Public Document Pack

NEWCASTLE UNDER LYME BOROUGH COUNCIL

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 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 ***Astley Room - Castle House*** on ***Wednesday, 20th February, 2019*** at ***7.00 pm***.

B U S I N E S S

12 DISCLOSURE OF EXEMPT INFORMATION

To resolve that the public be excluded from the meeting during consideration of the following report(s) as it is likely that there will be disclosure of exempt information as defined in paragraphs contained within Part 1 of Schedule 12A (as amended) of the Local Government Act 1972.

Yours faithfully

Martin T. Hamilton

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..

   Fire exits are to be found at the side of the room leading into Queens Gardens.

   On exiting the building Members, Officers and the Public must assemble at the statue of Queen Victoria. DO NOT re-enter the building until advised to by the Controlling Officer.

2. **Attendance Record**

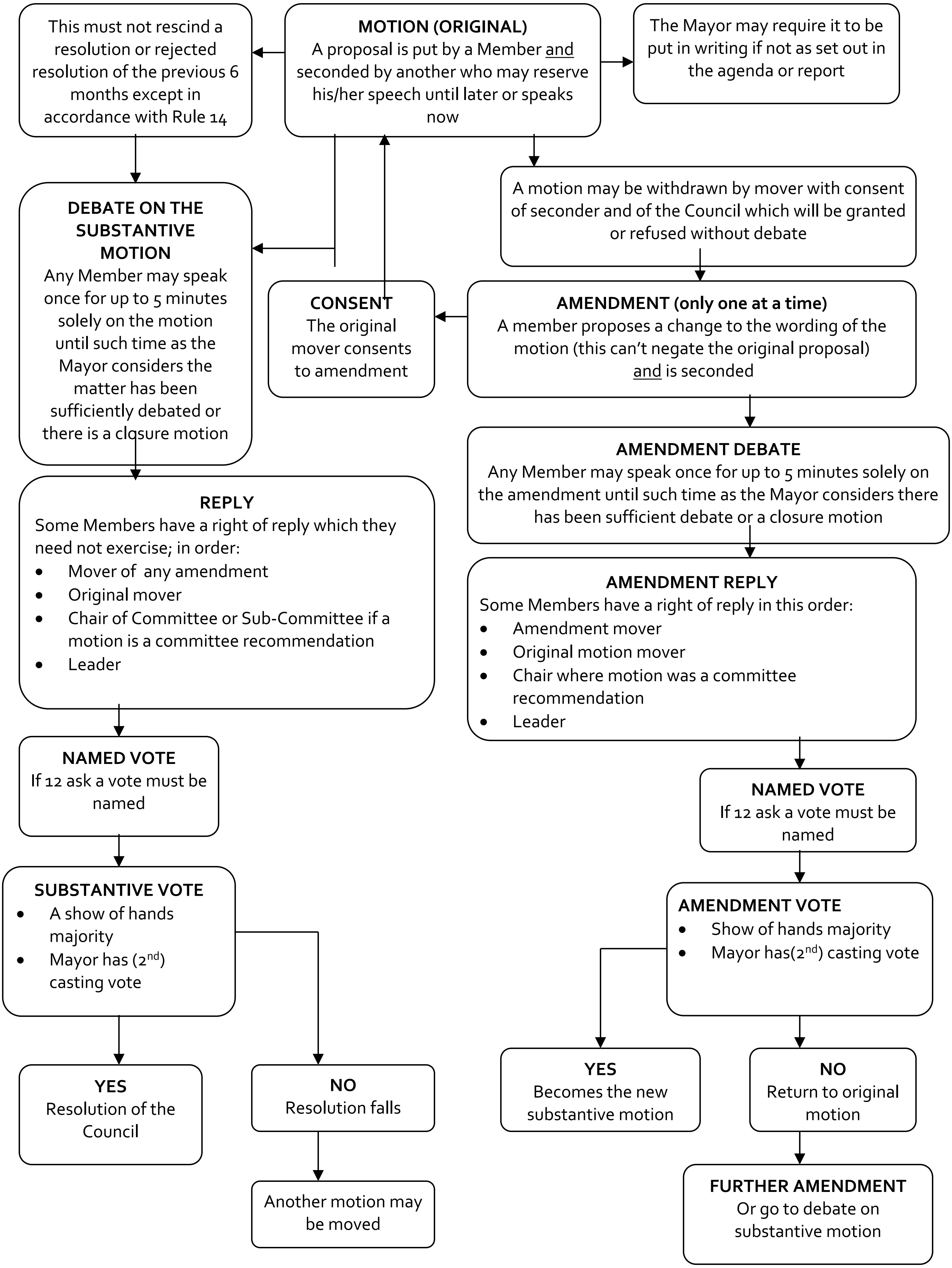
   Please sign the Attendance Record sheet on entering the building. This will be located at the reception desk.

3. **Mobile Phones**

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

4. **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.


MOTION (ORIGINAL)
A proposal is put by a Member and seconded by another who may reserve his/her speech until later or speaks now
This must not rescind a resolution or rejected resolution of the previous 6 months except in accordance with Rule 14
The Mayor may require it to be put in writing if not as set out in the agenda or report
A motion may be withdrawn by mover with consent of seconder and of the Council which will be granted or refused without debate
DEBATE ON THE SUBSTANTIVE MOTION
Any Member may speak once for up to 5 minutes solely on the motion until such time as the Mayor considers the matter has been sufficiently debated or there is a closure motion
CONSENT
The original mover consents to amendment
AMENDMENT (only one at a time)
A member proposes a change to the wording of the motion (this can't negate the original proposal) and is seconded
AMENDMENT DEBATE
Any Member may speak once for up to 5 minutes solely on the amendment until such time as the Mayor considers there has been sufficient debate or a closure motion
REPLY
Some Members have a right of reply which they need not exercise; in order:
• Mover of any amendment
• Original mover
• Chair of Committee or Sub-Committee if a motion is a committee recommendation
• Leader
AMENDMENT REPLY
Some Members have a right of reply in this order:
• Amendment mover
• Original motion mover
• Chair where motion was a committee recommendation
• Leader
NAMED VOTE
If 12 ask a vote must be named
NAMED VOTE
If 12 ask a vote must be named
SUBSTANTIVE VOTE
• A show of hands majority
• Mayor has (2nd) casting vote
AMENDMENT VOTE
• Show of hands majority
• Mayor has(2nd) casting vote
YES
Resolution of the Council
NO
Resolution falls
Another motion may be moved
YES
Becomes the new substantive motion
NO
Return to original motion
FURTHER AMENDMENT
Or go to debate on substantive motion

COUNCIL

Wednesday, 30th January, 2019
Time of Commencement: 7.00 pm

Present:- The Mayor - Councillor Mrs Gill Heesom – in the Chair

Councillors:

S. Burgess
G. Burnett
Miss J Cooper
Mrs J Cooper
J. Cooper
S. Dymond
A. Fear
A. Fox-Hewitt
A. Gardner
D. Harrison
M. Holland
E. Horsfall
B. Johnson
T. Johnson
D. Jones
T. Kearon
A. Lawley
H. Maxfield
P. Northcott
M. Olszewski
B. Panter
A. Parker
S. Pickup
B. Proctor
M. Reddish
K. Robinson
A. Rout
E. Shenton
C. Spence
M. Stubbs
S. Sweeney
J Tagg
S Tagg
J. Walklate
J Waring
P Waring
G White
S White
G Williams
J Williams
R. Wright

Officers Executive Director Operational Services- David Adams,
Geoff Durham - Mayor's Secretary / Member Support Officer,
Simone Harris- Marketing and Communications Officer,
John Tradewell - Acting Chief Executive / Head of Paid Service and
Interim Executive Director - Resources and Support Services - Jan Willis

1. **APOLOGIES**

Apologies were received from Councillors' Moffatt and Wilkes.

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

3. **MINUTES**

Resolved: That, subject to the undermentioned amendments, the Minutes of the meeting held on 21 November, 2018 be agreed as a correct record:

Leader's Statement - Paragraph 14: penultimate sentence, commencing 'Councillor Waring advised…' , the last part should read 'from five to four'.

Mayor's Announcements, second line typing error….. to read Christmas Craft Fayre.

4. **MAYOR'S ANNOUNCEMENTS**

The Mayor advised members of three upcoming events:-

Forensic Talk on Tuesday 12th February
Annual Civic Mass on Sunday 3 March
Mayor's Charity Ball on Saturday 6 April.

5. **INVESTMENT STRATEGY 2019/20**

The Portfolio Holder for Finance and Efficiency, Councillor Stephen Sweeney introduced a report on the Investment Strategy for 2019/20 asking Members to approve the Strategy.

Members were advised that an additional page - 'Investment Indicators' had been tabled this evening which replaced page 15 of the agenda. The page gave more information for the vacancy levels.

Councillor Sweeney thanked the officers who had produced the document.

Councillor Shenton enquired as to the Council's current level of borrowing. Councillor Sweeney confirmed that, at present the Council had no short term borrowing.

Resolved: That the Investment Strategy report for 2019/20, be approved.

6. **STATEMENT OF THE LEADER OF THE COUNCIL**

The Leader, Councillor Simon Tagg submitted a report which provided an update to Members on the activities and decisions of the Cabinet, together with the Forward Plan.

The Statement was taken a paragraph at a time to allow for questions to be asked.

Paragraph 2.1:
Councillor Maxfield welcomed the Growth Deal stating that she was pleased that the County Council and the Borough were working together on this.

Councillor Shenton enquired whether the decision taken at Cabinet last November in respect of the Market would be overridden by the Growth Deal.

The Leader said that it was a great document and that it set out a plan for the County and Borough to work together. With regard to the Market, the Growth Deal did not overwrite the decision taken at Cabinet as that was a Borough project. Councillor Sweeney was currently undertaking a review of the Market and Members would be made aware of any feedback.

Paragraph 2.2:
Councillor Julie Cooper asked if the CCTV Review would ensure that any new cameras would be sited in appropriate locations and not simply replacing existing cameras.

Councillor Kearon welcomed any improvement to the CCTV arrangements and welcomed the commitment to include towns and villages around the Borough in the future. Councillor Kearon queried how much the additional equipment would cost and also, when towns and villages would be included.

Councillor Gary White really welcomed this. He stated that Madeley and Audley had already done this and asked that the Cabinet keep this project ‘on the agenda’.

The Portfolio Holder for Community Safety and Wellbeing, Councillor Jill Waring welcomed the work being done to upgrade the current system. A visit was being made to Stoke on Trent next week to view their system. Newcastle’s cameras were approximately twenty year’s old and there was much better technology nowadays. An effective system was needed in the Town Centre.

