicensed on passing consecutive annual tests.
- That, with effect from 1 October, 2015 anyone holding either a Private Hire or Hackney Carriage driver's licence shall have obtained a relevant qualification, the minimum qualification being either a Btec for private hire and hackney carriage drivers or alternatively the Driving Standards Agency taxi test which incorporates wheelchair training. Any licences renewed to those without such a qualification will expire on 1 October, 2015. These licenses will then be extended to the full 3 years on the production of a relevant qualification.

## 2. **List of Appendices**

- Minutes of the Public Protection Committee held on 3<sup>rd</sup> February 2014.

## 3. **Background Papers**

- Public Protection Agenda for the meeting of 3<sup>rd</sup> February 2014
- Minutes of the Public Protection Committee held on 3<sup>rd</sup> February 2014.

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**PUBLIC PROTECTION COMMITTEE**

Monday, 3rd February, 2014

**Present:-** Councillor Mark Olszewski – in the Chair

Councillors Allport, Bailey, Kearon, Matthews, Miss Olszewski, Williams,  
Mrs Williams and Mrs Winfield

1. **ALSO IN ATTENDANCE**

(Item 10 only)

Mrs T Jones – Hackney Carriage Drivers Association  
Mr T Mahmood – Hackney Carriage Drivers Association

2. **APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Mrs Hailstones, Hailstones and Welsh.

3. **DECLARATIONS OF INTEREST**

There were no Declarations of Interest stated.

4. **MINUTES OF PREVIOUS MEETING**

**Resolved:-** That the minutes of the meeting of this Committee held on 2  
December, 2013 be agreed as a correct record.

5. **DISCLOSURE OF EXEMPT INFORMATION**

**Resolved:-** That the public be excluded from the meeting during  
consideration of the following matters because it is likely that  
there will be disclosure of exempt information as defined in  
paragraphs 1, 2 and 7 in Part 1 of Schedule 12A of the Local  
Government Act, 1972.

6. **CONFIDENTIAL REPORT(S)**

7. **LOCAL GOVERNMENT (MISCELLANEOUS PROVISIONS) ACT - 1976 - MR NY**

**Resolved:-** That, in the circumstances that the applicant, Mr NY was  
unable to be present, consideration of this application be  
deferred to the next meeting.

8. **LOCAL GOVERNMENT (MISCELLANEOUS PROVISIONS) ACT - 1976 - MR VU**

The Committee considered an application from Mr VU for the grant of a Private Hire  
Driver's Licence.

Mr VU was given the opportunity to address the Committee. His solicitor, who had  
accompanied him to the meeting and spoke on his behalf provided a number of  
written character references that were read out and passed to the Chairman.

- Resolved:-**
- (a) That a Private Hire Driver's Licence be granted to Mr VU for a probationary period of six months during which time he be advised that his conduct would be closely monitored.
  - (b) That upon completion of the six months probationary period a report be submitted to the first available meeting of this Committee when a decision, based on the applicants conduct during that time, would be made as to whether a full Private Hire Driver's Licence should be granted.

**9. LOCAL GOVERNMENT (MISCELLANEOUS PROVISIONS) ACT - 1976 - MR AH**

Consideration was given to a report asking the Committee what action it wished to take in respect of the Hackney Carriage Driver's Licence currently held by Mr AH.

Mr AH was given the opportunity to address the Committee.

- Resolved:-** That, for the reasons stated at the meeting, Mr AH be allowed to retain his Hackney Carriage Driver's Licence but that he be warned that any future misconduct or breaches of Council Policy would result in further consideration being given to the licence being revoked by the Committee.

**10. CLEAN NEIGHBOURHOODS AND ENVIRONMENT ACT 2005 - FIXED PENALTY NOTICES. - LITTERING OFFENCES**

Consideration was given to a report advising of actions taken in respect of littering offences within the borough and seeking authorisation to institute legal proceedings against Fixed Penalty Notice Holders referred to in the agenda.

- Resolved:-** That legal proceedings be instituted in relation to those persons referred to in the agenda.

**11. OPEN REPORTS FROM OFFICERS**

**12. CONSULTATION ON HACKNEY CARRIAGE AGE POLICY**

Reference was made to the Council's earlier resolution to consult the Hackney Carriage Trade on a proposal to amend the Council's current Age Policy for Hackney Carriage Vehicles.

The proposal, consulted upon with all Hackney Carriage proprietors was as follows:-

*'Saloon type vehicles will be less than 5 years of age when tested but will cease to be re-licensed when they are 8 years of age.'*

*As for those vehicles, purpose built for Hackney Carriage purposes, those type of vehicle must be less than 5 years of age when first tested but can remain licensed for as long as they continue to pass consecutive annual tests.'*



The Chairman welcomed Mrs Jones and Mr Mahmood (Hackney Carriage Driver's Association) and allowed them to address the meeting on behalf of their members who strongly objected to the adoption of the proposals.

- Resolved:-**
- (a) That, from 1 April, 2014, in relation to applications to licence Hackney Carriage vehicles, that are purpose built and wheelchair accessible, the vehicles shall be less than 5 years of age when first tested. These vehicles will continue to be relicensed on passing consecutive annual tests.
  - (b) That, consideration of the proposal that with effect from 1 January, 2015 all Hackney Carriage vehicles that are saloon cars will cease to be re-licensed when they are 8 years of age be deferred to a subsequent meeting to enable the officers to provide details of the age profile of the Council's Hackney Carriage fleet.

**13. CLEAN NEIGHBOURHOODS AND ENVIRONMENT ACT 2005 - FIXED PENALTY NOTICES - DOG CONTROL ORDERS**

The Committee considered a report advising of actions taken in respect of Dog Control Orders' within the Borough.

**Resolved:-** That the report be received.

**14. PIGEON CONTROL - NEWCASTLE TOWN CENTRE**

Consideration was given to a report providing an update to Members on actions taken to reduce feral pigeon numbers in the town centre.

**Resolved:-** That the report be received.

**15. PRIVATE HIRE AND HACKNEY CARRIAGE DRIVER TRAINING**

Having previously discussed this matter at its meeting on 5 September, 2013, the Committee considered a further report providing details of the outcome of the consultation undertaken with the Hackney Carriage and Private Hire Drivers' fraternity.

The content of responses received was summarised in the officers report on the agenda.

**Resolved:-** That, with effect from 1 October, 2015 anyone holding either a Private Hire or Hackney Carriage driver's licence shall have obtained a relevant qualification, the minimum qualification being either a Btec for private hire and hackney carriage drivers or alternatively the Driving Standards Agency taxi test which incorporates wheelchair training. Any licences renewed to those without such a qualification will expire on 1 October, 2015. These licenses will then be extended to the full 3 years on the production of a relevant qualification.

**16. CLEAN NEIGHBOURHOODS AND ENVIRONMENT ACT 2005 - FIXED PENALTY NOTICES - LITTERING OFFENCES**

Consideration was given to a report detailing the outcome of prosecution proceedings in respect of littering offences within the Borough.

**Resolved:-** That the report be received.

**COUNCILLOR MARK OLSZEWSKI**  
**Chair**

- 1. APPOINTMENT OF MONITORING OFFICER,
- 2. APPOINTMENT TO OUTSIDE BODY,
- 3. APPOINTMENT OF A CHAIR AND
- 4. CHANGES TO COMMITTEE MEMBERSHIP

**Submitted by:** Chief Executive – John Sellgren

**Portfolio:** All

**Ward(s) affected:** All

**Purpose of Report 1**

To formally appoint the Monitoring Officer to the Council. Under Section 5 of the Local Government and Housing Act 1989, the Council is required to have a Monitoring Officer.

**RECOMMENDATION:**

**That the Audit Manager (Elizabeth Dodd) be appointed as the Council’s Monitoring Officer with immediate effect.**

**Purpose of Report 2**

To appoint a Borough Council representative to the Staffordshire County Council Corporate Parenting Panel following a request that has been made from the County Council that a Borough Council representative be appointed to sit on the Corporate Parenting Panel.

**RECOMMENDATION:**

**That Cllr Sandra Hambleton be appointed to the Staffordshire County Council Corporate Parenting Panel as the Borough Council Representative.**

**Purpose of Report 3**

To appoint a Chair to the Transformation and Resources Overview and Scrutiny Committee as there is currently a vacancy for this role.

**RECOMMENDATION**

**That Council appoint a Chair for the Transformation and Resources Overview and Scrutiny Committee.**

**Purpose of Report 4**

To report to Council recent changes in committee membership.

**RECOMMENDATION:**

**That Council note the changes in committee membership.**

**REPORT 1**

**Background**

Following notification of the departure of the former Head of Central Services and Monitoring Officer (Paul Clisby) in June 2013, the Council’s Audit Manager (Elizabeth Dodd) was appointed as the Council’s Monitoring Officer on an interim basis by the Council on 15<sup>th</sup> May 2013.

Proposal

Following the completion of the interim period outlined above, it is proposed that the Audit Manager (Elizabeth Dodd) be appointed as Monitoring Officer on a permanent basis.

Legal and Statutory Implications

The Council is required by statute (principally the Local Government and Housing Act 1989) to appoint a Monitoring Officer.

**REPORT 2**

Background

A request has been made from the County Council that a Borough Council representative be appointed to sit on its Corporate Parenting Panel. Councillor Sandra Hambleton already sits on the Panel as a County Council representative.

Proposal

That Councillor Sandra Hambleton be appointed with immediate effect to the County Council Corporate Parenting Panel.

**REPORT 3**

Background

A vacancy for Chair of the Transformation and Resources Overview and Scrutiny Committee has arisen due to Councillor Shenton being appointed to the Cabinet. Nominations have been requested from all Group Leaders and these will be presented to Council before the meeting.

Proposal

That Council appoint a Chair to the Transformation and Resources Overview and Scrutiny Committee.

**REPORT 4**

The following changes have been made in relation to committee membership in accordance with the Constitution, which states:

Appendix 4 under the Scheme of Delegations:

- (22) To make appointments to all committees other than the Cabinet to give effect to the rules of political balance - Chief Executive in consultation with the Leader of the appropriate political group.

<b>Committee</b>	<b>Previous Member</b>	<b>New Member</b>
Staffing Committee	Cllr Gill Williams	Cllr Margaret Astle
Grants Assessment Panel	Cllr Gill Williams	Cllr Margaret Astle
Economic Development Overview and Scrutiny Committee	Cllr Margaret Astle	Cllr Gill Williams

Grants Assessment Panel	Cllr Eagles	Cllr Rout
Planning Committee	Cllr Edward Boden	Cllr Turner

Cllr Elizabeth Shenton has also been appointed to Cabinet as Portfolio Holder for Leisure, Culture and Tourism.

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# Agenda Item 5

## NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

### REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO COUNCIL

26 FEBRUARY 2014

#### 1. REVENUE AND CAPITAL BUDGETS AND COUNCIL TAX 2014/15

**Submitted by:** Executive Director (Resources and Support Services)

**Portfolio:** Finance and Resources

**Wards(s) affected:** All

##### Purpose of the Report

This report sets out the recommendations of Cabinet for the Revenue and Capital Budgets for 2014/15 and sets out the recommendations for setting the 2014/15 Council Tax.

##### Recommendations

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

#### 1. Background

- 1.1 This report is the culmination of the 2014/15 budget process, which started before the current 2013/14 budget was set. The Cabinet and the Transformation and Resources Overview and Scrutiny Committee (TROSC) have already considered the content of the 2014/15 Budget and the resultant Council Tax which is recommended. At its meeting on 5 February 2014 the Cabinet considered the comments of the TROSC of 22 January. After considering the various comments made the Cabinet recommend an unchanged Council Tax for this Council in 2014/15 of £176.93 (based on Band D), as set out in Appendix B.

#### 2. General Fund Budget 2013/14 – Projected Out-turn

- 2.1 Monthly reports monitoring actual spending against budget have shown only small overall variances throughout the first ten months of the year.
- 2.2 Within the overall position there are a number of significant variances, as referred to in the Budget and Performance Monitoring report considered by Cabinet on 5 February. These are:
- Kidsgrove Sports Centre is operating at a significant net overspend (£110k as at 31 January), primarily due to income shortfall;
  - Interim management and maintenance of Keele Golf Course has resulted in a cost to the Council of £99k as at 31 January;
  - There have also been a number of income sources whereby income has exceeded what would have been expected to be received as at 31 January. These include: licensing fees, planning application fees, Jubilee 2 income, and the recovery of housing benefits overpayments.
- 2.3 Taking account of the above factors it appears likely that the outturn for 2013/14 will not differ significantly from the budget.
- 2.4 There have been a number of notable achievements so far in 2013/14, as set out below:
- Working collaboratively with other authorities, a new Customer Relationship Management system (CRM) has been implemented by Customer & ICT Services in June and all other partners moved to the shared web based system at the end of October.
  - Replacement of the corporate financial system completed in December and training provided to system users.

- A Town Centre Manager from the business community of Newcastle was recruited for the Newcastle Town Centre Partnership, established a business plan and a programme of town centre events delivered. This included the Lymelight Music Festival, Global Groove, and a weekend of activities around the Christmas Lights switch on.
- Kidsgrove Town Centre Partnership established.
- Enderley and Bridge Street subways have been fully refurbished in partnership with the county council.
- Progress with engagement of partners in developing key projects such as Lets Work Together continues with a series of training sessions and also events held with partners.
- Another successful Business Boost competition and awards event held at the Keele Sustainability Hub.
- Procurement has worked closely with service areas in taking various approaches to make effective savings through ongoing analysis, and includes collaborative tenders and the use of various purchasing frameworks to ensure cost reductions for post, stationery, cash collection, ICT hardware, and other tenders which use economies of scale through collective purchasing to identify further areas of savings.
- A Social Value toolkit compiled in conjunction with and support from the Newcastle Partnership. Ongoing support given to embed social value as part of future commissioning/procurement and the establishment of Social Value champions within the authority.
- A total of nearly 4,000 volunteer hours were given from volunteer groups and individuals in the first six months of the year to care for the local green spaces and neighbourhoods through the delivery of the Community Engagement Framework.
- Negotiated a two year price freeze with our Green and Food Waste contractor making a saving of £20,000 from the next financial year.
- Recycling & Waste were shortlisted in APSE Performance Awards.
- Introduced a pilot Business Food Waste scheme to support businesses reducing their food waste.
- Development of Memorandum of Understanding (MOU) with Project Management Training (PM) to foster greater collaboration, and support to supplier event with PM generating further apprenticeships within the region.
- In the first six months of the year a total of 29 affordable housing units were provided. Partnership working continues with registered providers and the Homes and Communities Agency to deliver new affordable housing in line with the Local Investment Plan.
- Successfully provided three internships for students at Keele University.
- Recruited eleven apprentices to the council after the successful launch of the Shared Apprenticeship Scheme.
- New community centre and facilities delivered at Silverdale.
- The Operations section gained the Gold Standard Award in Britain in Bloom for 12<sup>th</sup> year running and also Green Flag Awards for nine of its parks and green spaces.
- Delivered a range of measures to address, deter and prevent anti social behaviour e.g. diversionary activities, and co-ordinated a range of activity to support victims of domestic violence and anti social behaviour.
- The Council, alongside a range of partners, finalised the signing of a 20-year agreement with JCB for the Blue Planet building to become a logistics hub creating 300 jobs over the next two years.
- Progress with consolidation of ICT software continues with the removal of legacy software systems to improve efficiencies and integration with the council's mainstream systems. The consolidation of the Network and Telephony contracts resulted in reduced costs and enables the move to more efficient technology as part of a future programme.
- The Council's Committee Services and ICT Team successfully upgraded the Council's Modern.Gov system to offer residents, councillors and staff the opportunity to use the Modern.Gov app linked to the Council's public website.
- Remote Access solution has been replaced to ensure the authority has greater resilience in a business continuity situation, whilst enhancing flexible and agile working.
- The Council's accreditation with Public Service Network (PSN) was confirmed in November. The Council is one of approximately 250 authorities who have received compliance to date. Compliance with the new, more stringent requirements allows connection to a secure Government network, as part of the Government's bid to share information between public



bodies, and enables services such as Revenues & Benefits to send and receive information from Government departments such as the Department for Works Pensions securely.