The Leader explained that there was not a solution for monitoring as yet but once this was sorted the project could be looked into further. A new system would assist the Police with their duties so they could be asked to contribute to an upgrade.

Paragraph 3.2:
Councillor Harrison stated that the adoption of this document had been warmly welcomed. Councillor Gardner thanked the officers for the work that had been undertaken.

The Portfolio Holder for Planning and Growth, Councillor Paul Northcott stated that Conservation was taken seriously and that Maer already had a Conservation Area which needed the contents of this Document to protect its character.

Paragraph 4:
Councillor Burnett advised Members that funding was in ‘full flight’ for the sports centre.

Councillor Paul Waring said that he was pleased that things were moving on. Project Managers had been sorted and there was a possibility of obtaining funding from Sport England.

Councillor Robinson enquired about the gas supply shared by the Kings School and the sports centre.

The Leader stated that it needed to be ensured that the project management was in place for the project.

The Kings School are happy to work with the gas supply company to get it back in place.

Paragraph 5:
Councillor Kearon welcomed any improvement to the Planning Enforcement Protocol. Residents had expressed concerns in respect of this, to engage a response when there were clear breaches. Councillor Kearon asked what plans were in place to restore confidence in the planning process.

Councillor Panter felt encouraged by the initiative and would like to learn more about the enforcement process.

Councillor Gary White referred to the last sentence which mentioned a Members Information Event in the near future and asked when this would be.

Councillor Northcott explained that this was a Protocol for issues that had been raised where Members and officers had not been clear on what was expected of each other. The Protocol was in its last stages and would be finalised very soon before it is formally adopted.

There were staffing issues and this was being looked into`. The Council would be looking for a second Senior Enforcement Officer.

Members would be notified, on a weekly basis of live cases within their ward.

The Leader stated that the Council was in a jobs market where the private sector was looking for planning officers and also, Newcastle was located near to a Unitary Authority.

By the Council meeting in April, it was hoped that Members would receive a presentation about the Enforcement Protocol.

Councillor Robinson asked who planning enforcement came under since the departure of the Executive Director of Regeneration and Development, last month.

The Leader advised that the Acting Chief Executive had taken this on and from Monday 4 February, the Council's new Chief Executive, Martin Hamilton would take on the role.

Paragraph 6:
Members commented on the Guildhall and enquired as to its long term future.

Councillor Jennifer Cooper stated that the Council's parking machines were outdated and asked if there were any plans to replace them? In addition, she welcomed the news of the government's Future High Street Fund and asked when bids needed to be in by?

Councillor Sweeney confirmed that the deadline for bids was 22 March, 2019.

Councillor Shenton referred to street parking and a proposal by the County Council to put more parking meters on roads. Would there be any liaison with the Borough Council for this?

Councillor Shenton also asked when Members would be informed about the Ryecroft.

The Leader said that it was good to see the Guildhall back in use. The reception area was now open during the day and staffed by volunteers.

Councillor Sweeney stated that as part of the Borough Growth Fund, some of the parking machines that were between twenty and thirty years old would be replaced that would also be able to give more targeted information such as indicating footfall in the town during certain periods.

With regard to on-street parking, Councillor Sweeney confirmed that it was a misleading article in the Sentinel. The County Council were only doing three or four roads and those suggested in Newcastle were ideas for the future. Councillor Sweeney himself disagrees with the idea.

The Leader updated the Council on the current situation with the Ryecroft site and about a 'backstop' agreed by the previous administration which meant that the council's hands were tied until at least September 2019 or even to Spring 2020. A residential oriented development was preferable but this was not be currently progressed without the permission of HDD. A new way forward would be discussed in the near future.

Councillor Fear welcomed the approach in looking at parking charges. There was evidence that the concessions made over the Christmas period had increased footfall in the town. Councillor Fear asked if the charges would have an impact on Council revenue?

Councillor Sweeney stated that statistics released by the BID were very encouraging and showed a great benefit. Concessions such as this do have a knock on effect to revenue so the Ten Year Car Parking Strategy was very important.

Councillor Fox-Hewitt asked what the 17%, referred to in the first paragraph was benchmarked against and also asked if the Ten Year Parking Strategy was being done in conjunction with the Air Quality Management Report.

Councillor Sweeney confirmed that the 17% was benchmarked on week 34 (financial year) to the end of the year based on the previous year.

Councillor Kearon was pleased to hear about the work of the Friends of the Guildhall and wished to formally thank and acknowledge them for their incredible work.

Councillor Kearon was pleased to see that the free parking had made a difference. He suggested that the former Civic Offices/Sainsbury's car parks could be made free on Saturday's and at other key points in the week in conjunction with the BID.

Councillor Brian Johnson asked if the reduced income of £10,000 from parking had been good value for money?

The Leader agreed that the Friends of the Guildhall had done great work along with Support Staffordshire. This council had 'injected a purpose into the project with a can do attitude' and it had gone from strength to strength as a result. Councillor Sweeney gave credit to the Leader for his 'drive' which had helped to reopen the building.

With regard free parking, it needed to be tied in with events that would help generate footfall in the town centre. More work was needed on this and discussions had been generated.

7. **REPORTS OF THE CHAIRS OF THE SCRUTINY COMMITTEES**

Written reports were submitted for the Economy, Environment and Place Scrutiny Committee and the Health, Wellbeing and Partnerships Scrutiny Committee.

The Chair, Councillor Stubbs gave a verbal update for the Finance, Assets and Performance Scrutiny Committee:

The Committee had met twice since the last Full Council meeting and they had looked at the Treasury Management Strategy, Revenue, Budgets and Fees and Charges.

Resolved: That the reports be received.

8. **REPORTS OF THE CHAIRS OF THE REGULATORY COMMITTEES**

Written reports were submitted for the Committees that had met since the last Council meeting except for the Planning Committee where the Chair gave a verbal update:

The Chair Councillor Fear, advised that many applications had been put before the Committee as had appeals, one of which had challenged the Council's Five Year Housing Land Supply where the Planning Inspectorate had agreed with the Council's decision.

Resolved: That the reports be received.

9. **MOTIONS OF MEMBERS**

Two Motions were received:

1. 'Ethical Debt Collection', proposed by Councillor Gardner and seconded by Councillor Pickup.

An amendment to the Motion, proposed by Councillor Holland and seconded by Councillor Simon Tagg was submitted, as follows:

This Council believes:

That it is incumbent on all local authorities to show care and consideration to its residents and not cause additional stress and debt burden to those in financial difficulty in pursuit of council tax arrears.

That bailiff should not be used in the collection of council tax owed by individual residents.

This Council resolves:

To review its debt collection policies and implement an ethical debt collection approach by asking the Finance, Assets and Performance Scrutiny Committee to review the Council's debt collection policies and procedures and to make any recommendations.

To endorse the council's policy of not using bailiffs for the collection of council tax arrears.

To ask the Leader to write to the Secretary of State for Justice supporting the Citizens Advice call for an independent regulator for the debt collection sector.

The amendment was accepted by Councillor Gardner.

Members discussed the Motion all welcoming its contents. Councillor Simon Tagg stated that it needed to go to the appropriate scrutiny committee for further work.

Councillor Kearon suggested that the Council's website needed to be updated to clarify the issue regarding the use of bailiffs.

Resolved: That the Motion, as amended, be carried.

2. 'The Future of our Local Health Services (North Staffordshire)', proposed by councillor Gardner and seconded by Councillor Fox-Hewitt.

Members debated the Motion, all welcoming its contents. Councillor Gardner paid tribute to a particular campaigner for this, who, despite being very ill, continued to give her support to the cause.
Resolved: That the motion be Carried.

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

Councillor Burnett asked the Portfolio Holder for Finance and Efficiency for the latest figures for sign-ups to the new charged garden waste service and for information on income and expenditure in respect of this.

Councillor Sweeney advised that, to date there had been 9,251 sign-ups with over 10,000 actual bins for where more than one bin had been requested. Councillor Sweeney confirmed that there were costs of £68,000 to get there and also the cost of collecting unwanted bins.

Councillor Fear asked the Portfolio Holder for Finance and Efficiency for an update on the asbestos situation at the former Civic Offices.

Councillor Sweeney confirmed that the Council had received specialist advice. A full refurbishment or demolition survey would be required but any survey would be intrusive, potentially disturbing the asbestos which then becomes a problem. It is therefore best to leave it alone until further decisions are made. The safety of workers and the people of Newcastle was paramount.

Councillor Marion Reddish asked the Leader for an update on actions taken in connection with the odours, believed to be emanating from Walleys Quarry, off Cemetery Road.

The Leader stated that landfill sites were regulated by the Environment Agency who would use any information from the public to progress an necessary enforcement.

Complaints had been coming from residents in and around the town centre as well as near to the site. The weather conditions had also increased the potency of the odour.

It was understood that a public meeting was being arranged for February and local ward members for Knutton and Silverdale were encouraged to attend.

The Council is working with the Environment Agency in respect of any statutory nuisances.

Councillor Reddish asked the Portfolio Holder for Community Safety and Wellbeing, Councillor Jill waring for an update on the number of registered homeless in the Borough and how many slept rough in the Town Centre.

Councillor Waring stated that there were currently 109 active cases: with 45 classed as 'prevention'; 27 classed as 'relief'; two full homeless and 35 pending enquiries.

Current intelligence suggested that last week, there were six rough sleepers in and around the Town Centre and the Lyme Trust had counted three individuals. It was not confirmed if they were 'homeless rough sleepers'.

With regard to litter/items left behind by rough sleepers, a scheme was currently being piloted between Streetscene and CCTV operatives that, where items were left, arrangements would be made to attend with the police and remove the items.

Councillor Reddish suggested that it would be interesting to know the definition of a rough sleeper.

Councillor Waring advised that it was difficult to confirm a 'genuine' rough sleeper as opposed to those who did have accommodation. Councillor Waring would advise Councillor Reddish if she found out.

Councillor Dymond asked the Portfolio Holder for Community Safety and Wellbeing about the possibility of implementing a Public Spaces Protection Order (PSPO) at Clough Hall Park.

Councillor Waring stated that there had been no reports of anti-social behaviour in Clough Hall Park since September 2018. With regard to implementing a PSPO, if the evidence was robust enough to make it viable then it could be explored. A full consultation would be required.

Councillor Waring was aware that large groups gathered and that there was the same issue in Bathpool Park.

Councillor Dymond stated that she had received some complaints from residents but they had not involved the police as yet. Councillor Dymond requested a meeting with the Portfolio Holder to discuss the matter further.

Councillor Ruth Wright asked the Leader about the possibility of setting up a Town Centre Working Group to discuss various issues that were arising.

The Leader stated that there were already numerous interventions led by a number of working groups which ward members could be involved in. The Council has staff working with teams such as a rough sleepers action group which met fortnightly, there are weekly outreach sessions. In addition the Lyme Trust meet on a monthly basis. There was also work with neighbouring authorities and our partners.

Officers would be in touch with Councillors' Wright and Shenton about renewing their involvement in the town centre.

Councillor Wright then asked about a group that had been set up in Autumn 2017. Why had it been halted and if the funding was still available.

The Leader stated that he was not aware of this group as it was before he became Leader of the Council. He would ask officers to inform Councillor Wright.

Councillor Shenton asked the Portfolio Holder for Community Safety and Wellbeing for an update on any planning in place for Brexit, following the meeting that took place in January.

Councillor Waring stated that the Council was continuing to prepare for Brexit and was working with partners. The Government had issued further guidance to local authorities and that the Council would have a £35,000 share of the Brexit Fund.

Councillor Shenton asked what the funding would be used for.

Councillor Waring said that she would put this in writing.

11. **RECEIPT OF PETITIONS**

No Petitions were presented.

12. **COUNCILLOR CHRIS SPENCE**

Councillor Kearon acknowledged the work that had been done, both on behalf of the Council and residents by Councillor Chris Spence who was standing down as Councillor.

13. **ACTING CHIEF EXECUTIVE - MR JOHN TRADEWELL**

The Leader paid tribute to John Tradewell, thanking him for his hard work during the past year. The Council had been through a difficult period, including the introduction of all-out elections and he had played a part in the selection of the new Chief Executive – Mr Martin Hamilton. He had been a great support to the Leader and Cabinet.

Councillors' Kearon, Reddish and Gary White echoed the Leader's comments

Mr Tradewell thanked everyone for their support, saying that it had been a pleasure and privilege and that he would continue to be a 'friend of Newcastle'. He would be happy to provide future support to Newcastle.

14. **STANDING ORDER 18 - URGENT BUSINESS**

There was no urgent business.

THE MAYOR - COUNCILLOR MRS GILL HEESOM
Chair

Meeting concluded at 9.20 pm

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO COUNCIL

20 FEBRUARY 2019

REVENUE AND CAPITAL BUDGETS AND COUNCIL TAX 2019/20

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 2019/20 and sets out the recommendations for setting the 2019/20 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 2019/20 budget process, which started before the current 2018/19 budget was set. The Cabinet and the Finance, Assets and Performance Scrutiny Committee (FAPSC) have already considered the content of the 2019/20 Budget and the resultant Council Tax which is recommended. Cabinet met on 6 February 2019 and after considering comments made by the FAPSC, recommend a Council Tax for this Council in 2019/20 of £196.14 (based on Band D), as set out in Appendix B. This is an increase of £5.69 a year from the 2018/19 amount (an increase of 2.99%), which is within the maximum increase permitted without triggering the requirement for a referendum in accordance with the excessive council tax legislation.

2. Budget 2018/19 – Outturn Forecast

Revenue

2.1 Monthly reports monitoring actual spending against budget have shown adverse variances during the first nine months of the year, it is forecast that this adverse variance will increase to £0.201m at the close of the financial year.

2.2 The main reasons for this overall adverse variance are:

- Waste Services is operating at a net overspend, it is forecast that this will amount to £0.489m at the close of the financial year due predominantly to a shortfall in recycled material income;

- Jubilee 2 is operating at a net overspend, it is forecast that this will amount to £0.128m at the close of the financial year due to high levels of sickness within the service (which are being addressed) and a shortfall of income in relation to the climbing wall;

- Income from car parking is below the amount budgeted for, it is forecast that the will amount to £0.106m at the close of the financial year; and,

- A shortfall in court summons income as a result of improved Council Tax collection rates, it is forecast that this will amount to £0.108m at the close of the financial year.

These adverse variances are partially offset by favourable variances including:

- Employee costs in respect of a number of vacant posts and flexible retirements that have taken place across the Council, it is forecast that these will amount to £0.322m at the close of the financial year; and,

- Planning Application Fee income exceeding the budget due to the Council receiving a number of large development planning applications. It is forecast that this variance will amount to £0.311m at the close of the financial year.

2.3 As in previous years, a strategy to address the forecast overspend is being implemented. This includes the flexible use of capital receipts totalling up to £500,000 in 2018/19. This will also provide a more secure underpinning for the longer term financial stability of the Council through the establishment of an enhanced level of reserves. Overall reserves will be increased to £1.548m (see Section 6 below).

2.4 The Interim Director of Resources and Support Services informed the Ministry of Housing, Communities and Local Government by letter on 5 December 2018 of the Council's intention to make flexible use of up to £500,000 of capital receipts in each of the financial years 2018/19 and 2019/20.

2.5 Officers have reviewed the 'Statutory Guidance on the Flexible Use of Capital Receipts', and have identified expenditure that meets the eligibility criteria laid out in the guidance document, in that it relates to initiatives that are forecast to generate, or have generated, on-going revenue savings through reducing the costs of service delivery. The Council's Flexible Use of Capital Receipts Strategy is included for approval, as required by the statutory guidance, as Appendix H to this report.

2.6 With the exception of savings agreed from the Waste and Recycling review as part of the budget setting process for the 2016/17 and 2017/18 budgets, the majority of savings incorporated in the 2018/19 budget are on target to be achieved. This means that altogether over the ten years from 2009/10 to 2018/19 £22.456m of "gaps" will have been met via a combination of savings, efficiencies and additional income.

Capital

2.7 A Capital Programme totalling £2.549 million was approved for 2018/19. Of this, £1.502m related to the total cost of new schemes for 2018/19, £1.000m related to schemes funded by external sources (Disabled Facilities Grants) and £0.047m was brought forward from the 2017/18 Capital Programme. In addition £0.333 million slippage was incurred in 2017/18, resulting in a total Capital Programme of £2.882 million for 2018/19.

2.8 It is forecast that the Capital Programme outturn for 2018/19 will largely be in line with the expenditure detailed in paragraph 2.7, i.e. there will not be any significant variance to report.

3. Revenue Budget 2019/20

3.1 Excluding levies for Town and Parish Councils the recommended Borough Council Tax for a Band D property is £196.14, a 2.99% increase compared with 2018/19, based on a Borough Council Tax requirement of £7,280,130, as set out below.

	Estimated Expenditure £	Rate of Council Tax (Band D) £
Total Net Expenditure Less: External Support	13,050,020 (5,769,890)	351.59 (155.45)
Borough Council Tax requirement	7,280,130	196.14

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

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

Parish	Rate of Council Tax (Band D) £
Audley	60.83
Betley, Balterley & Wrinehill	27.26
Chapel & Hill Chorlton	22.93
Keele	37.38
Kidsgrove	34.05
Loggerheads	21.08
Madeley	43.62
Maer	19.65
Silverdale	18.32
Whitmore	32.38

The above levies are based on the requirements supplied by the parishes.

Meetings to formally set the precepts from Staffordshire County Council and Staffordshire Commissioner Fire and Rescue Authority are to be held shortly. Accordingly, the amounts shown in the tables in Appendix A are based on provisional notifications provided by these bodies. If any of the provisional amounts change these will be reported to you and the tables in Appendix A will be redone.

4. Medium Term Financial Strategy and Budgets for 2019/20

4.1 The Council's Medium Term Financial Strategy (MTFS), as reported to Cabinet on 17 October 2018, indicated a forecast budget shortfall of £1.891m for 2019/20.

4.2 There have been a number of changes to the MTFS since its approval in October, resulting in an increase of £0.329m in the funding "gap" to £2.220m for 2019/20:

- The Council and the proposed contractor for the operation of the Council's markets have mutually agreed not to proceed with the proposals for the management of the Market as set out in the 2018/19 budget, resulting in a cost of £27,000 needing to be reinstated into the budget;

- As the Council has improved collection rates of income from Council Tax in recent years, income from the raising of summons relating to Council Tax debtors has increasingly diverged from the budget. The income shortfall is forecast to be £108,000 in 2019/20, of which £55,000 has already been provided for via the existing pressures in the Medium Term Financial Strategy. £53,000 remains as an additional pressure;

- Income relating to the recycling of plastics and glass has fallen due to fluctuations in the prices within the recycling market. This has resulted in a significant shortfall in income. £187,500 is required to reflect the reduced income from this source;

- As noted at paragraph 4.10, grants that are received in respect of Council Tax Benefit administration, Housing Benefits administration and Housing Benefits New Burdens have reduced by £61,000.

The table below shows the factors which give rise to the £2.220m "gap" for 2019/20:-

Additional Income (Included in the MTFS)	**£'000**
Fees and Charges	94
Total Additional Income (A)	**94**
<u>Additional Expenditure and Loss of Income (Included in the MTFS)</u>	
Reduction in Government Funding	526
Government funding re Business Rates Baseline	(80)
New Homes Bonus - Revised Scheme	519
Provision for Pay Awards (including National Insurance)	326
Incremental Pay Rises for Staff	80
Superannuation increase in employers and lump sum contributions	335
Price Increases e.g. energy, fuel, rates, insurances, supplies & services	89
Adjustments re One-Off items in 2018/19	66
Reduction in income received from summons costs	55
Reduction in waste income and recycling credits awarded	69
Total Additional Expenditure and Loss of Income (B)	**1,985**
New Pressures (Identified After MTFS Reported)	
Reductions in waste income and recycling credits (following a re-evaluation)	188
Reduction in income received from summons costs	53
Market continuing to be operated by the Council	27
Reduction in Council Tax Benefit and Housing Benefit Administration Grants	61
Total New Pressures (C)	**329**
Net Increase In Base Budget (B+C-A)	**2,220**

4.3 Members and your officers have been identifying and considering ways of eliminating the 2019/20 gap. As a result, a number of savings and funding strategies have been identified, via a vigorous Efficiency Board process, and agreed with managers as being both feasible and sustainable. The proposed savings, totalling £2.468m are outlined in the table below and set out in detail in Appendix C:

Category	Amount £'000	Comments
Income	500	Additional sources of income generation and an increased demand for services that the Council charges for.
Staffing Related Efficiencies	410	No redundancies are anticipated to arise from these proposals. The proposals also allow for a review of organisational capacity – £125,000 is currently available for this purpose.
Good Housekeeping Efficiencies, General Other Savings, Changes in Base Budgets	442	Various savings arising from more efficient use of budgets.
Alternative Sources of Finance/ Other Savings	1,116	New Homes Bonus funding, savings from negotiated contribution rates and advanced payments of superannuation contributions, effect of forecast Council Tax Base increase, savings from Parish Council concurrent functions contributions. An assumed 2.99% (per band D equivalent) increase in Council Tax. Flexible use of capital receipts for the delivery of restructuring, digital and Council transformation efficiencies.
Total	**2,468**	

4.4 The savings and funding strategies considered by Cabinet on 16 January 2019, as included in Appendix B, will result in £248,000 over and above the budget 'gap' being made available for investment in the Council's priorities as per the Council Plan 2018-2022. In addition to this it is also proposed that the additional funding received from the distribution of the surplus on the national Business Rates Retention levy account (£56,000) be used for these purposes. This will result in a 'Borough Growth' fund of £304,000 being established, which will be used to invest in initiatives that are forecast to generate on-going revenue savings through reducing the costs of service delivery or through the generation of additional income.