- An ICT Desktop strategy was approved in September and a rollout of Windows 7 and Office 2010 is currently being implemented to all users.
- Customer Services has received the Customer Service Excellence award for the third year running.
- Collaborative commissioning with the County Council to commission projects to be delivered by the Third Sector.

### 3. Revenue Budget 2014/15

3.1 Excluding levies for Town and Parish Councils the recommended Borough Council Tax for a 'Band D property' remains at £176.93, the same level as in 2013/14.

	<b>Estimated Expenditure £</b>	<b>Rate of Council Tax (Band D) £ p</b>
Borough Council requirements –		
Total Net Expenditure	13,131,430	376.37
Less: External Support	<u>7,192,560</u>	<u>206.15</u>
	5,938,870	170.22
Add:		
Collection Fund Deficit 2013/14	<u>234,270</u>	<u>6.71</u>
 Borough Council Tax Requirement	 <u>£6,173,140</u>	 <u>£176.93</u>

The amounts shown above differ slightly from those shown in the equivalent table in the budget report to Cabinet of 5 February. This is due to a change, following clarification received, to the accounting treatment of small business rate relief grant receivable from the government in 2013/14, which increases the 2013/14 collection fund deficit in respect of National Non Domestic Rates (NNDR), of which this Council's share is £0.332m. There is no effect on the final Borough Council Tax Requirement arising from this change because the deficit share of £0.332m will be met from NNDR income already received in 2013/14 which has been set aside in that year to meet the deficit. This income is included in the Total Net Expenditure amount in the table.

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

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

<u>Parish</u>	<u>Rate of Council Tax (Band D) £ p</u>
Audley	17.16
Betley, Balterley and Wrinehill	17.26
Chapel and Hill Chorlton	16.15
Keele	22.88
Kidsgrove	14.77
Loggerheads	21.46
Madeley	44.51
Maer	18.64
Silverdale	7.99
Whitmore	23.66

The above levies are based on the requirements supplied by the parishes, some of which have yet to forward their official precept demands to the Council, in which case the levy is based on an estimate of the precept requirement.

It should be noted that Loggerheads Parish Council will hold its Parish meeting to set the parish precept on 27 February, i.e. after this Council meeting. The estimated precept amount as supplied by the Parish has been used above and in the tax tables and resolutions at Appendix A. In the event that a different precept amount is approved at the Parish meeting it will be necessary to amend the resolutions and tables in respect of Loggerheads Parish and those where aggregate amounts relating to Parishes are referred to. In order to deal with such an eventuality expeditiously, it is proposed that delegated authority be given to the Portfolio Holder for Finance and Resources in conjunction with the Executive Director (Resources and Support Services) to approve the necessary amendments to the relevant resolutions.

#### 4. **Medium Term Financial Strategy and Budgets for 2014/15**

4.1 Members will recall that the Council's updated Medium Term Financial Strategy (MTFS), as reported to Cabinet on 15 January 2014, forecast a budget shortfall of £2.049m for 2014/15, with additional shortfalls of £1.934m for 2015/16, £1.390m for 2016/17, £0.857m for 2017/18 and £0.926m for 2018/19. Because the 2014/15 council tax freeze grant is only payable for two years, 2014/15 and 2015/16, a further £70,000 will have to be added to the shortfall for 2016/17. The current anticipated shortfalls need to be addressed by a combination of measures such as efficiency savings, reductions in expenditure or income increases and consideration of the need for Council Tax increases. As announced by the Leader in his report to Council on 27 November 2013, work is already ongoing by your officers, working in conjunction with the Budget Review Group, to identify solutions as part of the Newcastle 2020 project. The Budget Review Group will continue to develop a strategy for bridging the entire 2015/16 gap and for eliminating the shortfalls in respect of the remaining years up to 2018/19. The outcome of this work will be reported to Cabinet upon completion.

4.2 The 'gap' between expenditure and resources for 2014/15 of £2.049m arises from the factors set out in the table below:-

<b><u>CHANGES TO BASE BUDGET</u></b>	
<b><u>ADDITIONAL INCOME</u></b>	
Fees and Charges	<b>£'000</b> 96
<b>TOTAL ADDITIONAL INCOME (A)</b>	<b>96</b>
<b><u>ADDITIONAL EXPENDITURE &amp; LOSS OF INCOME</u></b>	
Reduction in Government Grant	1,123
Provision for Pay Awards	134
Incremental Pay Rises for Staff	54
Superannuation increase in employers contribution/ changes to the LGPS in relation to non-contractual overtime.	201
Reduced Vacancy Factor allowance	72
Price Increases e.g. energy, fuel, rates, insurances, supplies & services	100
Loss of Investment Interest due to fewer capital receipts and investment rates	46
Reduction in Housing Benefits and Local Council Tax Support Subsidy	90
Adjustments re One-Off items in 2013/14, e.g. Borough elections	225
<b>TOTAL ADDITIONAL EXPENDITURE AND LOSS OF INCOME (B)</b>	<b>2,045</b>
<b><u>OTHER ITEMS</u></b>	
<b>CONTRIBUTION TO ICT DEVELOPMENT FUND (C)</b>	<b>50</b>
<b>CONTINGENCY (D)</b>	<b>50</b>
<b>NET INCREASE IN BASE BUDGET (B+C+D-A)</b>	<b>2,049</b>

4.3 In addition the Council also has a medium term capital programme. Details of this can be found in Appendix F to this report.

4.4 A number of savings and funding strategies have been identified and agreed with managers as being feasible and sustainable in order to bridge the £2.049m "Gap". Some consist of savings in expenditure whilst others involve increasing income. These proposals total £2.049m and are summarised in the table below and set out in detail at Appendix C.

<b>Category</b>	<b>Amount</b>	<b>Comments</b>
	<b>£'000</b>	
Procurement	259	Smarter procurement and reductions in the amount of supplies procured
Additional Income	158	Includes new sources of income and additional income arising from increased activity. This amount is additional to the amount of £96,000 included in the MTFS in respect of a general 2% increase in fees and charges.
Good Housekeeping Efficiencies	181	Various savings arising from more efficient use of budgets
Staffing Efficiencies	488	No redundancies arise from these proposals.
Better Use of Assets	115	Demolition of former Sainsburys site and sale of Jubilee1.
New Homes Bonus funding	208	Contribution to revenue budget from New Homes Bonus funding.
Council Tax Freeze Grant 2014/15	70	See 4.6 below
Alternative Sources of Finance/Other Savings	570	Additional Business Rates retained, reduction in grants and contributions to external bodies, effect of forecast Council Tax Base increase.
<b>Total</b>	<b>2,049</b>	

4.5 It is not proposed to increase the council tax for 2014/15. The Council would be permitted to increase tax by up to 2.0 per cent, above which it is required to conduct a referendum to determine the views of taxpayers. The government wish to see no increase in council tax for 2014/15 and are once more offering to pay a non specific grant to those councils which do not increase their council tax for 2014/15. The grant is payable at a rate equivalent to a 1.0 per cent increase in the authority's 2013/14 basic amount of council tax multiplied by its council tax base. For Newcastle, this would result in a grant of around £70,000 being payable, which is included in the table of proposals to close the budget gap at paragraph 4.4 above. The grant will be payable for two years, 2014/15 and 2015/16, no more payments being made after 2015/16. The grant of £70,000 in respect of the 2013/14 freeze will be paid in 2014/15, consolidated within the overall financial settlement amount, after which it will cease. The grant of £173,000 in respect of the 2011/12 freeze, which was originally payable for four consecutive years, will continue to be paid in 2014/15, after which it will also be consolidated within the overall financial settlement amount. Both of these grants relating to previous years' freezes are included in the base budget, so do not represent additional income. The grant in respect of the 2012/13 freeze is no longer receivable as it was only paid for the one year, 2012/13. The table below summarises the position in relation to these freeze grants over the years they will be received.

Grant	Years in which grant is receivable					
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
Re 2011/12 Freeze	173	173	173	173	173*	173*
Re 2012/13 Freeze	0	173	0	0	0	0
Re 2013/14 Freeze	0	0	70	70*	0	0
Re 2014/15 Freeze	0	0	0	70	70	0
Total Receivable in Year	173	346	243	313	243	173

\* Receivable as part of overall financial settlement rather than as a separate grant

4.6 A number of new initiatives in relation to Council priorities were provided for in the 2013/14 budget and have been continued in 2014/15, these include:

- Town Centre Partnership (£30,000)
- Apprentices (£40,000)
- Home Security Support for Vulnerable Residents (£10,000)
- Revenue Investment Fund - £100,000 is again included to fund projects in support of corporate priorities.

Other noteworthy activities which are planned to be carried out during 2014/15 to be met from provision within the revenue or capital budgets are:

- Reviews and implementation of new strategies and policies over a wide range of services
- Progress with the Public Realm project will see the replacement of market stalls to be in place by Easter 2014 and Hassell Street pedestrianisation works for Spring.
- Ryecroft subway refurbishment completed by Autumn 2014.
- Business boost competition planned to be held again in October 2014.
- Newcastle Town Centre Partnership and Kidsgrove Town Centre Partnership delivery and implementation of business plans
- Continue to work with the Stoke and Staffordshire Local Enterprise Partnership to secure European funding for the Borough.
- Further development of the CRM system will utilise new applications to improve the customer journey and make efficiencies from back office integration.
- Pledge to undertake a further apprentice recruitment drive and to work with companies and the voluntary sector to offer even more opportunities where possible for young people.
- Plans to work with Keele University again to provide the internship programme and interest shown from Staffordshire University to be involved in 2014/15.
- Implement outcomes of the community centre review
- Work and Development of an Eco/Green Deal brokerage service
- Establish the new procurement portal and continue to progress work where analysis has identified procurement savings.
- In partnership with Keele University Business School, we are looking to develop our trade waste and trade recycling services.
- Marketing to continue to secure a development partner to take forward the redevelopment of the Ryecroft site for major new retail-led, mixed-use development and new multi-storey car park.
- Progress with many of the projects commenced in 2013-14 is also planned.

4.7 2013/14 is the first year of the new system whereby local authorities are permitted to keep a part of the business rates income which they collect, broadly speaking equating to a share of the growth in this income. The Borough Council has joined with the County Council, Stoke on Trent City Council, Staffordshire Fire Authority and three other Staffordshire District Councils to form a business rates pool. By doing this the amount of income which may be retained is maximised. Experience to date indicates that a substantial amount of income will be retained by the Council in respect of 2013/14,

in excess of the amount which used to be received in relation to business rates by way of National Non Domestic Rates Grant under the previous arrangements. The precise amount cannot be accurately predicted with two more months remaining until the end of the financial year but there is every indication that the Council will benefit from the new arrangements. No allowance for any additional income was made in the 2013/14 budget because at the time it was prepared there was a great deal of uncertainty concerning how the new arrangements would operate, with much of the detail not decided upon or communicated to councils by central government. However, now that there is greater clarity and based on experience during 2013/14, an amount of £450,000 has been included in the 2014/15 budget in respect of additional income arising from business rates. Any additional income received in 2013/14 may be set aside into a reserve, pending a decision on its future use. It should be noted that although, as described above, there should be an overall benefit to the revenue budget, the accounting required for the new arrangements, means that the Council's gross expenditure and income will increase significantly.

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

	£'000	Report Reference
Changes to Base Budget	2,049	4.2
Savings/Increased Income	(2,049)	4.4
<b>BUDGET SHORTFALL ('GAP')</b>	-	

4.9 The government have now notified the Council of the final amount of its formula grant for 2014/15. This is in line with the provisional settlement figure, which represents a 13.6% reduction. In addition, the provisional settlement figures for 2015/16 represent a further reduction of 15.6% in funding.

## 5 **Balances and Reserves**

5.1 The Council's Balances and Reserves Strategy for 2013/14 is that there should be a minimum General Fund balance of £1.2m and a minimum balance on the Contingency Reserve of £100,000. The Council currently holds these reserves.

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

5.3 The review and risk assessment indicate the following:

- Most of the reserves are still adequate to meet normal levels of expenditure, with two exceptions set out below.
- The Insurance Fund will be insufficient to meet the cost of premiums and claims from 2014/15 onwards, particularly since negotiations with the insurers indicate that they will require a substantial increase in premiums for 2014/15. The estimated shortfall as at 31 March 2015 is around £162,000.
- By 2014/15 the Renewals and Repairs Fund is likely to be insufficient to meet the cost of repairs and maintenance of council buildings and structures, with an estimated overdrawn balance of £24,000 by 31 March 2014, which worsens to an estimated overdrawn balance of £84,000 by 31 March 2015. It will be necessary, therefore, to top-up the reserve in order to fund essential repairs and maintenance expenditure.
- The level of minimum balances required after considering the risk assessment remains at £1.3m.

5.4 As outlined above, there is a need to replenish two reserves, the Insurance Fund and the Renewals and Repairs Fund. Owing to the recent settlement with the owner of The Square concerning arrears of rent, an amount of £393,000 was received, £115,000 of which relating to 2013/14 was recorded in that years accounts, with the balance being paid into the Contingency Reserve. It is proposed to utilise the remaining balance of £278,000 from the Contingency Reserve to replenish these two

reserves, £100,000 to be transferred into the Renewals and repairs Fund and £178,000 into the Insurance Fund.

- 5.5 As reported to Cabinet on 15 January 2014, following the completion of the tendering exercise in respect of the Housing Advice Contract, there will be some transitional set up costs, amounting to around £65,000 to ensure a smooth changeover to a new contractor. It is proposed to fund these costs, arising in 2014/15, from the New Homes Bonus Reserve, which is predicted to have a balance at 31 March 2014 of £83,000. This balance has arisen because of savings on capital schemes intended to be financed from the reserve, together with the Council's Social Housing commitment of £65,000 included in the 2013/14 Housing Capital Programme and originally intended to be financed from New Homes Bonus now to be met by way of land transfers.
- 5.6 The RENEW Reserve was originally set up to meet revenue costs in relation to the North Staffordshire Housing Market Renewal Programme. This programme has now ceased. There remains a balance on the reserve, most of which is no longer required for meeting commitments arising from the renewal programme, the last of which expires in 2014/15. The predicted balance as at 31 March 2014 is £86,000. It is recommended, therefore, that this amount be transferred to the Contingency Reserve and the Renew Reserve be extinguished.
- 5.7 The ICT Development Fund is used to fund the development of ICT facilities and the replacement of ICT systems and equipment. No contributions have been made to the fund in recent years. In order to enable it to continue to fulfil this role, an amount of £50,000 has been included in the 2014/15 budget as a contribution to the fund. It is intended that this level of contribution will continue to be provided for in future budgets.
- 5.8 Previous reports have drawn attention to the situation with regard to Municipal Mutual Insurance (MMI), whereby the Council may be subject to clawback in respect of claims settled by the company after they went into administration. Potentially the liability could amount to around £721,000. Current advice is that authorities should set aside around 25% of their potential liability as a provision to meet this eventuality. Presently, an amount of £180,000 is set aside in such a provision (the MMI Provision). Notification was received in January 2014 from the Municipal Mutual Scheme Administrator that a levy of 15 per cent of the liability in excess of £50,000, amounting to £101,000, had become payable and this payment has been made. The payment will be met from the MMI Provision. This may not be the final levy which is made against the Council. If further amounts are required to enable the Administrator to meet the liabilities of the Company he is able to call for an additional levy or levies to be paid.
- 5.9 Cabinet, at its meeting on 15 January, received a report concerning Keele Golf Course and resolved that the course be closed until further notice. The budgetary implications of this decision are that the net income of £30,000 included in the base budget will no longer be achieved and there will be holding costs arising in 2014/15, pending a decision on the long term future of the site. There has been an improvement in the Council Tax Collection Fund position in that the £3,700 deficit contribution to the Fund included in the base budget is estimated to be a surplus contribution from the fund of £97,680 in 2014/15, a net improvement of £101,380. It is proposed, therefore, that £30,000 of this additional income arising from the collection fund contribution be used to adjust the net income figure included in the base budget for the golf course and that the balance is set aside for holding and maintenance costs until a decision is made with regards to its future use, in accordance with the Cabinet decision of 5 February.
- 5.10 Following the decisions of the Planning Committee and Cabinet, on 10 and 11 December respectively, to proceed with the preparation of a new Local Plan jointly with Stoke on Trent City Council it will be necessary to address the budget shortfall which will arise. Cabinet, on 16 October had already considered a report detailing the shortfall, which was identified as £76,170 in 2014/15 and £9,000 in total over the following two years and resolved that the financial implications be addressed through the Medium Term Financial Strategy and respective budget setting processes. It will be recalled that the Council's investment of £2,500,000 (plus £9,000 in accrued interest) in Heritable Bank was frozen in 2008/09, resulting in an impairment charge being made to the General Fund Revenue account, reducing the value of the investment, as shown in the Council's balance sheet. Subsequently the amount of the impairment has been reduced in line with the recommendations of the Chartered Institute of Public Finance and Accountancy. Now that the

frozen amount has substantially been repaid, £2,357,691 having been received so far, it is possible to recalculate the amount which should remain as impairment, resulting in an amount of £152,040 being shown as over-impaired. This can be credited back to the General Fund Revenue Account, at 31 March 2014, and by so-doing removes the balance in respect of the Heritable investment from the balance sheet. It is proposed to transfer this amount, at 31 March 2014, from the revenue account into the Contingency Reserve. It will be possible, therefore, to meet the budget shortfall in relation to the Local Plan preparation from the increased balance available in the Contingency Reserve in 2014/15 as a consequence of the impairment transaction outlined above.