4.5 It is proposed that the 'Borough Growth' fund be used to enable investment in the following corporate priorities:

A Town Centre for All (£104,000)

- Developing and implementing a 10 year Parking Strategy aimed at supporting the local economy. Cabinet has set out a number of areas of focus for the new strategy; these were detailed at 2.14 to 2.17 of the 16 October 2018 Cabinet report 'Review of Town Centre Car Parks'.

- Revitalising the market, developing with traders a clear programme for improvement. At its 7 November 2018 meeting Cabinet agreed to review the management and operation of the market in Newcastle town centre in co-operation and consultation with local interested parties to revitalise our historic market.

- Facilitating bids for grants, including the Future High Street Fund (FHSF). FHSF is a government initiative announced in 2018 budget to help local areas regenerate high streets and town centres. Bids will be considered for both Kidsgrove and Newcastle town centres.

Council Transformation (£100,000)

- Digital Delivery Programme. The Council is committed to introducing more streamlined and speedy processes to improve service delivery to residents, particularly in recycling and waste, environmental services and planning. Residents will be able to customise, via ‘My Account’, how they get up to date information on particular Council services.

- Establishing capacity to develop commercial working practices to reduce costs and generate improved revenue streams. This includes creating a work force fit for the future by developing the skills of our staff and also investing in apprenticeship opportunities.

Building for the Future (£100,000)

- Enable Residential & Commercial Development to generate improved revenue streams. We will use innovative models to ensure that when development opportunities arise the Council retains an income stream or reinvests the income into further opportunities.

4.6 The Final Local Government Finance Settlement for 2019/20 was announced on 29 January 2019. The assumptions made in the Medium Term Financial Strategy regarding the Council’s baseline funding levels are in line with those announced.

4.7 The New Homes Bonus allocation for 2019/20 the Council was also confirmed. The additional funding for 2019/20 was previously calculated to be £131,000 and assumed an increase in the deadweight applied to the New Homes Bonus to 0.44%. The allocation announcement has confirmed that this increase in the deadweight will not be applied to 2019/20. In addition to this the Affordable Housing Premium element of the New Homes Bonus was also announced. This will result in a further £61,000 of New Homes Bonus allocation being received in 2019/20 than had previously been assumed.

4.8 Notification has been received of the grants that are received in respect of Council Tax Benefit administration, Housing Benefits administration and Housing Benefits New Burdens (including Universal Credit), these have reduced by £61,000 for 2019/20.

4.9 An additional amount of surplus arising from the Business Rates Retention levy account will be redistributed as a one off payment to Local Authorities. This is in addition to the Council’s baseline funding levels and amounts to £56,000 to be paid during 2019/20. The proposed use of this funding is set out in paragraph 4.5.

4.10 As reported to Cabinet on 16 January 2019, in July 2018, Government invited Local Authorities to bid for the opportunity to undertake a pilot of 75% Business Rates Retention for 2019/20 only. As part of the Staffordshire and Stoke-on-Trent Business Rates pool, the Council has been successful in its application. The pilot scheme will enable 75% of future growth in Business Rates to be retained within Staffordshire. An estimated £200,000 of additional resources will be generated as a result of this for the Council in 2019/20, these resources will be retained to meet financing costs associated with the vehicle fleet renewals and replacement programme, including the acquisition of vehicles required for the new recycling service included in the capital programme. A full appraisal of financing options will be undertaken for these assets.

4.11 Cabinet recommends an increase in council tax for 2019/20 of 2.99% from the 2018/19 amount (an increase of £5.69) which is within the maximum increase permitted without triggering the requirement for a referendum in accordance with the excessive council tax legislation. The table below shows the effect of a 2.99% Band D increase across all the council tax bands, as an annual amount and a weekly amount.

Property Band	Annual Increase £	Weekly Increase £
A	3.80	0.07
B	4.43	0.09
C	5.06	0.10
D	5.69	0.11

E	6.96	0.13
F	8.23	0.16
G	9.49	0.18
H	11.39	0.22

4.12 Public consultation has been undertaken on the budget. The consultation clearly determined that residents felt that the following services were the most important to them.

- Street cleansing;
- Parks, playgrounds and open spaces;
- Refuse and recycling collection; and,
- Town centre regeneration.

It also showed that residents feel that both indoor and outdoor leisure facilities should be protected in addition to the regeneration of the town centre.

4.13 The consultation has been reviewed by Cabinet and the views of those residents that have engaged in the consultation have been taken account of, and reflected, in the 2019/20 savings and funding strategy.

4.14 The Finance Settlement for 2018/19 announced that by 2020/21 local government will retain 75% of business rate revenues; this will be a significant reform of local government finance and is likely to come with additional responsibilities for local authorities (details of which have yet to be announced).

4.15 It may further empower local authorities to deliver services in a way that is right for their area, whilst also significantly increasing the risks associated with the levels of business rates collected (i.e. the less collected due to non-payment or appeals against revaluations by businesses, the less business rates the Council will retain).

4.16 The 2019 Spending Review will confirm overall local government resourcing from 2020/21. The Government is working towards significant reform in the local government finance system in 2020/21, including an updated, more robust and transparent distribution methodology to set baseline funding levels.

4.17 For the purposes of the Medium Term Financial Strategy is has been assumed that the Council will be in a cost neutral position following the reform of local government finance and the introduction of 75% business rates retention, however, this cannot be guaranteed and funding streams may differ significantly from this neutral position.

5. Localised Council Tax Support Scheme 2019/20

5.1 Section 13A of the Local Government Finance Act 1992, substituted by section 10 of the Local Government Finance Act 2012 requires 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.

5.2 Any scheme needs to be approved by the 11 March 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.

5.3 The introduction of a de minimis amount below which Council Tax bills will not be recalculated for Universal Credit claimants has been the subject of a public consultation, three valid responses to the consultation were received, two in favour of a £2 de minimis and one not in favour of a de minimis. Taking into account the considerable time that would be spent by Officers amending Council Tax bills, it is recommended that the £2 de minimis be introduced. The remainder of the scheme (Appendix I) is intended to remain as per the 2018/19 scheme, as reported to Council on 22 November 2017.

6. Balances and Reserves

6.1 A review of all the Council's Balances and Reserves together with a risk assessment informing the levels of these has been undertaken. Details of these are included in Appendices D and E.

6.2 The Council's Section 151 Officer has recommended that a minimum level of un-earmarked reserves and contingencies of £1.548m be held to reflect the levels of revenue risk shown. Therefore, the Council's Balances and Reserves Strategy for 2019/20 is that there should be a minimum General Fund balance of £1.448m and a Contingency Reserve of £100,000.

6.3 Based on these minimum levels of reserves being sustained the Section 151 Officer 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.

7. Finance, Assets and Performance Scrutiny Committee

7.1 The Medium Term Financial Strategy and the budget proposals have been considered by the FAPSC at their meetings on 20 September 2018, 17 December 2018 and 24 January 2019. Following the January FAPSC meeting, the Committee's comments were fed back to the Cabinet at their meeting on 6 February 2019.

8. Risk Statement

8.1 Section 25 of the Local Government Act 2003 places a duty on the Section 151 Officer to report on the robustness of the budget. The main risks to the budget include:

- Spending in excess of the budget;
- Income falling short of the budget; and,
- Unforeseen elements e.g. changes to legislation or reductions in government grants

8.2 Such risks require regular and robust monitoring and it is essential that the Council has sufficient reserves to call on if required (see Section 6 above). The review and risk assessment indicates that overall reserves are required to be increased to £1.548m to reflect the levels of risk shown.

8.3 The assessment of the Section 151 Officer is 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.

9. Capital Programme 2019/20 - 2021/22

9.1 The Capital Programme for 2019/20 to 2021/22 (Appendix F) is based on new schemes which are vital to ensure continued service delivery and in assisting the Council to achieve its corporate and service objectives as set out in the Council Plan 2018-22 approved by Cabinet on 19 September 2018. These schemes total £19.301m.

9.2 The Capital Programme is produced in line with the new Capital Strategy for 2019/20 to 2028/29 (separate report on the agenda). In addition to the Council's corporate and service objectives, as set out in the Council Plan 2018-22, the Capital Programme is also influenced by a number of external parties and factors:

- Central government and its agencies;
- Legislation requiring capital works;
- Partner organisations;

- Businesses and Developers; and,
- The needs and views of other interested parties, particularly those of Borough residents.

9.3 The capital programme for 2019/20 will be funded without the need for long term prudential borrowing. If the anticipated capital receipts are delayed the Council will manage the resulting cash-flow impact by re-profiling expenditure or undertaking temporary borrowing. It is not expected that this will have a material impact on the revenue budget, given the current low level of interest rates.

9.4 In the longer term prudential borrowing will be required by the Council in order to fund the ongoing maintenance of assets and planned investment once capital receipts have been exhausted. Advice will be sought from the Council's Treasury Management advisors, Arlingclose as to the most beneficial method of capital financing and timing of any prudential borrowing.

9.5 In summary, investment in the capital programme totalling £19.301m will be funded by:

- £6.165m External Funding;
- £9.271m Capital Receipts;
- £0.217m ICT Development Fund; and,
- £3.648m Vehicle Leasing / Prudential Borrowing

9.6 There is clearly a direct link with the revenue budget as there may be revenue implications arising from new capital projects and the requirement to spend capital funds will lessen the ability to earn interest on the cash that is invested. It is therefore vital that the revenue and capital budgets are integrated.

10. List of Appendices

Appendix A: Schedule of Detailed Recommendations
Appendix B: Revenue Budget 2019/20
Appendix C: 2019/20 Savings and Funding Strategies
Appendix D: Actual and Estimated Reserves at 31 March 2018 to 31 March 2020
Appendix E: Risk Assessment on Required Balances/Contingency Reserve
Appendix F: Capital Programme 2019/20 to 2021/22, including financing of expenditure
Appendix G: Key Council Achievements in 2018/19
Appendix H: Flexible Use of Capital Receipts Strategy
Appendix I: Localised Council Tax Support Scheme 2019/20

Appendix A – Schedule of Detailed Recommendations

The following recommendations set out the decisions needed for the Council to set its own budgets and Council Tax for 2019/20.

Recommendations

(a) That the Revenue Budget for 2019/20 be approved, as set out in Appendix B.

(b) That the Band D Council Tax for 2019/20 be set at £196.14 (a 2.99% increase).

(c) That the Capital Programme to 2019/20 to 2021/22 be approved as set out in Appendix F.

(d) That the Local Council Tax Reduction Scheme for 2019/20 be approved (unchanged from 2018/19), and that a de minimis amount of £2, below which Council Tax bills will not be recalculated, be approved for Universal Credit claimants.

(e) That the Flexible Use of Capital Receipts Strategy be approved.

(f) That the un-earmarked and contingencies minimum balances requirement be confirmed as £1,548,000.

(g) That it be noted that the Executive Director (Resources and Support Services), under delegated authority assigned by Cabinet on 20 January 2016 and Full Council on 18 May 2016 calculated the following amounts for the year 2019/20:

(i) 37,117 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:

Parish/Town Council	Base
Audley	2,558
Betley, Balterley & Wrinehill	598
Chapel & Hill Chorlton	191
Keele	337
Kidsgrove	6,794
Loggerheads	1,935
Madeley	1,492
Maer	259
Silverdale	1,518
Whitmore	853

(h) That the Council Tax requirement for the Council's own purposes for 2019/20 (excluding Parish precepts) is £7,280,130.

(i) That the following amounts be calculated for the year 2019/20 in accordance with Sections 31 to 36 of the Act:

(i) £71,326,230 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) £63,459,530 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act.

(iii) £7,866,700 being the amount by which the aggregate at (h)(i) above exceeds the aggregate at (h)(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) £211.94 being the amount at (h) (iii) above (Item R), all divided by Item T (f) (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) £586,570 being the aggregate amount of all special items (Parish precepts) referred to in Section 34 (1) of the Act.

(vi) £196.14 being the amount at (h) (iv) above less the result given by dividing the amount at (h) (v) above by item T (f) (i) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item (Parish precept) relates.

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

Parish/Town Council	**£**
Audley	256.97
Betley, Balterley & Wrinehill	223.40
Chapel & Hill Chorlton	219.07
Keele	233.52
Kidsgrove	230.19
Loggerheads	217.22
Madeley	239.76
Maer	215.79
Silverdale	214.46
Whitmore	228.52

Being the amounts given by adding to the amount at (h) (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 (f) (ii) above calculated by the Council in accordance with Section 34(3) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(viii) **Valuation Bands**

Parish/Town Council	**Valuation Bands (£)**							
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Audley	171.31	199.86	228.41	256.97	314.08	371.18	428.28	513.94
Betley, Balterley & Wrinehill	148.93	173.75	198.57	223.40	273.05	322.69	372.33	446.80
Chapel & Hill Chorlton	146.05	170.38	194.72	219.07	267.76	316.43	365.12	438.14
Keele	155.68	181.62	207.57	233.52	285.42	337.30	389.20	467.04
Kidsgrove	153.46	179.03	204.61	230.19	281.35	332.49	383.65	460.38
Loggerheads	144.81	168.95	193.08	217.22	265.49	313.76	362.03	434.44
Madeley	159.84	186.48	213.11	239.76	293.04	346.32	399.60	479.52
Maer	143.86	167.83	191.81	215.79	263.75	311.69	359.65	431.58
Silverdale	142.97	166.80	190.62	214.46	262.12	309.77	357.43	428.92
Whitmore	152.35	177.73	203.12	228.52	279.31	330.08	380.87	457.04
Other Parts of Borough Area	130.76	152.55	174.34	196.14	239.73	283.31	326.90	392.28

Being the amounts given by multiplying the amounts at (h)(vi) and (h)(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.

(j) That it be noted that for the year 2019/20 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:-

Preceptor	**Valuation Bands (£)**							
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Staffordshire County Council	830.82	969.29	1,107.76	1,246.23	1,523.17	1,800.11	2,077.05	2,492.46
Staffordshire Commissioner Fire & Rescue Authority	50.49	58.90	67.32	75.73	92.56	109.39	126.22	151.46
Office of the Staffordshire Police & Crime Commissioner	144.37	168.44	192.50	216.56	264.68	312.81	360.93	433.12

(k) That having calculated the aggregate in each case of the amounts at (h) (viii) and (i) 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 2019/20 for each of the categories of dwelling shown below:

Parish/Town Council	**Valuation Bands (£)**							
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Audley	1,196.99	1,396.49	1,595.99	1,795.49	2,194.49	2,593.49	2,992.48	3,590.98
Betley, Balterley & Wrinehill	1,174.61	1,370.38	1,566.15	1,761.92	2,153.46	2,545.00	2,936.53	3,523.84
Chapel & Hill Chorlton	1,171.73	1,367.01	1,562.30	1,757.59	2,148.17	2,538.74	2,929.32	3,515.18
Keele	1,181.36	1,378.25	1,575.15	1,772.04	2,165.83	2,559.61	2,953.40	3,544.08
Kidsgrove	1,179.14	1,375.66	1,572.19	1,768.71	2,161.76	2,554.80	2,947.85	3,537.42
Loggerheads	1,170.49	1,365.58	1,560.66	1,755.74	2,145.90	2,536.07	2,926.23	3,511.48
Madeley	1,185.52	1,383.11	1,580.69	1,778.28	2,173.45	2,568.63	2,963.80	3,556.56
Maer	1,169.54	1,364.46	1,559.39	1,754.31	2,144.16	2,534.00	2,923.85	3,508.62
Silverdale	1,168.65	1,363.43	1,558.20	1,752.98	2,142.53	2,532.08	2,921.63	3,505.96
Whitmore	1,178.03	1,374.36	1,570.70	1,767.04	2,159.72	2,552.39	2,945.07	3,534.08
Other Parts of Borough Area	1,156.44	1,349.18	1,541.92	1,734.66	2,120.14	2,505.62	2,891.10	3,469.32

Appendix B – Revenue Budget 2019/20

Area	2018/19 General Fund		2019/20 General Fund		Note
	Estimate £	Band D Council Tax £	Estimate £	Band D Council Tax £	
Administration Before Recharges	5,942,480	161.43	5,384,660	145.07	
Less Recharges to Services	(5,942,480)	(161.43)	(5,384,660)	(145.07)	
Total Administration Net of Recharges	-	-	-	-	
Holding Accounts Before Recharges	2,084,490	56.63	2,377,120	64.04	
Less Recharges to Services	(2,084,490)	(56.63)	(2,377,120)	(64.04)	
Total Holding Accounts Net of Recharges	-	-	-	-	
Central Services	2,441,950	66.33	2,153,090	58.01	
Cultural Services	3,520,460	95.63	3,600,430	97.00	
Environmental Services	6,478,910	176.00	6,788,170	182.89	
Planning	1,344,910	36.53	1,367,010	36.83	
Transport	(46,190)	(1.25)	(69,640)	(1.88)	
Housing	1,346,340	36.57	1,236,550	33.31	
Net Cost of Services	**15,086,380**	**409.81**	**15,075,610**	**406.16**	
Pensions Liabilities Account	300,000	8.15	412,000	11.10	
Investment Properties	(238,500)	(6.48)	443,800	11.96	A
Interest and Investment Income	10,170	0.28	10,170	0.27	
Net Operating Expenditure	**15,158,050**	**411.76**	**15,941,580**	**429.49**	
Contribution to/(from) Revenue Reserves	119,920	3.26	821,840	22.14	B
Contribution to/(from) Capital Reserves	(1,942,550)	(52.77)	(3,713,400)	(100.04)	C
Amount to be met from Government Grant and Local Taxpayers	**13,335,420**	**362.25**	**13,050,020**	**351.59**	
Revenue Support Grant	(588,980)	(15.99)	-	-	
Other Non-Specific Grants	(1,261,680)	(34.27)	(934,680)	(25.18)	
Business Rates Retention Funding	(4,494,390)	(122.09)	(4,893,370)	(131.84)	
Collection Fund Deficit/(Surplus)	20,470	0.55	58,160	1.57	
Borough Council Tax Requirement	**7,010,840**	**190.45**	**7,280,130**	**196.14**	
Staffordshire County Council Precept		1,210.52		1,246.23	
Fire Authority Precept		73.53		75.73	
Police Authority Precept		192.56		216.56	
Total Council Tax Requirement		**1,667.06**		**1,734.66**	

The Council Tax Base used for 2019/20 in the above table is 37,117.

Notes

a) A greater value of impairment is budgeted to be made during 2019/20. This reflects the increased capital programme that will be undertaken, and is also reflected in the increased contribution from capital reserves.

b) Budgeted contributions to revenue reserves will increase for 2019/20. This reflects the establishment of the Borough Growth Fund and the funds to be set aside to allow for borrowing or leasing during 2019/20 in relation to vehicles.

c) Budget contributions from capital reserves will increase for 2019/20. This reflects the additional impairment referred to in Note A and the Flexible Use of Capital Receipts Strategy adopted for 2019/20.

GLOSSARY OF TERMS

Depreciation. The measure of the cost or revalued amount of the benefits of a fixed asset that have been consumed during the year. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence. Depreciation charges are offset by a transfer from the Capital Adjustment Account in order to ensure that they do not count against the council tax.

Impairment. A reduction in the value of a fixed asset below its carrying amount on the balance sheet. In this case, certain assets will have works of repair or improvement or other work to assets is planned to take place in 2019/20, which might be expected to result in an addition to the balance sheet carrying amount of the same amount as the expenditure incurred. However, it is likely that in fact the value will not be increased because the valuation principles employed do not recognise any increase in the real value of the assets. In such cases, the amount of non-value adding expenditure is classed as impairment and is written off as an impairment charge. These impairment charges are offset by a transfer from the Capital Adjustment Account in order to ensure that they do not count against the council tax.