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

## 6 **Consultation**

6.1 An extensive public consultation exercise was carried out which included distributing more than 5,000 copies of a special budget edition of the "Reporter", which invited readers to complete a brief questionnaire setting out their views concerning options for the 2014/15 budget. There were also pages within the council's website devoted to the budget consultation, including an online version of the questionnaire. Following on from this, a number of public meetings were held at various locations across the borough which gave residents an opportunity to contribute their views. In addition, Cabinet members and officers were available on a number of days for "stop and chat" sessions at a variety of locations to answer questions concerning the 2014/15 budget and to receive the views of the public. The Council's e-Panel was also consulted. Finally, Cabinet members attended meetings with a variety of organisations including residents' associations and parish councils.

6.2 The Medium Term Financial Strategy and the budget proposals have also been considered by the TROSC at their meetings on 6 November 2013, 3 December 2013 and 22 January 2014. In addition members had the opportunity to raise issues and receive explanations concerning the proposed budget for 2014/15 at a Scrutiny Café event held on 14 January. Following the January TROSC meeting, the Chair fed back the Committee's comments to the Cabinet at their meeting on 5 February 2014.

## 7. **Risks**

7.1 Appendix 'E' shows the risk assessment in relation to the 2014/15 General Fund Revenue Budget.

## 8. **Capital Programme 2013/14 - 2014/15**

8.1 The Capital Programme 2013/14 - 2014/15, recommended by Cabinet, is attached at Appendix 'F', together with a summary of the proposed financing of the Programme. This contains projects directed towards meeting the Council's corporate priorities, as reflected in its Capital Strategy. The revenue consequences of the Capital Programme have been incorporated in the 2014/15 Revenue Budget.

8.2 New schemes total £1,039,000 plus £1,029,000 relating to the Housing Capital Programme. The remainder of items included in the Programme relate to continuing expenditure on current schemes, funding for which has already been approved. A summary of the new items included in the Programme and how they are proposed to be funded, is set out below:

Scheme	Cost	Funding		
		New Homes Bonus	Disabled Facilities Grant	Capital Receipts
	£'000	£'000	£'000	£'000
<b>Housing Programme</b>				
Disabled Facilities Grants	864	350	514	
PSH/Emergency HHSRS Grants/Vulnerable H	80	80		
Empty Homes	20	20		
Energy Advice Service	20	20		
Home Improvement Agency	13	13		
Landlord Accreditation Scheme	32	32		
<b>Replacement Vehicles and Equipment</b>				
Vehicles Replacement	552			552
Waste Bins	50			50
<b>Stock Condition Works</b>				
Museum	15			15
Commercial Portfolio	60			60
Civic Offices	53			53
Car Parks	20			20
<b>Parks and Open Spaces</b>				
Footpath Repairs	50			50
Play Area Refurbishment *	50			50
Railings/Structures Repairs	25			25
Brampton Park	100	85		15
<b>Other Projects</b>				
Cemetery Memorial Survey Works	9			9
Ryecroft Site Clearance Costs (net) **	45			45
Clayton Sports Centre - Match Funding	10			10
<b>TOTAL</b>	<b>2,068</b>	<b>600</b>	<b>514</b>	<b>954</b>

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

\*\* Additional resources allocated but expenditure will be in 2013/14

- 8.3 Continuation of the capital programme beyond 2014/15 is dependent upon the achievement of a programme of receipts from the disposal of assets. It is essential that sufficient capital receipts are generated from these asset sales to enable essential capital investment to take place. Cabinet considered a report concerning future capital investment needs and capital resources on 5 February 2014 and resolved to set up a Cabinet Panel to develop and oversee the process required to develop strategies to find solutions to meet the financial challenges in respect of the medium term capital requirements.



8.4 The Chartered Institute for Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance, which the Council has adopted, requires the calculation of a Prudential Indicator in relation to the capital programme. This is to demonstrate the incremental impact of capital investment decisions upon the council tax, in other words what the additional cost to the General Fund Revenue Account will be as a result of carrying out the projects contained in the proposed capital programme, compared to the situation which existed based on the programme approved at last year's council tax setting Council meeting. The Indicator shows that the incremental impact is estimated to be £9,540 (in a full year once the projects are complete and operational), which equates to a council tax levy of £0.27, using the 2014/15 council tax base for calculation purposes. This is based on £954,000 additional capital expenditure funded from Council resources and an assumed interest rate of 1.0 per cent. Provision has been made in the 2014/15 budget for the cost of funding the capital programme in terms of reduced interest as a result of using capital receipts and reserves arising from the profiled capital spend.

9. **Business Rates - Temporary Relief for Retail Premises**

9.1 The Chancellor of the Exchequer has announced a new temporary relief for Business Rates to apply to retail businesses occupying properties with a Rateable Value of £50,000 or less. The relief is to apply for two financial years only, 2014-15 and 2015-16 and can be up to £1,000 for each property for each year. Local authorities are expected to grant this Retail Relief by way of a discretionary relief under Section 47 of the Local Government Finance Act 1988. The Department for Communities and Local Government will then reimburse the cost of the relief by way of a grant to the local authority under Section 31 of the Local Government Act 2003.

9.2 Normally, discretionary reliefs granted under Section 47 of the 1988 Act are considered on their individual merits. However, there are potentially 997 hereditaments impacted by this new relief in the Borough Council area and there are likely to be a significant number of changes to entitlement caused by the general movement in businesses opening and closing during the two year period. It is therefore considered impractical to seek individual approval to grant the relief.

9.3 In view of the lack of impact on the local authority's overall budget, it is proposed that Members approve in principle, the granting of Retail Relief to all qualifying businesses with affect from the 1 April 2014 and to then delegate authority to the Executive Director (Resources and Support Services) to administer the Retail Relief scheme, adjusting entitlements and granting any new entitlements that changes of circumstances dictate, for the duration of the scheme.

10. **List of Appendices**

- A Recommendations
- B Revenue Budget 2014/15
- C Savings and Funding Strategies
- D Actual and Estimated Reserves at 31 March 2013 to 31 March 2015
- E Risk Assessment
- F Capital Programme 2013/14 to 2014/15, including financing of expenditure

**Schedule of detailed recommendations**

The following recommendations set out the decisions needed for the Council to set its own budgets and Council Tax for 2014/15.

**Recommendations**

- (a) That the Revenue Budget for 2014/15 be approved, as set out in Appendix B.
- (b) That the Council Tax at Band 'D' be £176.93, unchanged from 2013/14.
- (c) That the Capital Programme to 2014/15 be approved as set out in Appendix F, together with the Prudential Indicator relating to the Incremental Impact of Capital Investment Decisions on the Council Tax, as set out in paragraph 8.4.
- (d) That the minimum balances requirement be confirmed as £1,300,000, unchanged from a year ago.
- (e) That £278,000 be transferred from the Contingency Reserve, as follows: £100,000 into the Renewals and Repairs Fund; £178,000 into the Insurance Fund.
- (f) That £65,000 of transitional set up costs in relation to the Housing Advice Contract be financed from the New Homes Bonus Reserve.
- (g) That the Renew Reserve be extinguished by transferring the balance as at 31 March 2014 to the Contingency Reserve.
- (h) That expenditure of £76,170 arising in 2014/15 in relation to the preparation of the new Local Plan be financed from the Contingency Reserve.
- (i) That the budget shortfall arising in 2014/15 in relation to the Council resuming responsibility for the Keele Golf Course premises be met from the Council Tax Collection Fund surplus, as outlined in the foregoing report.
- (j) That, in respect of Non-Domestic Rates, Retail Relief is granted to all qualifying businesses as at 1 April 2014, and that delegated Authority is given to the Executive Director (Resources and Support Services) to administer the Retail Relief scheme for the duration of the scheme.
- (k) That delegated authority be given to the Portfolio Holder for Finance and Resources in conjunction with the Executive Director (Resources and Support Services) to approve any necessary amendments to relevant resolutions arising from changes in Parish precept amounts notified to the Council after this meeting.
- (l) That it be noted that at its meeting on the 15 January 2014 the Cabinet calculated the following amounts for the year 2014/15:
  - (i) 34,890 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as its council tax base for the whole Council area for the year (Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act"))
  - (ii) For dwellings in those parts of the Council's area to which a Parish precept relates as in the table below:

Kidsgrove	6,349
Loggerheads	1,845
Audley	2,437
Betley, Balterley and Wrinehill	564
Chapel and Hill Chorlton	186
Keele	330
Madeley	1,416
Maer	244
Silverdale	1,348
Whitmore	803

(m) That the Council Tax requirement for the Council's own purposes for 2014/15 (excluding Parish precepts) is £6,173,140.

(n) That the following amounts be calculated for the year 2014/15 in accordance with Sections 31 to 36 of the Act:

(i) £72,188,172 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act taking into account all precepts issued to it by Parish Councils.

(ii) £65,722,220 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act.

(iii) £6,465,952 being the amount by which the aggregate at (n)(i) above exceeds the aggregate at (n)(ii) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).

(iv) £185.32 being the amount at n (iii) above (Item R), all divided by Item T (I (i) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

(v) £292,812 being the aggregate amount of all special items (Parish precepts) referred to in Section 34 (1) of the Act.

(vi) £176.93 being the amount at (n) (iv) above less the result given by dividing the amount at (n) (v) above by item T (I (i) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item (Parish precept) relates.

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

	£ p
Audley Parish Council	194.09
Betley, Balterley and Wrinehill Parish Council	194.19
Chapel and Hill Chorlton Parish Council	193.08
Keele Parish Council	199.81
Kidsgrove Town Council	191.70
Loggerheads Parish Council	198.39
Madeley Parish Council	221.44
Maer Parish Council	195.57
Silverdale Parish Council	184.92
Whitmore Parish Council	200.59

Being the amounts given by adding to the amount at (n) (vi) above, the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above, divided in each case by the amount at (I) (ii) above calculated by the Council in accordance with Section 34(3) of the Act, as the basic amount of its

Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(viii)

<b><u>Part of the Council's Area</u></b>	<b><u>Valuation Bands</u></b>							
	A	B	C	D	E	F	G	H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Kidsgrove Town Council	127.80	149.10	170.40	191.70	234.30	276.90	319.50	383.40
Loggerheads Parish Council	132.26	154.31	176.35	198.39	242.47	286.56	330.65	396.78
Audley Parish Council	129.40	150.96	172.53	194.09	237.22	280.35	323.49	388.18
Betley, Balterley and Wrinehill Parish Council	129.46	151.04	172.61	194.19	237.34	280.49	323.65	388.38
Chapel and Hill Chorlton Parish Council	128.72	150.18	171.63	193.08	235.98	278.89	321.80	386.16
Keele Parish Council	133.21	155.41	177.61	199.81	244.21	288.61	333.02	399.62
Madeley Parish Council	147.63	172.23	196.84	221.44	270.65	319.85	369.07	442.88
Maer Parish Council	130.38	152.11	173.84	195.57	239.03	282.49	325.95	391.14
Whitmore Parish Council	133.73	156.02	178.30	200.59	245.16	289.74	334.32	401.18
Silverdale Parish Council	123.28	143.83	164.37	184.92	226.01	267.10	308.20	369.84
Other Parts of Borough Area	117.96	137.61	157.27	176.93	216.25	255.56	294.89	353.86

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

- (o) That it be noted that for the year 2014/15 the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwelling shown below:-

<b><u>Precepting Authority</u></b>	<b><u>Valuation Bands</u></b>							
	A	B	C	D	E	F	G	H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Staffordshire County Council	684.83	798.97	913.11	1027.25	1255.53	1483.81	1712.08	2054.50
Staffordshire Fire Authority	45.09	52.61	60.12	67.64	82.67	97.70	112.73	135.28
Office of the Police and Crime Commissioner Staffordshire	118.41	138.14	157.88	177.61	217.08	256.55	296.02	355.22

- (p) That having calculated the aggregate in each case of the amounts at (n) (viii) and (o) above, the Council, in accordance with Section 30(2) of the Act, hereby sets the following amounts as the amounts of Council Tax for the year 2014/15 for each of the categories of dwelling shown below:

**Valuation Bands**

	A	B	C	D	E	F	G	H
<b><u>Part of the Council's Area</u></b>	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Kidsgrove Town Council	976.13	1138.82	1301.51	1464.20	1789.58	2114.96	2440.33	2928.40
Loggerheads Parish Council	980.59	1144.03	1307.46	1470.89	1797.75	2124.62	2451.48	2941.78
Audley Parish Council	977.73	1140.68	1303.64	1466.59	1792.50	2118.41	2444.32	2933.18
Betley, Balterley and Wrinehill Parish Council	977.79	1140.76	1303.72	1466.69	1792.62	2118.55	2444.48	2933.38
Chapel and Hill Chorlton Parish Council	977.05	1139.90	1302.74	1465.58	1791.26	2116.95	2442.63	2931.16
Keele Parish Council	981.54	1145.13	1308.72	1472.31	1799.49	2126.67	2453.85	2944.62
Madeley Parish Council	995.96	1161.95	1327.95	1493.94	1825.93	2157.91	2489.90	2987.88
Maer Parish Council	978.71	1141.83	1304.95	1468.07	1794.31	2120.55	2446.78	2936.14
Whitmore Parish Council	982.06	1145.74	1309.41	1473.09	1800.44	2127.80	2455.15	2946.18
Silverdale Parish Council	971.61	1133.55	1295.48	1457.42	1781.29	2105.16	2429.03	2914.84
Other Parts of Borough Area	966.29	1127.33	1288.38	1449.43	1771.53	2093.62	2415.72	2898.86

Revenue Budget 2014/15

## REVENUE ESTIMATES 2014/15

## STATEMENT OF NET EXPENDITURE AND COUNCIL TAX REQUIREMENTS

Topic Area	2013/14 General Fund		2014/15 General Fund	
	Estimate 2013/14	Basic Band D Council Tax	Estimate 2014/15	Basic Band D Council Tax
	£	£ .p	£	£ .p
Administration Before Recharges to Services	7,734,850	225.11	7,105,850	203.66
Less Recharges to Services	(7,673,490)	(223.32)	(7,105,850)	(203.66)
<b>Total Administration Net of Recharges</b>	<b>61,360</b>	<b>1.79</b>	<b>-</b>	<b>-</b>
Holding Accs Before Recharges to Services	2,419,930	70.43	2,422,960	69.45
Less Recharges to Services	(2,409,790)	(70.13)	(2,422,960)	(69.45)
<b>Total Holding Accs Net of Recharges</b>	<b>10,140</b>	<b>0.30</b>	<b>-</b>	<b>-</b>
Central Services	3,705,510	107.84	4,301,860	123.30
Cultural Services	4,398,160	128.00	4,421,430	126.72
Environmental Services	6,773,430	197.13	6,307,890	180.79
Planning	1,794,750	52.23	1,719,520	49.28
Transport	(284,170)	(8.27)	(254,550)	(7.30)
Housing	1,881,050	54.74	2,087,190	59.82
<b>Net Cost of Services</b>	<b>18,340,230</b>	<b>533.76</b>	<b>18,583,340</b>	<b>532.61</b>
Pensions Liabilities Account - Interest Costs	40,000	1.16	40,000	1.16
Less Return on Assets	(352,600)	(10.26)	(553,070)	(15.85)
Investment Properties	(272,500)	(7.93)	(193,000)	(5.53)
Interest and Investment Income				
<b>Net Operating Expenditure</b>	<b>17,755,130</b>	<b>516.73</b>	<b>17,877,270</b>	<b>512.39</b>
Contribution to/(from) Revenue Reserves	278,400	8.11	84,300	2.42
Contribution to/(from) Capital Reserves	(2,114,000)	(61.52)	(2,100,000)	(60.19)
Contribution to/(from) Pension Reserve	(129,330)	(3.77)	(129,330)	(3.71)
Deferred Charges Write-off	(759,470)	(22.10)	(1,004,470)	(28.79)
Minimum Revenue Provision	163,000	4.73	166,000	4.76
<b>Amount to be met from Government Grant and Local Taxpayers</b>	<b>15,193,730</b>	<b>442.18</b>	<b>14,893,770</b>	<b>426.88</b>
Revenue Support Grant	(4,156,000)	(120.95)	(3,552,000)	(101.81)
Other Non-Specific Grants	(2,197,000)	(63.94)	(1,747,400)	(50.08)
Capital Grants & Contributions	-	-	-	-
Business Rates Retention Funding	(2,765,000)	(80.47)	(3,655,500)	(104.77)
Collection Fund Deficit/(Surplus)	3,700	0.11	234,270	6.71
<b>Borough Council Tax Requirement</b>	<b>6,079,430</b>	<b>176.93</b>	<b>6,173,140</b>	<b>176.93</b>
Staffs C.C. Precept		1,027.25		1,027.25
Fire Authority Precept		67.64		67.64
Police Authority Precept		177.61		177.61
<b>Total Council Tax Requirement</b>		<b>1,449.43</b>		<b>1,449.43</b>

The Council Tax Base used in the above table was fixed by the Cabinet at its meeting on 15 January 2014 at 34,890

**Note:** Central Services expenditure increases in 2014/15 owing to a change in the way that pensions costs are accounted for, part of the cost now being a lump sum charge rather than made directly to services.

**Savings and Funding Strategies**

Reference	Service Area	Description	£000's	% of Budget Line(s)	Detail
<b>Procurement</b>					
P1	Communications	Multi Functional Devices	38	53.7%	Contract savings for 2014/15 and 2015/16 only - require reinstatement for commencement of new contract from 2016/17
P2	Communications	Printing and publicity	3	2.9%	Savings generated from the centralisation of the Council's print and publicity budgets and the resulting challenges to purchasing
P3	Business Imp. and Partnerships	Procurement savings not identified in other services	100	*	Procurement savings identified via Procurement Group (grounds maintenance, building cleaning/materials, housing advice)
P4	Customer and ICT Services	ICT Software application purchase and maintenance	18	4.7%	Continued negotiation, rationalisation and renewal of ICT application/software/hardware contracts
P5	Internal Audit	Computer audit contract and software	5	30.8%	Saving on computer audit contract following annual procurement and reduction in requirement for software
P6	Recycling and Fleet	Contract uplifts	66	3.8%	Non application of recycling contract uplifts
P7	Recycling and Fleet	Vehicle costs	20	13.9%	Better procurement of parts and reduction in damage
P8	Housing	Homelessness agreements	9	11.6%	Negotiation and reductions in agreements/contracts held
			<b>259</b>		
<b>Income</b>					
I1	Various	Income Generation Project	60	*	Potential income generated from commissioning of Deloitte's income generation exercise (inc. additional advertising income from Council assets and licensing fees)
I2	Revenues and Benefits	Summons costs	30	4.8%	Alignment of budget to actual income levels received
I3	Operational Services	Large Coffin Cremations	10	1.3%	Income generated from amendments made to cremator
I4	Leisure and Cultural	Jubilee 2 reduction in net operating cost - prior to increase in fees and charges	18	3.0%	Net reduction in Jubilee 2 operating budget as per the approved business plan
I5	Recycling and Fleet	Recycling credits/contractor payments	40	7.9%	Net reduction in the variance between the amount paid to recycling contractors and the amounts received in recycling credits and material income
			<b>158</b>		

### Staffing Related Efficiencies

S1	Various	Vacant Posts	150	1.0%	Review of current vacant posts contained within the budget
S2	Assets	Assets Restructure	50	4.5%	Restructure of Assets Service
S3	Central Services	Central Services Restructure	50	8.3%	Restructure of Central Services
S4	Human Resources	Human Resources Restructure	50	16.5%	Minor Restructure of Human Resources
S5	Human Resources	Overtime review	100	36.5%	Review of overtime in respect of working practices and terms and conditions
S6	Human Resources	Car Leasing	10	6.9%	Contributions no longer required re. employees leaving the Authority or ending their lease
S7	Human Resources	Corporate Training Budget	10	33.3%	Reduction in the Councils corporate training budget - efficiencies gained through more electronic courses and sharing costs with other local authorities
S8	Finance	Pay Award	11	1.0%	Chief Officers and Heads of Services 2013/14. No pay award made, therefore, realignment of base budget
S9	Operational Services	Streetscene (Development and Enforcement) restructure	9	4.7%	Flexible retirement of Assistant Environmental Officer - redistribution/reallocation of tasks
S10	Leisure and Cultural	Replacement of Sports and Active Lifestyles Manager post with Grade 10 post	12	4.9%	Minor restructure following Sports and Active Lifestyles Manager post holder leaving the Authority
S11	Customer and ICT Services	ICT temporary staff	15	37.5%	Reduction in requirement for external expertise following negotiation and renewal of ICT contracts
S12	Customer and ICT Services	IT/Customer Support staff - reduction in hours	13	1.8%	Reduction in hours for 3 employees
S13	Planning	Post entry training	4	66.7%	Review of service has deemed there is not a requirement
S14	Housing	Post entry training	4	100.0%	Review of service has deemed there is not a requirement

**488**

### Good Housekeeping

G1	Chief Executive	Expenses, catering and conference/seminars	1	31.3%	Reduction in budgetary requirements for general employee and office requirements (e.g. equipment, conference/seminar costs, catering)
G2	Communications	Equipment hire, repair and purchase, postage	3	28.7%	Reductions in the levels of equipment hire, repair and purchase, postages and general office supplies in the Print Room, Research and Communications
G3	Business Imp. and Partnerships	Performance	5	29.8%	Rationalisation of fees paid for external reviews
G4	Leisure and Cultural	Community Recreation Service	3	24.0%	Reduction in contract payments for minibus/van.



		Minibus/Van, in service training			Requirement for in service training within Leisure Management has reduced
G5	Operational Services	Administration costs, equipment purchases and rental income	5	33.9%	Reduction in budgetary requirements for equipment purchases and other fees for services. Reduction in budgetary requirement in the Landscape service for equipment purchases. Income from rents of land and open spaces in excess of the budget set for the previous 2 financial years
G6	Operational Services	Improvements, alterations and materials	17	14.3%	Reduction in requirement in Parks, Highways Amenities and Town Centre/Roundabout planting for improvements, alterations and materials. Income from rents of lands and open spaces in excess of the budget set for the 2 previous years
G7	Customer and ICT Services	Books and publications, uniforms and scan coin machines	6	40.0%	Reduction in requirement for books and publications. Uniforms now only required on a rolling basis. Reduction in maintenance costs of scan coin payment machines
G8	Customer and ICT Services	Staffordshire Connects	7	30.4%	Reduction in the 'core team' element of the Councils contribution to Staffordshire Connects
G10	Human Resources	Corporate subscription, long service awards and recruitment	5	25.6%	Corporate subscription previously paid no longer utilised. Reduction in long service awards in line with actual spend in 2013/14. Reduction in recruitment requirements, use of internet/intranet sites to advertise
G11	Finance	VAT advice	2	40.0%	Reduction in usage and contract for VAT advice
G12	Finance	Contribution to SCC	5	100.0%	End of contribution required to be made to SCC re. partnerships and engagement
G13	Revenues and Benefits	Greater recovery of housing benefit overpayments	100	74.1%	Recovery rates from housing benefits overpayments have increased significantly over recent years. Realignment of budget
G14	Assets	CCTV	3	5.6%	Reduction in maintenance costs for CCTV service
G15	Assets	Electricity and cleaning	7	24.9%	Savings made on electricity and contract cleaning regarding commercial properties and Kidsgrove Town Hall
G17	Assets	Civil Contingencies Unit	8	29.6%	Reduction in support provided
G18	Housing	Christmas decorations	4	8.5%	To reflect actual current costs and saving in electricity from revised arrangement
			<b>181</b>		
<b>Better Use of Assets</b>					
B1	Assets	Ryecroft Site	70	100.0%	Demolition of ex-Sainsbury's site - savings in business rates and holding costs
B2	Assets	Sale of Jubilee Baths site	45	100.0%	Revenue savings (business rates, maintenance) from sale of site

				<b>115</b>	
<b>Alternative Sources of Finance/Other</b>					
C1	Corporate	Business Rates Retention Scheme	450	**	Increase in business rates retainable by the Council as per NNDR1 calculations and the new Local Government financial arrangements introduced on 1st April 2013
C2	Corporate	Funding Review	40	10.0%	Review of grants and contributions given by the Council
C3	Corporate	Council Tax Grant	70	**	New Council Tax Freeze Grant
C4	Corporate	Pericles ICT Development Fund contribution	35	**	2013/14 is the final year of the agreed contribution to the ICT Development Fund following the purchase of the new system
C6	Corporate	Council Tax Base Adjustments	45	**	Adjustments to Council Tax base following provision of new homes (per New Homes Bonus) and Council Tax reforms
C7	Corporate	New Homes Bonus contribution	208	**	Further additional funding to be received in 2014/15 - to be confirmed
<b>* Unable to determine % at current time</b>		<b>**Not applicable</b>		<b>848</b>	
<b>Grand Total</b>			<b>2,049</b>		

**Actual and Estimated Reserves at 31 March 2013 to 2015 (Before recommendations included in the report are actioned)**

Reserve	Actual Balance at 31 March 2013	Estimated Net movement in 2013/14	Estimated Balance at 31 March 2014	Estimated Net movement in 2014/15	Estimated Balance at 31 March 2015	Purpose	Notes
	£'000s	£'000s	£'000s	£'000s	£'000s		
General Fund Balance	1,200	-	1,200	-	1,200	Working balance to cover unforeseen adverse events affecting the budget	Approved minimum balance to be £1,200,000, as confirmed by risk assessment
Insurance Fund	158	(121)	37	(199)	(162)	To meet premiums and insurance administration costs	
Contingency Reserve	102	278	380	-	380	To meet cost of unforeseen contingencies or for any other purpose approved by the Council	Approved minimum balance is £100,000
Equipment Replacement Fund	277	70	347	30	377	To pay for the replacement of certain items of plant and equipment, eg cremators	
Renewals and Repairs Fund	46	(70)	(24)	(60)	(84)	To meet the cost of repairs and maintenance of Council owned buildings and structures	
ICT Development Fund	509	(254)	255	19	274	To meet the cost of new ICT requirements	Balance committed to finance capital expenditure. £50,000 contribution included in 2014/15 proposed budget.
New Initiatives Fund	97	(20)	77	(20)	57	To fund new initiatives, both capital and revenue	Also earmarked to cover costs arising from loss of exempt VAT status
Budget Support Fund	426	(42)	384	33	417	To support the General Fund revenue budget or to meet the cost of specific items approved by the Council, including "Invest to Save" projects, funding to be repaid as savings occur.	
Revenue Investment Fund	-	30	30	5	35	To fund projects in accordance with corporate priorities	£75k to be used to part fund Ryecroft and Civic Hub costs per Council decision 27/11/13
Conservation and Heritage Fund	64	3	67	3	70	To provide grants to owners of historic buildings to maintain their repair	
Museum Purchases Fund	66	(1)	65	(1)	64	To purchase exhibits and to conserve and enhance the display of exhibits	
Maintenance Contributions	83	(6)	77	(6)	71		Sums are received from developers to pay for a period of maintenance costs following transfer of land to the Council
RENEW Reserve	122	(30)	92	(6)	86	To meet revenue costs arising from participation in the Housing Market Renewal Pathfinder for N Staffordshire (RENEW)	Reserve is no longer required. Recommended balance is transferred to the Contingency Reserve
Standards Fund	15	-	15	-	15	To ensure the Council meets its responsibilities under the ethical and other standards frameworks	
Deposit Guarantee Reserve	28	2	30	2	32	To hold balances relating to rent guarantees	
New Homes Bonus Reserve	491	(408)	83	-	83	To hold New Homes Bonus grant payments pending use	

**Risk Register****Project – Budget Forecast 2014/15 – Required Balances/Contingency Reserve**

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

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

**All of the risks fall into the “Finance” Category**

<b>Item No.</b>	<b>Risk</b>	<b>Potential Consequences</b>	<b>Risk Score I * L</b>	<b>Risk Rating</b>	<b>Specify Existing Control Measures</b>	<b>Final Score I * L</b>	<b>Final Risk Rating</b>	<b>Further Action Required</b>	<b>Owner</b>	<b>Target Date</b>
1	Increase in fees and charges does not result in higher income levels	Shortfall in income leading to overspends	3 x 4	High	Included in calculation of prudent minimum balances. Also £500k set aside to cover the potential effects on income of the current economic climate	3 x 3	High	None	Exec Mgt Team	N/a
2	Income cannot be collected because of non-availability of service (e.g. through closure of facilities for repairs)	Shortfall in income leading to overspends	3 x 3	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
3	Income falls short of Budget because of general reduction in activity, eg because of economic recession	Shortfall in income leading to overspends	3 x 5	High	Included in calculation of prudent minimum balances. As above, £500k set aside to cover the potential effects on income of the current economic climate	3 x 3	High	None	Exec Mgt Team	N/a

Item No.	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
4	Bad debts reduce the Council's income	Shortfall in income leading to overspends Need to top up Bad Debts Provision	3 x 4	High	The Council has a bad debts provision (£362k balance at 31/03/13).	3 x 3	High	Increase monitoring of collection performance	Exec Dir Resources	N/a
5	Employee budgets – The budget is discounted on the assumption there will be vacancies. The impact of 1% vacancy is about £100,000	Vacancies do not occur leading to additional costs	3 x 3	High	The budget assumes a vacancy factor of 2.5% with a view to reducing this in steps of 0.5% in each of the next 4 years. This is realistic compared with experience from previous years.	3 x 3	High	None	Exec Mgt Team	N/a
6	Employee Budgets - The 2014/15 employee pay settlement results in an increase higher than included in the budget.	Additional unbudgeted costs	3 x 3	High	Balances sufficient to deal with any additional costs, plus reduced job security in economy.	3 x 3	High	None	Exec Mgt Team	N/a
7	Problems with staff recruitment/retention result in significant use of agency/interim staff at extra cost or the payment of market supplements	Additional unbudgeted costs	3 x 3	High	Situation subject to ongoing review.	3 x 3	High	None	Exec Mgt Team	N/a
8	Council becomes liable to pay compensation or legal fees or other unforeseen commitment arises.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
9	Inflation relating to supplies and services exceeds the allowance in the budget.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
10	Existing commitment(s) missed out of budget	Additional unbudgeted costs	3 x 2	Moderate	Budgets subject to checking at several levels. Preparation of standstill budget for comparison.	3 x 2	Moderate	None	Exec Mgt Team	N/a
11	Fall in interest rates reduces income to the Council.	Investment income targets not met	4 x 4	Extreme	Rates are very low now. A decrease would make only a relatively small difference. Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a