Collection Fund. A fund accounting for Council Tax and Non-Domestic Rates received by the Council and the payments which are made from the fund including precepts to other authorities, the Council's own demand and shares of business rates receipts. The surplus or deficit for the year (essentially the difference between the amounts collected and the amounts paid out of the Fund) must be cleared by a transfer out of or into the Fund in the following year by the Council and the other major precepting authorities.

Contributions to/(from) Capital Reserves. Comprises transfers to or from the Capital Adjustment Account. This account is used to eliminate capital transactions, such as depreciation and impairment charges, which have to be debited or credited to the revenue account in order to comply with proper accounting practice but which statutorily cannot count against the council tax.

Appendix C – 2019/20 Savings and Funding Strategies

Ref	Service Area (Portfolio Holder)	Description	£000's	% of Budget Line	Detail
Income					
I1	Communications (Councillor Tagg)	Advertising Income	20	44.4%	Additional income from advertising income project (i.e. billboards and car parks). Sites have been identified to be pursued further
I2	Environmental Health (Councillor Johnson)	Licensing Income	80	20.0%	Increased demand in licensing requirements from customers, based on the number of licences forecast to be applied for during 2019/20
I3	Operational Services (Councillor Johnson)	Bereavement Services Income	100	5.9%	Increased demand in Bereavement Services requirements from customers, based on the number of cremations forecast to be undertaken during 2019/20
I4	Planning and Development (Councillor Northcott)	Development Control Income	100	20.7%	Increase in planning income as a result of the 20% national increase in fees chargeable
I5	Recycling and Fleet (Councillor Johnson)	Green Waste Income	200	N/A	Introduction of a fee of £36 per initial bin for subscribing households for the collection of green waste, resulting from the withdrawal of green waste recycling credits payments received from Staffordshire County Council
			500		
Staffing Related Efficiencies					
S1	All (Councillor Tagg)	Vacant Posts and Flexible Retirements	159	TBC	A review of vacant posts and service. A number of employees have been approved for flexible retirement within the Revenues and Benefits and Customer Services
S2	Finance (Councillor Sweeney)	Car Leasing Scheme	36	76.2%	Staff car leases to which the Council previously contributed not renewed following expiry
S3	Housing, Regeneration and Assets (Councillor Jill Waring)	Transfer of Disabled Facilities Function	72	29.9%	The transfer and retirement of Housing Officers following the transfer of the disabled facilities function to Millbrook Healthcare
S4	Housing, Regeneration and Assets (Councillor Northcott)	Restructure	26	6.0%	Minor restructure of the Facilities Management section and a reduction in hours of the Head of Housing, Regeneration and Assets
S5	Executive Management Team (Councillor Tagg)	Restructure	117	24.2%	A restructure of the Executive Management Team following a review of the Council's Senior Management structure
			410		

Good Housekeeping/General Other Savings/Changes in Base Budgets					
G1	Central Services (Councillor Tagg)	Whole Council Elections	50	44.6%	Following the move to all out, 4 yearly Elections, an annual saving in the amount set aside for Elections can be made. A contribution will be made into a reserve from the remaining budget to allow for the required budget at the next all out Election (including printing costs)
G2	Finance (Councillor Sweeney)	External Audit Fees	13	20.6%	A reduction in the fees charged to the Council by Grant Thornton for the audit of the Council's statement of accounts
G3	Leisure and Cultural (Councillor Holland)	Community Centres	14	27.2%	As a result of the successful granting of full leases to Community Centre committees, agreed as part of the 2015/16 budget setting process
G4	Leisure and Cultural (Councillor Holland)	New Victoria Theatre Grant	10	17.5%	Phased reduction of grant given over a 5 year period agreed as part of the 2015/16 budget setting process
G5	Leisure and Cultural (Councillor Tagg)	Kidsgrove Sports Centre	100	100.0%	Reduction in base budgets required relating to the re-opening and running of the centre by a Community Interest Group. This is net of the borrowing costs associated with the initial contribution to the Community Interest Group from the Council
G6	Leisure and Cultural (Councillor Holland)	Castle Sport/Sports Council	19	100.0%	The reserves that are held on behalf of Castle Sport are sufficient to enable the organisation to work towards becoming self-sufficient in the medium term
G7	Housing, Regeneration and Assets (Councillor Northcott)	Public Toilets Business Rates	5	100.0%	Introduction of Government legislation to grant a 100% relief from business rates for all standalone public toilets
G8	All (All)	Good Housekeeping Savings	231	TBC	Reductions in budgetary requirements for supplies and services following a review of areas of underspend (e.g. printing, training, fuel, fees for services)
			442		
Alternative Sources of Finance/Other					
A1	Corporate (Councillor Tagg)	Superannuation Lump Sum	140	7.7%	Negotiation of the contribution rate relating to pensions contributions and a discount for the advanced payment to the Pensions Actuary of superannuation lump sums
A2	Corporate (Councillor Tagg)	Council Tax Base	58	0.8%	An increase in the Council Tax Base resulting from new properties, an increase in collection rate and a reduction in residents eligible for Council Tax Reduction (increase of 305 residential properties)
A3	Corporate (Councillor Northcott)	New Homes Bonus contribution	192	15.2%	Further additional New Homes Bonus funding to be received in 2019/20 as a result of new properties and a reduction in the number of empty properties within the Borough.
A4	Corporate (Councillor Sweeney)	Council Tax Increase	211	2.99%	Assumed increase of 2.99% per Band D equivalent property, any increase above this amount would be subject to a referendum
A5	Corporate (Councillor Sweeney)	Parish Council Section 136 Contributions	15	25.0%	Following on from the previous administrations policy, regarding the payment made to Parish Councils for concurrent functions, as agreed as part of the 2017/18 budget setting process

A6	Corporate (Councillor Sweeney)	Flexible Use of Capital Receipts	500	N/A	The flexible use of capital receipts direction allows certain types of expenditure to be charged to capital rather than revenue, examples of these include, restructuring, digital delivery, generation of ongoing efficiencies and equipment
			1,116		
		Grand Total	***2,468***		

Appendix D – Actual and Estimated Reserves at 31 March 2018 to 31 March 2020

Reserve	Actual Balance at 31/3/18 (£000's)	Estimated Change in 2018/19 (£000's)	Estimated Balance at 31/3/19 (£000's)	Estimated Change in 2019/20 (£000's)	Estimated Balance at 31/3/20 (£000's)	Purpose
General Fund Balance	1,200	248	1,448	-	1,448	Working balance to cover unforeseen adverse events affecting the budget. Approved minimum balance of £1.448m
Contingency Reserve	210	(110)	100	-	100	To meet cost of unforeseen contingencies or for any other purpose approved by Council. Approved minimum balance of £0.100m
Equipment Replacement Fund	552	61	613	141	754	To pay for the replacement of items of plant and equipment
Renewals & Repairs Fund	-	-	-	-	-	To meet the cost of repairs and maintenance of Council owned buildings and structures
ICT Development Fund	67	(42)	25	50	75	To meet the cost of new IT requirements, including capital expenditure
Budget Support Fund	355	(118)	237	(110)	127	To support the General Fund revenue budget or to meet costs approved by Council
Borough Growth Fund	-	-	-	304	304	To fund investment in corporate priorities
Conservation & Heritage Fund	45	(5)	40	(5)	35	To provide repair grants to owners of historic buildings
Museum Purchases Fund	61	-	61	-	61	To purchase, conserve and enhance exhibits
Maintenance Contributions	75	(15)	60	(15)	45	To fund maintenance costs in respect of land transferred to the Council from developers contributions to periodic maintenance costs
Standards Fund	6	-	6	-	6	To ensure the Council meets its responsibilities under the ethical and other standards frameworks
Business Reserve	1353	(552)	801	(287)	514	To hold surpluses of business rates received per the revenue account and to pay subsequent deficits on the collection fund
Keele Master Plan Reserve	82	(63)	19	(19)	-	To meet the costs of the Keele master planning exercise

Appendix E – Risk Assessment on Required Balances/Contingency Reserve

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

All of the risks fall into the “Finance” Category

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
1	Increase in fees and charges does not result in higher income levels	Shortfall in income leading to overspends	3 x 4	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
2	Reduced Income due to 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 change in market conditions, eg because of demand fluctuations	Shortfall in income leading to overspends	3 x 5	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
4	Bad debts reduce the Council’s income	Shortfall in income leading to overspends Need to top up Bad Debts Provision	3 x 4	High	The Council has a sundry bad debts provision (£104k balance at 31/03/18). £30k contribution to provision included in the base budget.	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 £150,000	Vacancies do not occur leading to additional costs	3 x 3	High	The budget assumes a vacancy factor of 2%. This is realistic compared with experience from previous years.	3 x 3	High	None	Exec Mgt Team	N/a
6	Employee Budgets - The 2019/20 employee pay settlement results in an increase higher than included in the budget.	Additional unbudgeted costs	2 x 1	Low	Pay Spine review known in advance. Balances sufficient to deal with any additional costs, plus reduced job security in economy.	2 x 1	Low	None	Exec Mgt Team	N/a
7	Problems with staff recruitment/retention resulting in the payment of market supplements at extra cost.	Additional unbudgeted costs	3 x 3	High	Subject to ongoing review.	3 x 3	High	None	Exec Mgt Team	N/a

Item	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
8	Problems with staff sickness/suspensions resulting in the needs to use agency/interim staff at extra cost.	Additional unbudgeted costs	3 x 3	High	Situation subject to ongoing review.	3 x 3	High	None	Exec Mgt Team	N/a
9	Council becomes liable to pay compensation or legal fees or other unforeseen commitment arises.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
10	Inflation relating to supplies 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
11	Existing commitment(s) missed out of budget	Additional unbudgeted costs	3 x 2	Moderate	Budgets subject to checking at several levels. Preparation of standstill budget for comparison.	3 x 2	Moderate	None	Exec Mgt Team	N/a
12	Fall in interest rates reduces income to the Council.	Investment income targets not met	2 x 2	Moderate	Rates are very low now. A decrease would make only a relatively small difference. Included in calculation of prudent minimum balances	1 x 2	Low	None	Exec Mgt Team	N/a
13	Profile of capital spend differs adversely from that assumed in the investment interest calculation	Investment income targets not met	2 x 2	Moderate	Capital Budgets have been realistically set. Due to low interest rates investment income is no longer significant.	1 x 2	Low	None	Exec Mgt Team	N/a
14	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
15	Energy 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 Mgt Team	N/a
16	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
17	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
18	Insurances - high level of excesses to be met by Council or uninsured losses	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances. Insurance Provision established.	3 x 3	High	Monitor level of Insurance Provision	Chief Exec	N/a