	<b>Risk</b>	<b>Potential Consequences</b>	<b>Risk Score I * L</b>	<b>Risk Rating</b>	<b>Specify Existing Control Measures</b>	<b>Final Score I * L</b>	<b>Final Risk Rating</b>	<b>Further Action Required</b>	<b>Owner</b>	<b>Target Date</b>
12	Profile of capital spend differs adversely from that assumed in the investment interest calculation	Investment income targets not met	3 x 3	High	Capital Budgets have been realistically set. Due to low interest rates investment income is no longer significant.	3 x 3	High	None	Exec Mgt Team	N/a
13	Fuel costs increase by more than allowed for in budget.	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget.	2 x 3	Moderate	None	Exec Dir Op Serv	N/a
14	Energy costs increase by more than allowed for in budget.	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget. Fixed contracts.	2 x 3	Moderate	None	Exec Mgt Team	N/a
15	Unforeseen major repairs needed to Council properties.	Additional unbudgeted costs	4 x 3	High	Planned maintenance programme in place and stock condition survey.	3 x 2	Moderate	None	Exec Mgt Team	N/a
16	Insurances – unexpected increases in premiums.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Chief Exec	N/a
17	Insurances - high level of excesses to be met by Council or uninsured losses	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances. Insurance Provision established.	3 x 3	High	Monitor level of Insurance Provision	Chief Exec	N/a
18	Government increase NI rates during 2014/15. An increase of 1% adds about £100,000 to the Council's costs	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Dir Resources	N/a
19	Loss of VAT Exempt Status	Additional unbudgeted costs	3 x 3	High	None	3 x 2	Moderate	Continue to monitor position regularly	Exec Mgt Team	N/a
20	Savings built into Budget are not realised	Additional unbudgeted costs	3 x 3	High	Regular Budget Monitoring	3 x 3	High	None	Exec Mgt Team	N/a
21	New Legislation imposes extra costs but provides insufficient resources	Additional unbudgeted costs	3 x 3	High	Contingency Reserve available. Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
22	Partnerships - expenses falling on Council as accountable body	Additional unbudgeted costs	3 x 3	High	Monitor partnership activities and ensure carried out according to agreements. Included in calculation of	3 x 3	High	None	Exec Mgt Team	N/a

Item No.	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
					prudent minimum balances.					
23	Civil Emergency	Additional unbudgeted costs	5 x 2	High	Bellwin Scheme should meet 85% of cost	4 x 2	Moderate	None	Exec Mgt Team	N/a
24	Investment Counterparty (including own bank re current account, etc) fails to meet its financial commitments	Loss of interest due Ongoing loss of interest owing to loss of capital	4 x 3	High	Use of credit rating agencies Counterparty list based on minimum ratings with CDS overlay. Limits to investments with one counterparty (£7m)	3 x 3	High	Frequent reviews of investment strategy	Exec Dir Resources	N/a
25	Municipal Mutual Insurance (MMI) Clawback	Additional unbudgeted costs	4 x 4	Extreme	MMI Provision	4 x 3	High	Consider increasing amount of provision if reports from administrator indicate it to be necessary	Exec Dir Resources	N/a
26	Localised Council Tax Support Scheme is oversubscribed	Additional unbudgeted costs	3 x 3	High	Local scheme	3 x 3	High	None	Exec Dir Resources	N/a
27	Data Protection breach resulting in fine	Additional unbudgeted costs	3 x 3	High	Data Protection Policy Reminders to staff	3 x 3	High	None	Exec Mgt Team	N/a
28	Failure of Banking Services provider	Frozen Funds Additional unbudgeted costs	5 x 3	High	Contingency Account Business Continuity Plan	2 x 3	Moderate	None	Exec Dir Resources	N/a

Capital ProgrammeNEWCASTLE-U-LYME BOROUGH COUNCIL CAPITAL PROGRAMME 2013/14 - 2014/15

Scheme	Corporate Priorities	2013/14 Est Exp	2014/15 Est Exp	Total Exp	External Cont	Council Financing
<b>Safer Communities</b>		£	£	£	£	£
Parkhouse/Lymedale CCTV	a b d	15,000		<b>15,000</b>		15,000
CCTV Replacement Equipment	a b	25,000		<b>25,000</b>		25,000
<b>Totals</b>	<b>a b c d</b>	<b>40,000</b>	<b>0</b>	<b>40,000</b>	<b>0</b>	<b>40,000</b>

Scheme	Corporate Priorities	2013/14 Est Exp	2014/15 Est Exp	Total Exp	External Cont	Council Financing
<b>Environment &amp; Recycling</b>		£	£	£	£	£
Pool Dam Valley Marshes Nature Reserve	a b	47,000		<b>47,000</b>	47,000	0
Cemetery Memorial Safety Programme	a	30,900		<b>30,900</b>		30,900
Cemetery Memorial Survey Works	a		9,000	<b>9,000</b>		9,000
Low Carbon Works	a	4,700		<b>4,700</b>	4,700	0
Waste Bins	a	50,000	50,000	<b>100,000</b>		100,000
<b>General Projects</b>						
Asset Disposal Programme	b	16,000		<b>16,000</b>		16,000
General Contingency		85,300		<b>85,300</b>		85,300
Final Accounts & Retentions Various				<b>0</b>		0
<b>Totals</b>	<b>a b c d</b>	<b>233,900</b>	<b>59,000</b>	<b>292,900</b>	<b>51,700</b>	<b>241,200</b>

Scheme	Corporate Priorities	2013/14 Est Exp	2014/15 Est Exp	Total Exp	External Cont	Council Financing
<b>Culture &amp; Leisure</b>		£	£	£	£	£
Replacement/Repair of Play Equipment	a c	135,800	50,000	<b>185,800</b>		185,800
Wolstanton Marsh Improvements	a c	129,900		<b>129,900</b>	129,900	0
Silverdale Community Facilities	a c	781,300	50,000	<b>831,300</b>	831,300	0
Footpath Repairs	a c	47,500	50,000	<b>97,500</b>		97,500
Railings/Structures Repairs	a c	19,100	25,000	<b>44,100</b>		44,100
Brampton Park	a c		100,000	<b>100,000</b>	85,000	15,000
Castle Motte Heritage Works	a	9,200		<b>9,200</b>	9,200	0
Neighbourhood Park The Wammy	a c	18,000		<b>18,000</b>	18,000	0
Clayton Sports Centre - Match Funding	a c		10,000	<b>10,000</b>		10,000
Stock Condition Works - Museum	c	15,000	15,000	<b>30,000</b>		30,000
Clayton Community Centre	c	15,000		<b>15,000</b>		15,000
Knutton Community Centre	c	30,000		<b>30,000</b>		30,000
Red Street Community Centre	c	75,000		<b>75,000</b>		75,000
<b>Totals</b>	<b>a b c d</b>	<b>1,275,800</b>	<b>300,000</b>	<b>1,575,800</b>	<b>1,073,400</b>	<b>502,400</b>

Scheme	Corporate Priorities	2013/14 Est Exp	2014/15 Est Exp	Total Exp	External Cont	Council Financing
<b>Operational Equipment/Buildings/ICT Development Fund</b>		£	£	£	£	£
ICT PC Replacements	a d	98,900		<b>98,900</b>		98,900
ICT Replacement Servers	a d	12,600		<b>12,600</b>		12,600
Customer Relationship Management	d	64,200		<b>64,200</b>		64,200
ICT Projects	d	258,000		<b>258,000</b>		258,000
Vehicles	a d	669,500	552,000	<b>1,221,500</b>		1,221,500
Stock Condition Works - Civic Offices	d	50,000	53,000	<b>103,000</b>		103,000
<b>Totals</b>	<b>a b c d</b>	<b>1,153,200</b>	<b>605,000</b>	<b>1,758,200</b>	<b>0</b>	<b>1,758,200</b>



Scheme	Corporate Priorities	2013/14 Est Exp	2014/15 Est Exp	Total Exp	External Cont	Council Financing
<b>Regeneration, Planning &amp; Town Centres Development</b>		£	£	£	£	£
Empty Homes	a c	30,000	20,000	<b>50,000</b>	50,000	0
PSH/Emergency HHSRS						
Grants/Vulnerable H	a c	53,000	80,000	<b>133,000</b>	133,000	0
Energy Advice Service	a c	60,000	20,000	<b>80,000</b>	80,000	0
Home Improvement Agency	a c	40,000	13,000	<b>53,000</b>	53,000	0
Accredited Landlords Scheme	a c	5,000	32,000	<b>37,000</b>	37,000	0
Fuel Poverty Grants	a c	45,200		<b>45,200</b>	45,200	0
Disabled Facilities Grants	a c	1,074,200	864,000	<b>1,938,200</b>	1,938,200	0
Newcastle Town Centre Partnership	a b d	47,300		<b>47,300</b>	23,700	23,600
Newcastle Town Centre Works	a b d	446,500	50,000	<b>496,500</b>		496,500
Choice Based Lettings	c	30,500		<b>30,500</b>	30,500	0
Madeley Extracare Contribution	b c		115,000	<b>115,000</b>	115,000	0
Midway MSCP Repair Works	a	24,800		<b>24,800</b>		24,800
Ryecroft Development	b	90,000		<b>90,000</b>	67,500	22,500
Ryecroft Site Clearance Costs (net)	b	45,000		<b>45,000</b>		45,000
S106 Expenses Lowlands Road	b	256,100		<b>256,100</b>		256,100
Strategic Investment Framework	b	13,800		<b>13,800</b>		13,800
Stock Condition Works -						
Car Parks	a		20,000	<b>20,000</b>		20,000
Commercial Portfolio	b	40,000	60,000	<b>100,000</b>		100,000
<b>Totals</b>	a b c d	<b>2,301,400</b>	<b>1,274,000</b>	<b>3,575,400</b>	<b>2,573,100</b>	<b>1,002,300</b>

<b>GRAND TOTAL</b>	a b c d	<b>5,004,300</b>	<b>2,238,000</b>	<b>7,242,300</b>	<b>3,698,200</b>	<b>3,544,100</b>
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**Notes - Corporate & Sustainable Communities Priorities -**

a Clean, Safe & Sustainable Borough,

b Borough of Opportunity

c A Healthy & Active Community

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

Sources of Funding	2013/14 Est Exp	2014/15 Est Exp	Total Exp
	£	£	£
Other Revenue Funds	258,000	0	258,000
Capital Receipts	2,327,100	959,000	3,286,100
External Grants/Contributions	2,419,200	1,279,000	3,698,200
<b>Capital Programme</b>	<b>5,004,300</b>	<b>2,238,000</b>	<b>7,242,300</b>

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**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE COUNCIL**

**26 February 2014**

**1. TREASURY MANAGEMENT STRATEGY 2014/15**

**Submitted by:** Head of Finance

**Portfolio:** Finance and Resources

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

**Purpose of the Report**

To approve the Treasury Management Strategy for 2014/15, including the Prudential Indicators, Investment Strategy and Minimum Revenue Provision Strategy contained within it.

**Recommendations**

- (a) That the Treasury Management Strategy Report for 2014/15 be approved.**
- (b) That the Prudential Indicators contained within the report be approved.**
- (c) That the Investment Strategy contained within the report be approved.**
- (d) That the Minimum Revenue Provision Strategy contained within the report be approved.**

**Reasons**

The Council needs to have an approved Treasury Management Strategy for 2014/15 in place before the start of the 2014/15 financial year.

At the Council meeting of 24<sup>th</sup> June 2009 it was resolved that the strategy be scrutinised by the Transformation and Resources Overview and Scrutiny Committee before being submitted for approval by Full Council. The strategy was scrutinised by the Transformation and Resources Overview and Scrutiny Committee on 3 December 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, 2014/15.
- 1.2 The Local Government Act 2003 and Regulations thereto specify that local authorities must have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities in setting their affordable borrowing limits. This is to be achieved by setting a number of "prudential indicators" covering various aspects of treasury management. Accordingly, the appropriate prudential indicators have been incorporated in the relevant sections of the Treasury Management Strategy Report.

- 1.3 In addition the Department for Communities and Local Government issued revised “Guidance on Local Authority Investments” in March 2010, under powers contained in Section 15 (1)(a) of the Local Government Act 2003. The Act states that local authorities must have regard to this guidance. The Guidance recommends that an Annual Investment Strategy, setting out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments is produced and approved by the Full Council.

2. **Issues**

- 2.1 The Strategy Report for 2014/15 is attached at Appendix 1
- 2.2 The proposed prudential indicators relating to treasury management are contained in the report.
- 2.3 The Investment Strategy for 2014/15 is contained in Annex A to the report.
- 2.4 Details of the methodology involved in the production of the counterparty listing are contained in Annex B to the report.
- 2.5 The Minimum Revenue Provision Strategy for 2014/15 is contained in Annex C to the report.
- 2.6 Some of the paragraphs and the economic commentary have been supplied by Sector Treasury Services Ltd, the Council’s treasury management advisors.

3. **Legal and Statutory Implications**

- 3.1 See Background for details.

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.

6. **List of Appendices**

- 6.1 Appendix 1, Treasury Management Strategy Report 2014/15.

7. **Background Papers**

**Classification: NULBC UNCLASSIFIED**

- 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).
- Treasury Management Advisor's Treasury Management Strategy Statement Template (issued on 21/10/13 & updated 20/01/14).

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**Treasury Management Strategy Report 2014/15**

**1.0 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 security and liquidity initially before considering investment return.

The second main function of a treasury management service is the funding of an authority's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasions any debt previously drawn may be restructured to meet Council risk or cost objectives. Currently, however, the Council does not finance its capital investment by way of borrowing, so these activities are not presently engaged in.

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 (MRP) 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 2014/15**

The strategy for 2014/15 covers two main areas:

#### **Capital Issues**

- prudential indicators;
- the Minimum Revenue Provision (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);
- creditworthiness policy. (Annex B); and
- treasury management Glossary of Terms (Annex D).

These elements cover the requirements of the:

- Local Government Act 2003;
- CIPFA Prudential Code;
- DCLG MRP Guidance;
- CIPFA Treasury Management Code; and
- DCLG Investment Guidance.

## **2.0 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 prudent, affordable 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 (26 February 2014).



- **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. It is essentially a measure of the Council's underlying borrowing need. 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:

31/03/13 Actual (£000's)	31/03/14 Estimate (£000's)	31/03/15 Estimate (£000's)	31/03/16 Estimate (£000's)	31/03/17 Estimate (£000's)
(197)	(350)	3,000	10,000	10,000

The amounts shown above from 2014/15 onwards allow for the possibility that the Council may need to borrow during those years to finance capital expenditure which cannot be funded from other revenue or capital resources. This refers to a general overall expected increase in capital expenditure. However, the likelihood of individual schemes, the timings 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 (26 February 2014).

- **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 obligation costs 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:

	2012/13 Actual (£000's)	2013/14 Estimate (£000's)	2014/15 Estimate (£000's)	2015/16 Estimate (£000's)	2016/17 Estimate (£000's)
<b>Net Revenue Stream</b>	15,381	15,194	14,071	12,974	12,739
<b>Financing Costs</b>	(159)	(4)	4	4	7
<b>Ratio</b>	(1.04%)	(0.02)	0.02	0.03	0.06

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

## 2.4 Treasury Indicators

### • Actual External Debt and Net Borrowing

#### Debt

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

Any surplus funds arising, for example from favourable cash flow or as a result of asset sales, are potentially available for use as an alternative to short term borrowing. The Actual External Debt of the Council as at the end of the previous financial year is a Prudential Indicator. This indicator comprises actual borrowing (short and long term) as shown in the Council's balance sheet. This indicator will reflect the actual position at one point in time. As at 31 March 2013 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 2014 will be in the region of £4,500,000, all of which will be managed In House.

### • 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, if the costs of borrowing compare favourably with those of alternatives such as using unapplied capital receipts, or if in fact there is a sufficient business case to do so.

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 indicator gives a prudent view of the possible 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 2014/15, 2015/16, 2016/17 and 2017/18. The figures shown in the table below reflect the possibility that up to £8,000,000 may be borrowed at any one time on a long term basis in 2014/15. The Operational Boundaries for the Council are set out below:

	2014/15 Estimate (£000's)	2015/16 Estimate (£000s)	2016/17 Estimate (£000's)	2017/18 Estimate (£000's)
<b>Borrowing</b>	8,000	15,000	15,000	15,000
<b>Other Long Term Liabilities</b>	459	459	459	459

### 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:

	2014/15 Estimate (£000's)	2015/16 Estimate (£000s)	2016/17 Estimate (£000's)	2017/18 Estimate (£000's)
<b>Borrowing</b>	15,000	20,000	20,000	20,000
<b>Other Long Term Liabilities</b>	459	459	459	459

*Sources of Borrowing:* Temporary borrowing can 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 all borrowing options available will be reviewed.

*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. The Council will be eligible for loans at a reduced rate, around 20 basis points less than normally available, (the Treasury Certainty Rate) from the PWLB during 2014/15.

- **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>2014/15</b>	100%	0%	100%	0%
<b>2015/16</b>	100%	0%	100%	0%
<b>2016/17</b>	100%	0%	100%	0%
<b>2017/18</b>	100%	0%	100%	0%

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

	<b>Borrowing</b>		<b>Investments</b>	
	<b>Upper</b>	<b>Lower</b>	<b>Upper</b>	<b>Lower</b>
<b>2014/15</b>	100%	0%	100%	0%
<b>2015/16</b>	100%	0%	100%	0%
<b>2016/17</b>	100%	0%	100%	0%
<b>2017/18</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:

	<b>£000's</b>
<b>Beyond 31/03/15</b>	5,000
<b>Beyond 31/03/16</b>	5,000
<b>Beyond 31/03/17</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 due to cash flow fluctuations and on account of continuing uncertainties with regard to the credit worthiness of counterparties with whom investments could be placed.

### **3.0 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.

## 4.0 Treasury Management Training

### 4.1 Training Courses

The training need of treasury management officers are periodically reviewed. Officers engaging in Treasury Management activities will also attend any suitable courses/seminars provided by the Council's treasury management advisors and any other appropriate organisations where it is considered that this will increase or complement their expertise in relation to the Treasury Management function.

### 4.2 Members Training

It is envisaged early in the Financial Year commencing 1 April 2014, to run some training sessions for Members in respect of Treasury Management.

## 5.0 Policy on the use of External Service Providers

Your officers work with the Council's treasury management advisors 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 contract expires on 31 March 2014. A procurement process has been undertaken for our treasury management advisory service for the three year contract period commencing 1 April 2014. The contract has been awarded to the current treasury management advisors, Sector Treasury Services Ltd.

## 6.0 Prospects for Interest Rates

Part of the service provided by the Council's advisors is to assist the Council to formulate a view on interest rates. The following table and information gives the current provider's central view:

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2014	0.50	2.50	4.40	4.40
Jun 2014	0.50	2.60	4.50	4.50
Sep 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.70	4.60	4.60
Mar 2015	0.50	2.80	4.60	4.70
Jun 2015	0.50	2.80	4.70	4.80
Sep 2015	0.50	2.90	4.80	4.90
Dec 2015	0.50	3.00	4.90	5.00
Mar 2016	0.50	3.10	5.00	5.10
Jun 2016	0.75	3.20	5.10	5.20
Sep 2016	1.00	3.30	5.10	5.20
Dec 2016	1.00	3.40	5.10	5.20
Mar 2017	1.25	3.40	5.10	5.20

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are also currently very positive in indicating that growth prospects are strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have improved this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by the warranting of increases in pay rates. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- As for the Eurozone, concerns have subsided considerably in 2013. However, sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future.

## **7.0 Treasury Management Scheme of Delegation**

### Full Council

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

### Transformation and Resources Overview and Scrutiny Committee

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

### Audit and Risk Committee

- scrutiny of Treasury Management performance including receiving and reviewing the mid-year report.
- reviewing the Annual Outturn Report

## **8.0 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.

**Investment Strategy 2014/15****1.0 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 advisor's 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.

**2.0 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 2014/15 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 Treasury Management Advisor’s Creditworthiness Service**

This Council uses the creditworthiness service provided by the Council’s treasury management advisors. 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 just 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 treasury advisor’s creditworthiness service.

## **2.3 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 2014/15 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.

## **3.0 Liquidity of Investments**

### **3.1 Maximum Investment Periods**

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

There will be a limit placed upon the amount which may be invested for periods in excess of 364 days. This limit has been set using one of the Prudential Indicators required by the Chartered Institute of Public Finance and Accountancy Prudential Code for Capital Finance in Local Authorities.

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

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

	£000's
<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 due to fluctuations in cash flow and on account of continuing uncertainties with regard to the credit worthiness of counterparties with whom investments could be placed.

#### **4.0 Return on Investments (Yield)**

##### **4.1 Current Economic Climate**

Due to ongoing global economic uncertainties, investment returns are likely to remain relatively low during 2014/15. Interest rates on Instant access deposit accounts and Notice accounts are currently more attractive than interest rates being offered by the market. However, banks are now beginning to reduce the rates they offer on their instant access and notice accounts since they can access cheap funding via the Government's "Funding for Lending" scheme.

##### **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.

#### **5.0 Specific Strategy 2014/15**

##### **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 2014 will be in the region of £4,500,000.

###### *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 2013/14. It is possible that forward commitment may be employed in 2014/15 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 2014/15.

## **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 held in the Capital Receipts Account pending use until we invest the money in the money markets. 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 Current Treasury Management Advisors-view on Interest Rates**

Part of the service provided by the Council's treasury management advisors 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):

- 2013/14 0.50%
- 2014/15 0.50%
- 2015/16 0.50%
- 2016/17 1.25%

There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation forecasts for the rate of fall of unemployment were to prove to be too optimistic.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next four years are as follows:

2014/15	0.50%
2015/16	0.50%
2016/17	1.00%
2017/18	2.00%

**Counterparty Listing Criteria**

This Council applies the creditworthiness service provided by our treasury management advisors. 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 (where applicable) 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            100 days
- No Colour       not to be used

The green limit was formerly for 3 months but the Financial Conduct Authority set (July 2013) a requirement for qualifying deposits for bank liquidity buffers of a minimum of 95 days so the green band has been slightly extended to accommodate this regulatory change.

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 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 advisor's 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 advisor's 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 (where applicable) 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.

### **Country Limits**

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).

### **Local Authorities**

The Council will also consider using other Local Authorities when making fixed investments.

### **Counterparty Limits**

In accordance with Treasury Management Practice (TMP) 4 – Approved Instruments, Methods and Techniques, a £7,000,000 counterparty limit will be used during 2014/15. This limit will not apply to the Government's Debt Management Account Deposit Facility offered by the Debt Management Office.

## **Minimum Revenue Provision Policy**

### **1.0 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.

### **2.0 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.

### **3.0 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 become positive and begin to increase for the period covered by the Strategy. This is based on the assumption that there will be a general overall increase in expected capital expenditure, which cannot be funded from revenue or capital resources. 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.

**Treasury Management – Glossary of Terms**

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



## Report to Council 26 February 2014

### Capital Strategy

#### Submitted by

Head of Finance

#### Portfolio

Finance and Resources

#### Wards Affected

All

#### Purpose

To consider and approve the Capital Strategy 2014 to 2017.

#### Recommendations

- a) **That the Capital Strategy be approved.**

#### Reason

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

### **1. Background**

1.1 The previous Capital Strategy was approved by the Council on 27 February 2013. It covered the period 2013 to 2016. When Full Council considered revised Financial Regulations on 25 February 2009 it resolved that following discussion by the Cabinet the Capital Strategy be approved by Full Council.

1.2 The purpose of the Capital Strategy is to set out how the Council proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and stakeholders with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council's revenue budget. It covers the period 2014 to 2017. It will serve as a useful point of reference when determining or reviewing the Council's Capital Programme.

### **2. Issues**

2.1 The 2014 to 2017 Capital Strategy is appended to this report at Appendix 1.

2.2 The principles set out in the Capital Strategy 2014 to 2017 are largely unchanged from the previous Strategy. However, some changes have been made to Section 5 (resources available to finance capital investment) and Section 11 (future capital programme). These are to reflect the current financial situation at the Council, which

has seen a decline in resources available for capital investment since the previous Strategy was produced, although it should be noted that the previous Strategy predicted that this would occur. There are also changes to Section 1 (Introduction) and Section 4 (external influences, partners and consultation with stakeholders).

2.3 The main changes are summarised below, referenced to the paragraph number concerned:

1.2. The current Capital Programme amounts have been included. The approved Capital Programme over two years is £7,963,400 with £2,458,200 programmed for 2013/14. The revised 2013/14 Programme is £5,352,500. The corresponding amounts in the previous Strategy were: £18,480,800, £4,457,200 (2012/13) and £5,418,300 (revised 2012/13).

6.2. The amount of usable capital receipts in hand at 1 April 2013 is £2.7m compared to £2.4m at 1 April 2012

6.5. The balance on the ICT Development Fund at 1 April 2013 is £0.5m compared to £0.7m at 1 April 2012. The inclusion of £0.05m in the Medium Term Financial Strategy 2014/15 to allow annual contributions to top-up the Fund is also referred to. The balance on the New Initiatives Fund at 1 April 2013 is unchanged compared to 1 April 2012.

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

- A new Section 3 setting out the drivers for the capital programme.
- Two charts are now included at 6.3 and 6.4 to show the pattern of Right to Buy and Capital Receipts over the past seven years.
- 10.6. An additional paragraph, which refers to government proposals to permit capital receipts to be used to finance revenue expenditure.
- Two charts are now included at 12.2 to show the fleet replacement profile over the next four years and possible building maintenance costs over the next three years.

The following have been deleted:

- Paragraph 6.5. Reference to the Large Scale Voluntary Transfer Capital Fund (LSVT Capital Fund) as this is now exhausted.

2.4 The Strategy was considered by Cabinet on 15 January 2014 and is recommended to you for approval. The Transformation and Resources Scrutiny Committee had earlier scrutinised the strategy, on 6 November 2013, and raised one issue which has been incorporated into the Strategy.

### **3. Financial and Resource Implications**

3.1 There are none deriving directly from the Strategy.

### **4. Appendices**

Capital Strategy 2014 to 2017 - Appendix 1.

	<u>Signed</u>	Dated
<b>Financial Implications Discussed and Agreed</b>		
<b>Risk Implications Discussed and Agreed</b>		
<b>Legal Implications Discussed and Agreed</b>		
<b>H.R. Implications Discussed and Agreed</b>		
<b>ICT Implications Discussed and Agreed</b>		
<b>Report Agreed by: Executive Director/ Head of Service</b>		

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# **CAPITAL STRATEGY 2014 to 2017**



CONTENTS

1. INTRODUCTION

2. KEY OBJECTIVES AND PRIORITIES

3. DRIVERS FOR THE CAPITAL PROGRAMME

4. LINKS WITH OTHER STRATEGIES, POLICIES AND PLANS

5. EXTERNAL INFLUENCES, PARTNERS AND CONSULTATION WITH STAKEHOLDERS

6. RESOURCES AVAILABLE TO FINANCE CAPITAL INVESTMENT

7. REVENUE IMPLICATIONS

8. APPRAISAL OF INVESTMENT PROPOSALS

9. MONITORING ARRANGEMENTS AND PROJECT MANAGEMENT

10. STATUTORY FRAMEWORK

11. PROCUREMENT

12. FUTURE CAPITAL PROGRAMME

## 1. INTRODUCTION

- 1.1 The purpose of the Capital Strategy is to set out how the Council proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and interested parties with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council's revenue budget. It will serve as a useful point of reference when determining or reviewing the Council's Capital Programme.
- 1.2 The Council's current detailed capital investment plan is contained in its Approved Capital Programme. A two year programme was approved by Full Council on 27 February 2013. This programme provides for £7,963,400 of investment over the two-year period in projects across all of the Council's priority areas, of which £2,458,200 was programmed to be spent in 2013/14. Since then, programmed expenditure for 2013/14 has been reviewed, resulting in a revised 2013/14 outturn figure of £5,352,500 being agreed. This takes account of slippage coming forward from 2012/13, and is summarised below, showing the constituent categories of projects:

Project Categories	Planned Expenditure £m
Regeneration, Planning and Town Centres Development	1.02
Housing Related Projects	1.84
Safer Communities	0.04
Culture and Leisure	1.33
Environment and Recycling	0.13
Operational Equipment	0.67
ICT Development Fund	0.22
General Projects	0.1
Total	5.35

- 1.3 Full Council will consider a capital programme to continue investment beyond 2013/14 on 26 February 2014.
- 1.4 The Strategy has been prepared against a background of continuing reductions in funding provided to local authorities by central government and its agencies, arising from the need to restrain public expenditure owing to the ongoing economic conditions and to rebalance public finances. At the same time, the Council's own resources available to finance capital projects have reduced to a low level and will need replenishing before any substantial further capital investments can be made. As a result the Council is considering and consulting upon a programme of asset disposals to address this situation. In the interim period, before asset sales can provide these additional resources, the current approved Capital Programme was restricted to cover a two year period, 2012/13 to 2013/14. This included only £0.615m of new projects in 2013/14 funded from the Council's own resources, all of which were essential to maintain operational continuity.

## 2. KEY OBJECTIVES AND PRIORITIES

2.1 The Council's Priorities contained in its (2013/14 to 2015/16) Council Plan are:

A Clean, Safe and Sustainable Borough
A Borough of Opportunity
A Healthy and Active Community
A Co-operative Council delivering high quality, community driven services

2.2 Capital investment projects will be included in the Council's Capital Programme on the basis that they address issues arising from one or more of these Priority Areas. An indication is shown against each project in the Programme of the area or areas it addresses.

2.3 New proposals for capital investment will be assessed against the corporate priorities to ensure that they will contribute towards achieving the aims expressed. This assessment will be carried out as part of the appraisal process for new projects.

2.4 The Council will also endeavour, through its programme of capital investment, to maintain its assets to a standard such that they remain fit for purpose, enabling continuity of service delivery. In particular, it will carry out regular surveys of its stock of buildings and structures to ascertain their state of repair and any remedial works which may be necessary. Repair or improvement works arising from such surveys will be carried out subject to the availability of resources and consideration of the role the building plays in service delivery and the need to continue the relevant service in order to contribute to meeting corporate priorities. If a building is no longer required for service delivery, it will either be considered for alternative use by the Council or its partners or disposed of and the proceeds made available for future capital investment in priority areas. All property assets are held to either (i) provide Council services, (ii) provide an investment return or (iii) to further regeneration projects.

2.5 Regular reviews of the property portfolio will be carried out by the Assets Review Group, chaired by the Executive Director (Regeneration and Development). This action has identified properties or land which could potentially be disposed of, following a consultation process in the case of significant proposals, and a capital receipt obtained from the sale. However, because of the currently poor market conditions arising from the economic downturn it is unlikely that significant sales will take place in the short term, both because of lack of demand and the need to obtain the best sale price.

2.6 Where suitable "Invest to Save" projects can be identified the Council will actively pursue such projects as it recognises the benefits, in the form of reduced costs falling on the General Fund Revenue Account, that can result from such investment.

2.7 The Council will seek, where practicable and economically justifiable, to develop its investment projects having regard to principles of sustainability, for example in relation to materials used and environmentally friendly modes of operation once in use, following construction or purchase.