Item	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
19	Government increase NI rates during 2019/20. An increase of 1% adds about £100,000 to the Council's costs	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Dir Resources	N/a
20	Loss of VAT Exempt Status	Additional unbudgeted costs	3 x 3	High	None	3 x 2	Moderate	Continue to monitor position regularly	Exec Mgt Team	N/a
21	Savings built into Budget are not realised	Additional unbudgeted costs	3 x 3	High	Regular Budget Monitoring	3 x 3	High	None	Exec Mgt Team	N/a
22	New Legislation imposes extra costs but provides insufficient resources	Additional unbudgeted costs	3 x 3	High	Contingency Reserve available. Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
23	Partnerships - expenses falling on Council as accountable body	Additional unbudgeted costs	2 x 3	Moderate	Few partnerships in place now. Monitor partnership activities and ensure carried out according to agreements.	2 x 1	Low	None	Exec Mgt Team	N/a
24	Civil Emergency	Additional unbudgeted costs	5 x 2	High	Bellwin Scheme will meet 100% of eligible expenditure within 1 month of an emergency (over threshold set-£25k for NBC)	4 x 2	Moderate	None	Exec Mgt Team	N/a
25	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	2 x 3	Moderate	Use of credit rating agencies Counterparty list based on minimum ratings with CDS overlay. Limits to investments with one counterparty (£7m)	2 x 3	Moderate	Frequent reviews of investment strategy	Exec Dir Resources	N/a
26	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

Item	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
27	Data Protection breach resulting in fine	Additional unbudgeted costs	3 x 3	High	Data Protection Policy Reminders to staff. All staff complete mandatory Data Protection e-learning module.	3 x 3	High	None	Exec Mgt Team	N/a
28	Members act against officer advice resulting in cost to the Council	Additional unbudgeted costs	3 x 3	High	Agenda pre-meetings. Liaison with members. Monitoring Officer.	3 x 3	High	None	Exec Mgt Team	N/a
29	Volatility in respect of Brexit	Additional unbudgeted costs re supplies and services and utilities	3 x 3	High	Include in calculation of prudent minimum balances.	3 x 3	High	Monitor	Exec Mgt Team	N/a

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

Appendix F – Capital Programme 2019/20 to 2021/22

CAPITAL PROJECTS	Proposed Programme			
	2019/20	2020/21	2021/22	TOTAL
	£	£	£	£
PRIORITY - Local Services that work for Local People				
Service Area - Council Modernisation	195,000	320,000	486,000	1,001,000
Total	**195,000**	**320,000**	**486,000**	**1,001,000**
PRIORITY - Growing our People and Places				
Service Area - Housing Improvements	1,075,000	1,080,000	1,130,000	3,285,000
Service Area - Managing Property & Assets	437,456	82,359	101,500	621,315
Total	**1,512,456**	**1,162,359**	**1,231,500**	**3,906,315**
PRIORITY - A Healthy, Active and Safe Borough				
Service Area - Environmental Health	0	10,000	0	10,000
Service Area - Streetscene & Bereavement Services	355,000	470,600	945,600	1,771,200
Service Area - Recycling & Fleet	756,000	4,166,000	609,500	5,531,500
Service Area - Leisure	546,000	681,000	331,000	1,558,000
Service Area - Museum	30,000	140,000	240,000	410,000
Service Area - Managing Property & Assets	387,463	49,035	40,456	476,954
Service Area - Engineering	172,215	15,873	170,193	358,281
Total	**2,246,678**	**5,532,508**	**2,336,749**	**10,115,935**
PRIORITY - A Town Centre for All				
Service Area - Managing Property & Assets	652,165	1,519,428	1,106,383	3,277,975
Total	**652,165**	**1,519,428**	**1,106,383**	**3,277,975**
CONTINGENCY	1,000,000	0	0	**1,000,000**
TOTAL	**5,606,298**	**8,534,295**	**5,160,631**	**19,301,225**

FUNDING				
Capital Receipts	3,508,298	3,927,295	1,836,132	**9,271,725**
External Contributions	1,335,000	2,065,000	2,765,000	**6,165,000**
ICT Development Fund	117,000	50,000	50,000	**217,000**
Fleet Replacement - Leasing or Borrowing	646,000	2,492,000	509,500	**3,338,500**
TOTAL	**5,606,298**	**8,534,295**	**5,160,632**	**19,301,225**

CAPITAL PROJECTS	Proposed Programme 2019/20 £
PRIORITY - Local Services that work for Local People	
Service Area - Council Modernisation	
Mobile Telephony Refresh	10,000
Mobile Technology Roll Out	10,000
Desktop Technology Refresh	10,000
Microsoft LAR Uplifts	10,000
Digital Delivery Integration Costs	30,000
Replacement of Civica APP	30,000
Replacement of Mobile Device Management Solution	15,000
Implementation of SharePoint	20,000
Roll out of Windows 10/Office 365	30,000
Pilate Gauge Replacement	10,000
Public Service Wi-Fi	20,000
Total (Service Area)	***195,000***
Total Priority	**195,000**
PRIORITY - Growing our People and Places	
Service Area - Housing Improvements	
Disabled Facilities Grants	1,000,000
Empty Homes Grants	40,000
Carbon Management	35,000
Total (Service Area)	***1,075,000***
Service Area - Managing Property & Assets	
High Carr Farm, Talke Road, Bradwell	14,343
Golfers Arms/Golf House, Keele Road, Newcastle	10,828
20 Sidmouth Avenue, Newcastle	10,000
Croft Road, Newcastle	19,835
Brampton Sidings, Newcastle	24,000
Newcastle Business Centre	1,050
Central Depot	357,400
Total (Service Area)	***437,456***
Total Priority	**1,512,456**
PRIORITY - A Healthy, Active and Safe Borough	
Service Area - Streetscene & Bereavement Services	
Footpath Repairs	75,000
Play Area Refurbishment	75,000
Railings/Structures Repairs	50,000
Tree Management System Updates	20,000
Traveller Encroachment	10,000
Memorial Survey	5,000
Town Centres Street Furniture	5,000
Crematorium Petal Garden	5,000
Crematorium Monthly Gardens	5,000
Bradwell Crematorium Extension	50,000
Grounds Maintenance Invest to Save Programme	15,000
Pool Dam Marshes LNR	40,000
Total (Service Area)	***355,000***

Service Area - Recycling & Fleet	
Replacement Bins/Containers	100,000
Transfer Station Alterations (New Recycling Service)	10,000
Corporate Fleet Replacement	646,000
Total (Service Area)	***756,000***
Service Area - Leisure	
Chemical Dosing System Invest to Save	25,000
Gym Equipment Replacement	280,000
Aqua Sauna Refurbishment	150,000
Structural/Electrical/Mechanical Survey	16,000
Thermal Wheel	35,000
Westlands Tennis Courts LTA Match Funding	40,000
Total (Service Area)	***546,000***
Service Area - Museum	
Wi-Fi	30,000
Total (Service Area)	***30,000***
Service Area - Managing Property & Assets	
Ski Slope, Bathpool Park, Kidsgrove	7,115
Clough Hall Park, Kidsgrove	8,515
Birchenwood Sports Complex, Kidsgrove	2,500
Chesterton Park, Chesterton	14,230
Bradwell Park, Porthill	1,400
Public Conveniences, Bradwell	6,154
Queen Elizabeth Park, Poolfields	1,400
Silverdale Cemetery, Silverdale	5,097
Golf House, Keele	2,000
Westlands Sports Ground, Westlands	202
Cemetery Lodge, Newcastle	5,097
Museum and Art Gallery	12,641
Roe Lane, Clayton	495
Crematorium, Bradwell	250
Wolstanton Marsh, May Bank	6,034
Jubilee 2	214,333
Madeley Pool Embankment	100,000
Total (Service Area)	***387,463***
Service Area - Engineering	
Kidsgrove Loopline Bridge Over Walkway in Park	21,450
Car Park at Butchers Arms Retaining Walls	100,000
St James Closed Churchyard, Audley	45,760
St James Closed Churchyard, Newchapel	5,005
Total (Service Area)	***172,215***
Total Priority	**2,246,678**
PRIORITY - A Town Centre For All	
Service Area - Managing Property & Assets	
Victoria Hall, Kidsgrove	5,749
Merrial Street, Newcastle	57,876
Lancaster Building Tanking	20,000
Guildhall, Newcastle	8,600
Midway Car Park, Newcastle	134,915
Market Office, Newcastle	25
Consultancy to Assist Master Planning/Site Disposal	100,000

EPC Works on Commercial Portfolio	40,000
Feasibility Study	100,000
Car Parking Machines	30,000
Markets	50,000
Bus Shelters	5,000
Civic Centre Holding Costs	100,000
Total (Service Area)	***652,165***
Total Priority	**652,165**
CONTINGENCY	1,000,000
TOTAL	**5,606,298**

Funding	
Capital Receipts	3,508,298
External Contributions	1,335,000
ICT Development Fund	117,000
Fleet Replacement - Leasing or Borrowing	646,000
TOTAL	**5,606,298**

Appendix G – Key Council Achievements in 2018/19

KEY ACHIEVEMENTS IN 2018/19

Britain in Bloom -

Newcastle-under-Lyme has swept the board at the Heart of England in Bloom awards for the third year in a row. The borough's entry was announced the overall winner of the regional competition, with top spot also being achieved in the coveted small city category and a 17th consecutive gold award, at the National Brewery Centre in Burton recently. This year's campaign has been the most successful ever for the Borough, winning a gold award in the RHS Britain in Bloom national finals Champion of Champions category, the highest accolade in the campaign. The Borough also won the national Wild About Gardens award for the second year in a row, and a Community Champion award for one of our local volunteers. A total of 7 of the Borough's strategic parks and cemeteries received Green Flag status this year.

Move to Castle House

This year has seen the move to our new home at Castle House, and it is encouraging that early feedback about the new building and working arrangements has been positive. This move allows the Council to embrace a new way of working and new opportunities of joined-up service delivery both amongst our own teams but also with our partners who are sharing the building with us, in order to provide improved local services for the people of the borough.