### 3. DRIVERS FOR THE CAPITAL PROGRAMME

3.1 Projects for inclusion in the capital programme arise from a variety of sources, some of them internally generated and some arising from external factors. The more significant of these can be summarised diagrammatically as follows:

INTERNAL	EXTERNAL
Corporate Priorities, as set out in the Council Plan	Government sponsored programmes, e.g. Disabled Facilities Grants
Investment identified in Strategies, Policies and Plans	Unforeseen Emergency Works
Work needed to maintain Property Assets	Works required to comply with legislation, e.g. re disabled access, health and safety
Vehicles, Plant and Equipment replacement needs	Projects resulting from Partnership Activity
ICT Investment and Replacement	Availability of External Funding
Invest to Save Projects	Public expectation that works should be carried out

These are discussed in greater detail in Sections 4 and 5 below

### 4. LINKS WITH OTHER STRATEGIES, POLICIES AND PLANS

4.1 As well as the Council Plan and the Capital Programme the Capital Strategy has clear links to many other strategies, policies and plans, the most significant of which are shown in the following table:

Key Strategies
Economic Development Strategy
Health and Wellbeing Strategy (emerging)
Stronger and Safer Communities Strategy
Other Strategies
Asset Management Strategy
Medium Term Financial Strategy
Service and Financial Plans
Procurement Strategy
North Staffs Green Spaces Strategy
Co-Operative Strategy
Private Sector Housing Renewal Strategy
Housing Strategy
Arts and Cultural Strategy
Customer Access Strategy
Energy Efficiency and Climate Change Strategy and Carbon Reduction Plan
Treasury Management Strategy
Sustainable Community Strategy
North Staffs Core Spatial Strategy

- 4.2 An important link is to the Asset Management Strategy (AMS) in that many capital investment projects are related to the Council's fixed assets, such as its stock of buildings. Needs and priorities identified in the AMS will require consideration for inclusion in the Council's Capital Programme and have wider financial consequences. Equally important is the opportunity to generate capital receipts from the disposal of land/property where there is no current or likely future operational need.
- 4.3 The Medium Term Financial Strategy will take account of the revenue effect of capital investment.
- 4.4 Capital investment proposals are contained in the Service and Financial Plans produced as part of the annual budget cycle. Some of these proposals may be included in the Capital Programme.
- 4.5 Appraisal, procurement and management of capital projects needs to be carried out with regard to the objectives and methodologies and the principles and practices set out in the Procurement Strategy.
- 4.6 The various service based strategies will inform the Council's capital investment process through their identification of areas for action and of priorities within individual service areas.
- 4.7 The Treasury Management Strategy needs to reflect planned capital spend, particularly with regard to setting limits for tying up money over the longer term and the limits relating to the amount of permitted borrowing.
- 4.8 In addition the Capital Strategy will be influenced by the results of any Service Reviews which have been carried out by the Council, either as part of the budget preparation process or as one-off exercises. Where these reviews identify areas of service which are to be discontinued, this may give rise to assets which will be available for disposal and possibly generate a capital receipt which will be available for funding further capital investment. Alternatively reviews may identify areas for investment, including potential "invest to save" projects, some of which may be capital investment.

## **5. EXTERNAL INFLUENCES, PARTNERS AND CONSULTATION WITH OTHER INTERESTED PARTIES**

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

- 5.4 The Council works with a wide range of partners from the public, private, voluntary and community sectors, all of which have an influence over its spending priorities. Relationships with partners, including those concerning capital matters, will be governed by the Council's Partnerships Code of Practice. Wherever possible the Council will seek to work in partnership with others to deliver its capital investment programme in order to provide facilities which meet its own and partners needs. When working with the private sector, the objective will be to maximise the benefits to the Council and the community from any projects, both in terms of outputs and in relation to obtaining funding for the project.
- 5.5 The Council is a participant in the Local Strategic Partnership (LSP) and will have regard to the content of its Sustainable Community Strategy together with any other elements of the partnership which relate to capital investment and may be able to use the capital programme as a means of fulfilling some of its obligations to the LSP.
- 5.6 Projects for consideration for inclusion in the Capital Programme may arise from the Council's participation in the Staffordshire and Stoke on Trent Local Enterprise Partnership (LEP) or similar sub-regional partnerships which seek to stimulate economic growth.
- 5.7 The Council has established a Town Centre Partnership, together with relevant parties such as representatives of retailers and businesses in the town centres of Newcastle and Kidsgrove. The partnership may identify proposals for town centre improvements which could place demands upon future capital programmes where such works align with the Council's economic development objectives. It may also present an opportunity for costs to be shared between the parties likely to benefit from their implementation.
- 5.8 The availability of external funding will also influence the projects which the Council will include in its capital investment plans. This is referred to in the following section of the Strategy.
- 5.9 Regard will be had to the Council's obligations under Disabled Access requirements in putting forward proposals for capital investment and in the design of any facilities which are proposed.
- 5.10 Wherever possible the principles of financial and environmental sustainability will be incorporated into any capital projects.

## **6. RESOURCES AVAILABLE TO FINANCE CAPITAL INVESTMENT**

- 6.1 The following diagram shows the main sources of funding which are available to the Council to finance its capital investment. Individual projects may be financed solely by one of these or by a combination of a number of them.

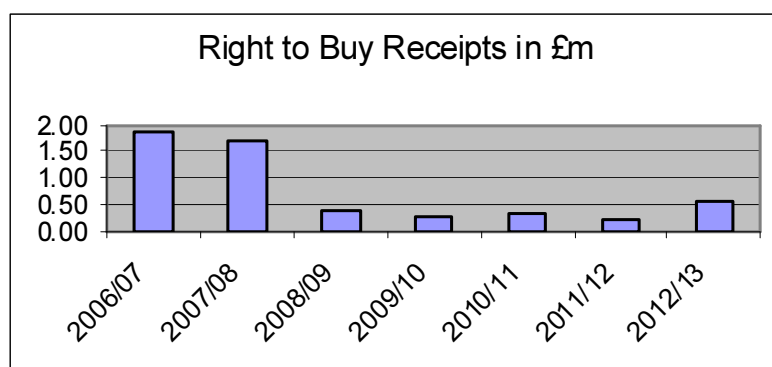
INTERNAL	EXTERNAL
Capital Receipts in Hand	Government Grants
Reserves	Other Grants, e.g. Heritage Lottery Fund
Contribution from Revenue Account	New Capital Receipts from Asset Sales
	Contributions from Partners
	Other Contributions
	Borrowing
	Private Finance Initiative or Similar

Lighter shades indicate sources which are not currently used

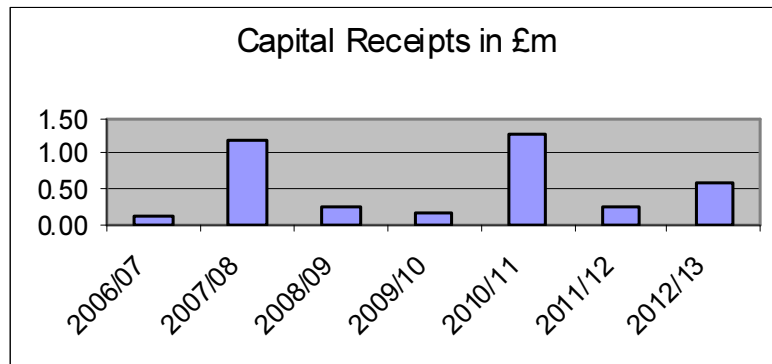
More details of these funding sources are given in the following paragraphs.

6.2 Capital Receipts have been the major source of funding for the Capital Programme in recent years. The amount of useable capital receipts in hand at 1 April 2013 was £2.7m. The majority of capital receipts are committed to finance the currently approved Capital Programme. Additional capital projects may be financed from capital receipts obtained by asset sales or other new capital streams.

6.3 A previously significant source of capital receipts has been the Council’s continuing right to a share of receipts arising from tenants of Aspire Housing under the Right to Buy legislation. However, Right to Buy sales have diminished, as shown in the chart below, both because of the present depressed property market and there being fewer potential purchasers as time goes by. There was a small increase in sales in 2012/13, which trend is continuing in 2013/14, probably arising from government changes to the rules governing sales and the improving property market.



6.4 In addition there are usually some small receipts from the sale of minor pieces of land or property but these are unlikely to be significant in amount over the next few years. Indeed, as may be seen from the chart below, capital receipts from sales of land and property (including covenant release payments) have been relatively modest in recent times.



6.5 Reserves currently held which are available to finance capital investment are as follows:

- ICT Development Fund
- New Initiatives Fund

The ICT Development Fund is specifically earmarked for meeting the costs of ICT development, both capital and revenue. The balance on the Fund at 1 April 2013 was £0.5m. This balance is fully committed to financing projects included in the current ICT Development Programme plus certain ongoing revenue costs. Accordingly, the Medium Term Financial Strategy 2014/15 to 2018/19 provides for annual contributions of £0.05m to be made to the Fund commencing in 2014/15 in order to replenish it.

The New Initiatives Fund's purpose is to finance new initiatives, both capital and revenue, not currently provided for in the Council's budgets. The balance on the Fund at 1 April 2013 was £0.1m, all of which will be required to meet the cost of ongoing revenue account initiatives or earmarked for covering costs which may arise if the Council suffers the loss of its exempt VAT status for a period.

6.6 The use of capital receipts and reserves to finance new capital projects has an effect upon investment income receipts and hence the General Fund Revenue Account. At current investment interest rates of less than 1.0% (rates available in the market currently pay a premium of up to an additional 0.5% above the base rate of 0.5%), every £100,000 of such capital receipts or reserve balances used will cost £1,000 to the revenue account on an ongoing basis. The use of capital receipts and reserves to finance the Capital Programme 2012/13 to 2013/14 was taken account of in the Medium Term Financial Strategy and in the 2013/14 Revenue Budget. Any receipts generated from the sale of assets will be invested until they are required to finance capital expenditure.

6.7 Wherever Government grants are available to meet all or part of the cost of capital projects the Council will ensure that these are applied for and used to maximise the amount of investment which can be made and the benefit which will result from that investment. Currently, the Council apply New Homes Bonus grant in a 50/50 proportion, half in support of the revenue budget and half to finance housing capital projects included in the housing investment element of the capital programme, in accordance with the 2013/14 budget report considered by Full Council on 27 February 2013.

6.8 Wherever possible and appropriate, funding will be sought towards the cost of capital projects from external parties. These will include property developers, government agencies, funding from the European Union (normally channelled via a UK Government Department), funding bodies such as the National Lottery or the Football Foundation, and partner organisations that may join with the Council to bring forward particular projects of mutual benefit. In the current climate, however, the Council may find such sources of funding to be limited compared with previous years.

- 6.9 There remains the potential for the Council to introduce a Community Infrastructure Levy. This may provide funding for capital investment required as a result of a development taking place, for example new roads or footpaths. It will partially replace "Section 106" contributions payable by developers as a condition of being granted planning permission.
- 6.10 As a result of changes to the treatment of business rates collected by councils (as implemented by the Local Government Finance Act 2012), which allow part of the amount collected to be retained by them, a Stoke on Trent and Staffordshire Business Rates Pool has been established to pool retained rates relating to a number of Staffordshire authorities, including Newcastle Borough Council. This has benefits with regard to maximising the total amount retained, with the additional amount gained by pooling being available to participating authorities in a number of ways. One of the features of the pooling arrangement is the establishment of an investment fund to finance projects which will contribute to economic regeneration within the areas of the participating authorities.
- 6.11 The Council is presently debt free, having no long term loans outstanding. Its current policy, expressed in its Treasury Management Strategy for 2013/14, approved by Council on 27 February 2013, is that it is not intended to utilise borrowing to fund the capital programme in view of the Council currently possessing sufficient reserves and useable capital receipts to finance capital expenditure from those sources. It is stated that borrowing may become an option in future years if these resources become sufficiently depleted that they are insufficient to finance proposed capital expenditure and, if the costs of borrowing compare favourably with those of alternatives such as using unapplied capital receipts, i.e. if in fact there is a sufficient business case to do so. It is possible that for a period of time during the span of the Capital Strategy capital resources will be depleted to the extent that they are insufficient to finance further significant capital investment, including projects necessary to ensure operational continuity.
- 6.12 There is no intention to charge any capital investment directly to the General Fund Revenue Account.
- 6.13 The Council does not presently intend to consider the use of Private Finance Initiative type arrangements or tax increment financing to meet the cost of capital investment.
- 6.14 The Executive Director (Resources and Support Services) will prepare estimates of the resources which are presently in hand plus those likely to be available in future to finance capital investment. He will keep these estimates up to date and periodically report upon them to Cabinet and Council, particularly when the Capital Programme is being considered. The Council will decide on the appropriate form of financing for projects included in the Capital Programme based on advice from the Executive Director as to availability and the consequences and costs of use of the various options.
- 6.15 The need to have available liquid funds to be used to pay for capital projects will be borne in mind when drawing up the Council's Treasury Management Strategy. An appropriate limit will be placed on long term investments based on predictions of the capital spending profile over the period covered by the Strategy so that there are likely to be enough readily available easily cashable investments to meet requirements.

## **7. REVENUE IMPLICATIONS**

- 7.1 The impact, if any, upon the General Fund Revenue Account, which will arise from capital investment proposals will be calculated and considered at the time projects are placed before Cabinet or Full Council for inclusion in the Approved Capital Programme or for specific approval. Such impact may be in the form of reduced interest receipts, where



projects are to be financed from capital receipts or reserves, borrowing costs, if loan finance is to be employed, or additional running costs arising from the provision of a new or altered facility. Offset against these costs will be any savings which might accrue, for example from “invest to save” projects.

7.2 In accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital, which the Council has adopted, the incremental impact of the Capital Programme will be calculated and considered when that programme is placed before Full Council for approval, in February each year.

7.3 The Council will always have regard to the affordability of its proposed capital investments, in terms of the revenue implications arising.

7.4 The revenue implications of the capital programme will be taken account of in the Council’s Medium Term Financial Strategy.

## **8. APPRAISAL OF INVESTMENT PROPOSALS**

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

8.2 A Risk Assessment, in the approved corporate format, will be completed for all capital projects subject to the Benefits Management Model process.

## **9. MONITORING ARRANGEMENTS AND PROJECT MANAGEMENT**

9.1 Progress in relation to individual projects will be monitored through the Council’s arrangements for the monitoring of capital projects, which entail quarterly monitoring reports to be received by the Cabinet. The Capital Programme Review Group will also review project progress and corrective action will be initiated where projects fall behind schedule, appear likely to overspend or otherwise give cause for concern. Individual Project Forms will be maintained in respect of each project by the Executive Director (Resources and Support Services) which will track the progress of projects and be available to officers and members with an interest in reviewing progress of those projects. Monitoring will also take place as part of the Benefits Management Model process, whereby reports will be completed for any projects which deviate from planned progress.

9.2 All projects will be assigned to a named officer who will be responsible for overseeing the project, including project monitoring and control and implementing exception reports and, where appropriate, corrective action if the project deviates from its planned progress or cost.

9.3 Where complex major projects are to be carried out, consideration will be given to employing the Prince2 project management methodology.

9.4 All capital projects will be subject to Internal Audit review to ensure correct procedures have been followed and sums have been paid out in accordance with Financial Regulations and Standing Orders as they relate to contracts. Where projects have received funding from government or quasi-governmental sources, the expenditure will also be subject in many cases to external audit. European Union funded projects may also be subject to audit by auditors on behalf of that body. Where monitoring returns or claims for reimbursement of expenditure are required to be sent to funding bodies, these will be completed and forwarded promptly to the relevant body in compliance with any deadlines laid down by them.

9.5 All capital investment proposals and project progress and management are subject to the Council's scrutiny arrangements.

## **10. STATUTORY FRAMEWORK**

10.1 The Council's capital investment is carried out within the statutory framework laid down by the Local Government Act 2003 and regulations under that Act. Accordingly, only expenditure which fits the definition of capital expenditure contained in the Act or Regulations pursuant to it will be capitalised.

10.2 Capital expenditure is defined by the 2003 Act as that which falls to be capitalised in accordance with proper practices, which means in accordance with the Code of Practice on Local Authority Accounting, published by the Chartered Institute of Public Finance and Accountancy (CIPFA), applicable to all local authorities. Annex A sets out a summarised version of the definition provided by the Code. In addition there are a number of other types of expenditure that have been defined by Regulations as being treatable as capital in nature. Generally these do not apply to this Council.

10.3 It should be noted that the Act and Regulations are framed in a permissive way, allowing local authorities to capitalise expenditure which fits the definition but not forcing them to capitalise such expenditure. The Council will decide, therefore, whether to include a project meeting the capital definition in its capital programme or to meet its cost from a revenue account.

10.4 The Council does not set a minimum amount for the capitalisation of expenditure (de minimis level). Accordingly, any expenditure complying with the above definition may be capitalised.

10.5 Capital Finance Regulations stipulate that amounts of less than £10,000 may not be treated as capital receipts. Accordingly, any such sums received, although otherwise capital in nature, will be credited to a revenue account.

10.6 The government is consulting authorities on proposals to permit capital receipts to be used to finance certain classes of revenue expenditure, in particular where these are related to the cost of restructuring and reforming services in order to make longer term savings. Given the Council's present shortage of capital receipts it is unlikely that this option will be deployed.

## **11. PROCUREMENT**

11.1 Regard will be had to the contents of the Council's Procurement Strategy when considering the delivery of capital projects.



11.2 Where estimated project contract costs exceed the relevant European Union threshold, the appropriate EU tendering procedures will be followed.

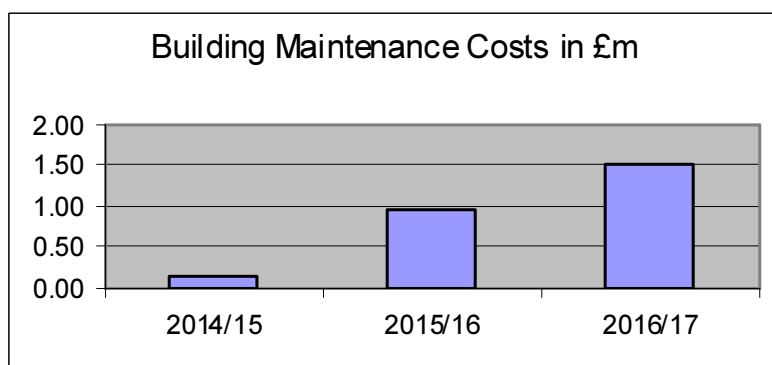
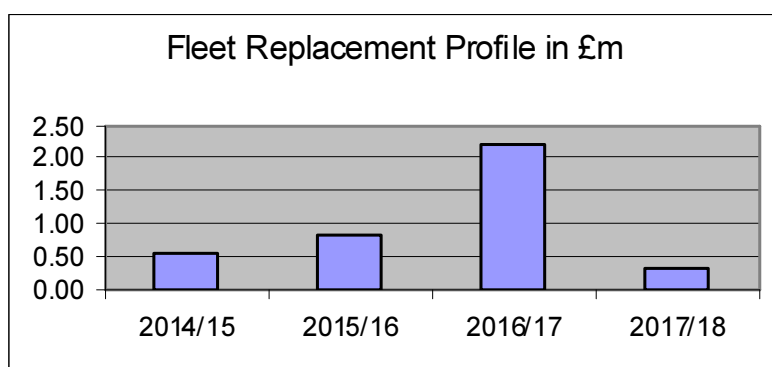
11.3 Standing Orders relating to contracts will apply to all contracts proposed to be let in relation to capital projects, together with Financial Regulations and the provisions of the Council's scheme of Delegation.

11.4 The achievement of Value for Money will be a guiding principle in the procurement of capital works and services and in managing contracts.

## 12.0 FUTURE CAPITAL PROGRAMME

12.1 During the period covered by this Strategy, there will be a need for some items of capital investment to be made in order to ensure continued service delivery or to comply with statutory requirements or to ensure health and safety of staff and public. Examples of these include: operational building repairs and maintenance; replacement of vehicles, plant and equipment required to deliver services; disabled facilities grants.

12.2 The following charts illustrate the scale of expenditure which the Council may need to fund over the next few years, in respect of fleet replacement, where existing items reach the end of their allotted life and in respect of operational building maintenance works, based on stock condition surveys carried out.



It may be possible to extend the lives of some of the vehicles, if they are in a fit condition when their replacement date is reached. Similarly some of the maintenance/improvement works to the Council's operational properties may be capable of being deferred; officers are in the process of refreshing the stock condition surveys to inform any decisions in this regard. Additionally, some properties may be deemed surplus to operational requirements and eligible for disposal in their current condition.

12.3 Funding for additional projects not essential to operational continuity will depend on capital receipts from asset sales. Appendices to the Asset Management Strategy 2013-2016 set out the assets which will be available for disposal during this period and the

arrangements to be adopted for public consultation concerning their disposal. Additionally, the appendices indicate a larger number of potential assets for disposal towards and beyond the end of the said strategy. It is intended that the planning merits of those assets be determined during the preparation of the Council's next Local Plan.

12.4 Work is ongoing to compile a basic programme containing those projects which it can be foreseen will be necessary to ensure service delivery or to comply with statutory requirements or ensure health and safety. The programme will also contain projects which are fully funded by external parties and which meet corporate priorities. The overall size of the programme will be determined by the resources estimated to be available to fund it.

12.5 It will be essential to apply a robust prioritisation process to determine which projects are included in the capital programme and are subsequently proceeded with. No projects should be considered in isolation. They must be required to be measured against all other competing projects to determine which should go forward. This process should also apply to any projects which are proposed subsequent to the approval of the programme, to ensure that only those projects with a high priority are proceeded with and funds are not diverted to projects of a lesser priority.

12.6 Funding for this basic programme is likely to be available to some extent from the following sources:

- Further capital receipts from asset sales
- Right to Buy capital receipts
- Government grants
- Other external contributions

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

12.7 Current estimates of the amount required to be invested in projects to ensure continued service delivery compared with forecasts of likely receipts from asset sales and other available resources indicate that there will be insufficient resources available to fund all of these requirements for several years. If significant sales of assets cannot be achieved within this timeframe, the Council may have to review its stance with regard to borrowing, if this proves to be the only practical means of funding necessary investment, particularly if a major unforeseen item of capital expenditure were to materialise, for example major repairs to enable an operational building to continue to be used or new legislation requiring capital spending.

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

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

Expenditure that should be capitalised will include expenditure on the:

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

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

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

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

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

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

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

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## NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

### EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE COUNCIL

26 February 2014

#### 1. LOCALISM ACT 2011 – PUBLICATION OF A PAY POLICY STATEMENT FOR 2014/15

**Submitted by:** Chief Executive – John Sellgren

**Portfolio:** Finance and Resources

**Ward(s) affected:** Not applicable

#### **Purpose of the Report**

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

#### **Recommendation**

**That the Pay Policy Statement attached at Appendix A to this report be approved and published on the council's website by 31 March 2014.**

#### **Reasons**

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

#### 1. **Background**

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

#### 2. **Issues**

- 2.1 To promote accountability, the Act requires pay policy statements, and any amendments to them, to be considered by a meeting of full council. In addition, full council should be offered the opportunity to vote before large salary packages are offered in respect of new appointments where remuneration is £100,000 and over.
- 2.2 For the purposes of transparency, it is considered that when the full council is discussing the pay policy statement, such discussions should be open to the public. Approved pay policy statements must be published on the authority's website and in any other manner that the

authority thinks appropriate, as soon as is reasonably practicable after they are approved or amended.

- 2.3 With regard to fairness, the government recommends the publication of an organisation's pay multiple – the ratio between the highest paid employee and the median average earnings across the organisation – as a means of illustrating that relationship. Any policies on performance related pay must be included in the pay policy statement and authorities are encouraged to consider whether an element of the basic pay of senior staff should be subject to meeting pre-arranged objectives. The statement must also include the authority's policy on whether they permit individuals to receive salary and pension at the same time so that taxpayers can have the opportunity to question whether they are getting value for money from arrangements where it could appear that the authority is paying an individual twice for doing the same job.
- 2.4 The council's current approach to pay policy is set out at Appendix A.

### 3. **Options Considered**

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

### 4. **Proposal**

- 4.1 It is proposed that the council approves the content of the Pay Policy Statement for 2013/14 based on the same format used for the last two years, as set out at Appendix A, with a view to this being published on the council's website by 31 March 2014. This will ensure that the appropriate information will continue to be made available to the public in accordance with the requirements of the Localism Act 2011.

### 5. **Reasons for the Preferred Solution**

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

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

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

7. **Legal and Statutory Implications**

7.1 Preparation of a Pay Policy Statement for 2014/15 is a requirement under section 38(1) of the Localism Act 2011.

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

7.3 Before it takes effect, the Pay Policy Statement must be approved by a resolution of the authority. This must be done no later than 31 March 2014.

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

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

8. **Equality Impact Assessment**

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

9. **Financial and Resource Implications**

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

10. **Major Risks**

Not applicable.

11. **Sustainability and Climate Change Implications**

Not applicable.

12. **Key Decision Information**

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

13. **Earlier Cabinet/Committee Resolutions**

Council – 19 May 2010 – Resn 12/11  
Establishment of the Chief Officer Appointment, Review and Appeals Committee.  
Council – 28 March 2012 – Item 7  
Approval of 2012/13 Pay Policy Statement  
Council – 27 February 2013 – Item 9  
Approval of 2013/14 Pay Policy Statement

14. **List of Appendices**

Appendix A – Pay Policy Statement 2014/15

15. **Background Papers**

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

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



## Newcastle-under-Lyme Borough Council

DRAFT

## Pay Policy Statement – 2014/15

**Introduction and Purpose**

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

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

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

**Legislative Framework**

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

**Pay Structure**

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

The National Joint Council pay spine was last increased in April 2013. Prior to this there had been no increases in the national pay spine since April 2009.

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

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

### **Senior Management Remuneration**

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

The posts falling within the statutory definition are set out below, with details of their basic salary as at 1 April 2014;

#### **National Joint Council (JNC) Chief Officers**

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

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

- c) Heads of Service – 2 non-statutory chief officer posts as follows:

*Heads of Service Band 1 – 1 post*

Head of Business Improvement & Partnerships

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

*Heads of Service Band 2 – 1 post*

Head of Communications

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

**Deputy Chief Officers**

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

Head of Customer and ICT Services

Head of Leisure and Cultural Services

Head of Operations

Head of Planning and Development

Head of Assets

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

*Heads of Service Band 2 – 6 posts*

Head of Finance

Head of Human Resources

Head of Revenues & Benefits

Head of Recycling Strategy & Fleet Services

Head of Environmental Health Services

Head of Housing & Regeneration Services

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

- b) Grade 13 - 1 post, salary within a range of 5 incremental points between £39,351 rising to a maximum of £42,924 (plus additional salary of £3,529 while undertaking Monitoring Officer duties on a temporary basis

Audit Manager

- c) Grade 12 - 4 posts, salary within a range of 4 incremental posts between £35,784 rising to a maximum of £38,422

Democratic Services Manager

Partnerships Manager

Principal Solicitor x 2

- d) Grade 11 - 1 post, salary within a range of 4 incremental points between £32,072 rising to a maximum of £34,894  
  
Business Improvement Manager
- e) Grade 10 - 2 posts, salary within a range of 4 incremental points between £29,528 rising to a maximum of £32,072  
  
Communications Team Leader  
Design and Print Team Leader
- f) Grade 9 - 1 post, salary within a range of 4 incremental points between £27,323 rising to a maximum of £29,528  
  
Land Charges and Information Team Leader
- g) Grade 8 - 1 post, salary within a range of 4 incremental points between £24,892 rising to a maximum of £27,323  
  
Research and Development Officer

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

The pay spines for NJC employees increased in April 2013. Prior to this, the previous increase was in April 2009.

### **Recruitment of Chief Officers**

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

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

## **Additions to Salary of Chief Officers**

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

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

## **Payments on Termination**

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

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

## **Flexible Retirement**

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

## **Publication**

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

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

## **Lowest Paid Employees**

The lowest paid persons employed under a contract of employment with the council are employed on full time (37 hours) equivalent salaries in accordance with the National Living Wage which is set independently annually each November. As at 1 April 2013, the lowest

paid employee will be paid at the Living Wage hourly rate of £7.65 which equates to a full-time equivalent salary of £14,759.

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

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

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

The current pay levels within the council define the multiple between the lowest paid (full time equivalent salary) employee and the Chief Executive as 1:6.76 and; between the lowest paid employee and average chief officer (excluding the Chief Executive, including deputy chief officers) as 1:3.32. The multiple between the median (average) full time equivalent earnings and the Chief Executive as 1:4.59 and; between the median (average) full time equivalent earnings and average chief officer as 1:2.26.

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

### **Accountability and Decision Making**

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

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

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

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

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

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

**Date of Statement: 27 February 2014**

**SALARY SCALES FROM 01.04.13**

Grade	Spinal Column Point	Spinal Column £ Salary Point	Grade	Spinal Column Point	Spinal Column £ Salary Point	Grade	Spinal Column Point	Spinal Column £ Salary Point
<b>Grade 1</b>	5	12,435	<b>Grade 6</b>	21	19,317	<b>Grade 11</b>	38	32,072
	6	12,614		22	19,817		39	33,128
	7	12,915		23	20,400		40	33,998
	8	13,321		24	21,067		41	34,894
				25	21,734			
<b>Grade 2</b>	6	12,614	<b>Grade 7</b>	25	21,734	<b>Grade 12</b>	42	35,784
	7	12,915		26	22,443		43	36,676
	8	13,321		27	23,188		44	37,578
	9	13,725		28	23,945		45	38,422
<b>Grade 3</b>	10	14,013	<b>Grade 8</b>	29	24,892	<b>Grade 13</b>	46	39,351
	11	14,880		30	25,727		47	40,254
	12	15,189		31	26,539		48	41,148
	13	15,598		32	27,323		49	42,032
							50	42,924
<b>Grade 4</b>	13	15,598	<b>Grade 9</b>	32	27,323	<b>Grade 14</b>	49	42,032
	14	15,882		33	28,127		50	42,924
	15	16,215		34	28,922		51	43,839
	16	16,604		35	29,528		52	44,774
	17	16,998						
<b>Grade 5</b>	16	16,604	<b>Grade 10</b>	35	29,528			
	17	16,998		36	30,311			
	18	17,333		37	31,160			
	19	17,980		38	32,072			
	20	18,638						
	21	19,317						



**Additions to Salary of Chief Officers**

**Car Lease Subsidy**

The council’s car leasing scheme is in the process of being phased out. Chief officers who have an existing lease car are entitled to a car lease subsidy, the value of which is currently £2,750 per annum, reduced as follows:

<b>Employee Grade</b>	<b>% Subsidy Reduction</b>
Executive Directors	50
JNC 1 & 2	40
NJC 10 – 14*	30
NJC 8 – 9	20
NJC 5 – 7	10

\* (Includes NJC 9 with market supplements)

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

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

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

**Fees paid for Returning Officer Duties**

Chief Executive

There is a Borough Council Election and also a European Election in May 2014. Based on an estimated electorate of approximately 100,000, the Chief Executive as Returning Officer would receive £475 per 10,000 electors (£4,750) but as it will be a combination election, an extra 20% would be added (£950) making a total payment of approximately £5,700.

**Evening Meetings**

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

<u>Finish time of meeting</u>	<u>Payment</u>
Up to 9pm	£32.22
9.01 – 10pm	£42.93

10.01 – 11pm  
After 11pm

£53.73  
£64.49

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

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

**POLICY STATEMENT**

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

- vi) Following the reduction in hours or grade, the council will not offer alternative employment to top-up the loss of income.
- vii) Be sympathetic to requests involving a phased reduction in working hours, subject to any such arrangements being operationally practicable. However, the council can not agree to requests that would, overall, lead to the employee being better off than before flexible retirement and will only consent to the release of the accrued benefits if this is the case.

**Note** *Retirement benefits drawn on flexible retirement must include all of those which may have accrued in respect of active membership under the 1997 Regulations and may, according to the wishes of the employee, include all or part of none of the benefits accrued in respect of membership under the 2008 Scheme.*

#### 4. **Approval Process**

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

#### 5. **Review**

- 5.1 The Policy is to be reviewed annually.

- Approved December 2008** - Cabinet
- Reviewed April 2009** - No changes
- Reviewed April 2010** - No changes
- Reviewed December 2011** - No changes
- Reviewed July 2013** - Reference to Miscellaneous Regulations (2012) added at 3(vii)
- Reference to Age Retirement Procedure deleted at 3(iv)
- Reference to requests for phased reduction in hours to be treated sympathetically added at 3(vii) and 'will not' replaced by 'can not' at line 3
- Note clarifying options for claiming benefits added after 3(vii) (Approved – Staffing Committee 9 July 2013)