Our Digital Council

The introduction of a customer portal and self-service tools for a basket of council services will be a major step forward in the digital delivery of services for residents in Newcastle-under-Lyme. Digital technologies have the potential to improve the way the majority of council customers interact with local authority services whilst at the same time generating significant efficiency savings. A customer portal will help the Council make progress with both of these considerations and over the next 12 months we will further embrace the digital delivery of other services of the Council to enhance the local services offered.
Added to this, officers in the Recycling and Waste service are delivering major successes in a drive to get the most out of the Bartec waste management system. The technology is used by more than 60 councils in the UK for scheduling all types of waste collection, monitoring performance and continuous service improvement. Bartec helps teams out on the road to record key service data such as missed bins, contamination, presentation rates and so on.

ICT Infrastructure

During 2018, ICT oversaw the biggest upgrade of the Council's ICT infrastructure for the past 20 years.
ICT oversaw the relocation of both the Council's primary and secondary data centres, without incurring any significant disruption for services during operational hours. Agile working has been successfully rolled out to more than half of the Council's office based staff and was a significant contributor towards the move to Castle House. Improved, flexible technology has been introduced across Council sites that facilitate staff working from any location and ICT has developed its relationship with Staffordshire County Council, resulting in a fully shared network infrastructure across Castle House.

The Council's website

The Council's website has been awarded a four star status for the first time since 2012/13.
In addition the Borough Council recently retained its Plain English Crystal Mark – a key factor in accessibility.

Kidsgrove Sports Centre

Plans to reopen part of Kidsgrove sports centre under a community management model have taken another positive step forward. Cabinet has agreed to make a one-off capital contribution of £300,000 towards opening the "dry side" facilities.

Use of Guildhall

The Council has worked with Support Staffordshire and a range of partners to establish a community and voluntary sector hub based at the Guildhall, which is now up and running. A wide range of organisations such as Staffordshire Adult Autistic Society, Shaw Trust-Work and Health Programme and

Moneyline are providing their services for the people of the Borough. Friends of the Guildhall Group are providing cover for the reception area.

Supporting Retailers and Local Businesses
Working with partners the Council continues to support retailers and local business to remain and prosper in the town centres. The annual Business Boost competition, which provides business support and cash prizes is open to Newcastle based businesses some of which are based in our town centres. Working with Newcastle Business Improvement District and Appetite Creative People and Places Programme, we continue to celebrate our local cultural heritage by promoting events which encourage visitors, support local businesses and raise the profile of our towns. Newcastle town centre vacancy rate currently stands at less than17% with NBC owned building having a vacancy rate of 8.9% and Kidsgrove town centre vacancy rate is one of the lowest in the County at 6.4%.

FUTURE PLANS

New Recycling Service Planned
Within two years a new kerbside recycling and residual waste collection service will be introduced for all households. A new recycling service is planned for launch / delivery in two years' time. This will be a twin stream system and is at the heart of a proposed new kerbside recycling service. Residents will place most recycling in one wheelie bin, using a separate container for paper and card, and this will be collected every fortnight. This is only the first strand to a complete overhaul of the Council's recycling and waste services.

Keele University Growth Corridor
Exciting plans have been announced for the long-term expansion of the area to the west of Newcastle as a result of a significant planning exercise by the Council and its partners.
The vision outlines aspirational plans for the former golf course at Keele, parts of Silverdale and land adjacent to Keele University. The Keele University Growth Corridor responds to the borough's housing needs and ambitious plans set out in the Keele Deal which identifies opportunities for significant investment at the university and includes the provision for new housing on the former golf course, a new primary school and a small convenience store. An important feature will be the creation of attractive walking routes within the campus and residential parts of the scheme. Land has also been set aside to help the university meet its sustainability aims with renewable energy provision on the campus.

Regeneration of the Ryecroft area
Given the national changes to town centre retail demand, plans for the regeneration of the Ryecroft are to be reviewed. Newcastle-under-Lyme Borough Council and Staffordshire County Council will be working together to review options regarding the future development of the Ryecroft site. Both Councils are keen to ensure the successes of the Castle House development are mirrored within the Ryecroft scheme and provide an uplift to the townscape and the contribute to the development of a vibrant and successful town centre.

ICT Delivery
Over the next 12 months ICT will significantly improve the desktop services offered to users, with the roll out of Windows 10 and the latest version of Office. The team will also play a crucial role in supporting the Council's Digital ambitions from both the external customer perspective and for internal users. The technology and solutions that ICT deliver over the next 12 months will pave the way to fundamentally alter how services are delivered; allowing staff to be more productive and deliver better outcomes for the residents, visitors and businesses within Newcastle under Lyme.

Employment & Skills
The Council will continue to co-ordinate the Newcastle Employment and Skills Group, working with partners to address key issues around skills and employment across the borough, and work with the Stoke and Staffordshire LEP Education Trust to deliver the Skills Strategy to better meet employers' requirements. Our current claimant levels at 1.4% are lower than both the West Midlands (2.9%) and national levels (2.3%). This allows more focus and support to the long term unemployed, claiming Employment Support Allowance, to help them back into training and work.

Appendix H – Flexible Use of Capital Receipts Strategy

Flexible Use of Capital Receipts

2019 to 2022

Introduction

In the Spending Review 2015, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects.

Power under which the guidance is issued

1. The Local Government Act 2003 ('the Act'), section 15(1) requires a local authority '… to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify …'.

2. Two codes of practice issued by the *Chartered Institute of Public Finance and Accountancy (CIPFA)* contain guidance on capital receipts and local authority accounting that complement the DCLG guidance. These publications are:

    - *The Prudential Code for Capital Finance in Local Authorities*
    - *The Code of Practice on Local Authority Accounting*

3. Local authorities are required to have regard to the current edition of *Treasury Management in Public Services: Code of Practice and Sectoral Guidance Notes* by regulation 2 of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146]* and to the *Local Authority Accounting Code* as proper practices for preparing accounts under section 21(2) of the Act.

Application

4. This guidance applies with effect from 1 April 2016 to 31 March 2022 – i.e. to the financial year 2016-17 and for each subsequent financial year to which the flexible use of capital receipts direction applies.

5. The Council cannot borrow to finance the revenue costs of service reform and can only use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered.

The Council may not use its existing stock of capital receipts to finance the revenue costs of reform.

Qualifying expenditure

6. The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to the authority.

7. A list of types of project that would qualify for the flexible use of capital receipts is shown below. This list is not meant to be prescriptive or exhaustive and individual authorities who have projects that will generate ongoing savings that are not included in the list provided in the guidance can apply the flexibility to fund those projects.

Accountability and transparency

8. The Council is required to prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent. This strategy can be included as part of the annual budget documentation and approved by full Council or the equivalent at the same time as the annual budget.

Qualifying expenditure

Types of qualifying expenditure

9. Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years.

10. Set up and implementation costs of any new processes or arrangements can be counted as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

Examples of qualifying expenditure

11. There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies
- Investment in service reform feasibility work, e.g. setting up pilot schemes
- Collaboration between local authorities and central government departments to free up land for economic use
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation
- Sharing Chief-Executives, management teams or staffing structures
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others)
- Integrating public facing services across two or more public sector bodies (for example children's social care, trading standards) to generate savings or to transform service delivery.

Accountability and transparency

Preparation

12. For each financial year, the Council should ensure it prepares at least one Capital Strategy ("the Strategy")

Content

13. As a minimum, the Strategy should list each project that plans to make use of the capital receipts flexibility, that it details the split of up front funding for each project between capital receipts and other sources, and that on a project by project basis, a cost benefit analysis is included to highlight the expected savings. The Strategy should report the impact on the Councils Prudential Indicators for the forthcoming year and subsequent years.

14. From the 2017-18 Strategy and in each future year, the Strategy should contain details on projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial cost/benefit analysis.

15. The Strategy may also include any other matters considered to be relevant.

Approval

16. The Strategy should be approved by the full council.

Timing

17. For any financial year an efficiency Strategy ("the initial Strategy") should be prepared and approved before the start of the year.

2019/20 Strategy

The Council intends to use capital receipts received in 2019/20 to finance qualifying expenditure up to £500,000 in accordance with the Guidance. The projects which will be financed in this way are shown in the table below.

Project	Expenditure	Expected Savings
	£,000	£'000
Digital Delivery Project	100	200
New Recycling Service - Preparatory Costs	120	187
Chargeable Garden Waste Preparatory Costs	40	306
Building Efficiency Works Expenditure	36	36
Town Centre	104	TBC
Building for the Future	100	217
Total	**500**	**946**

The individual projects selected within these categories will be financed entirely from in year capital receipts

2018/19 and Previous Years' Flexible use of Capital Receipts

The Council financed qualifying expenditure in 2017/18 in accordance with the Guidance, and further intends to finance such expenditure in 2018/19, as shown in the table below.

Project	Expenditure	Expected Savings
	£'000	£'000
2017/18		
Castle House Project - Redundancy Costs	80	80
2018/19		
Restructuring Costs	196	302
Digital Delivery Project	86	200
Castle House - Project Supervision	22	50
Chargeable Garden Waste Preparatory Costs	157	306
Building Efficiency Works Expenditure	39	50
Total	**500**	**988**

All of these projects are in the process of being completed. It is anticipated that the expected savings will be achieved.

Appendix I – Local Council Tax Reduction Scheme for 2019/20

Claim Type	Council Tax Support Scheme
Pensioner Claimants	
No scope for changes within LCTS	Up to 100% of Council Tax Bill
Working Age Claimants	
Claims will be based on a max of 80% Council Tax Liability (unless in a protected group)	Up to 80% of Council Tax Bill
Properties in bands higher than Band D will be based on 80% Band D Council Tax	Up to 80% of band D rate
Second Adult Rebate will not be retained in the Local Scheme	Nil
Capital Cut off at £6K (non-passported)	No Council Tax Support if capital exceeds £6k
Earnings Disregards	Flat rate of £25 if claimant working
Claimants who are eligible to Severe Disability Premium (SDP)	
May allow up to 100% LCTS as protected group	Up to 100% of Council Tax Bill
Claimants who are eligible to receive War Disablement Pensions, War Widow's Pensions and Armed Forces Compensation Scheme Payments	
May allow up to 100% LCTS as protected group	Up to 100% of Council Tax Bill

Discretionary Payments

The Council has discretion to award Council Tax Support, in excess of the accounts determined by this framework, where it is satisfied that exceptional circumstances exist.

NEWCASTLE UNDER LYME BOROUGH COUNCIL

Treasury Management Strategy

2019/20

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Introduction

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council may invest or borrow substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

Treasury Management Consultants

The Council uses Arlingclose Ltd for its external treasury management advice service for the period 1st April 2017 to 31st March 2020.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

Economic Situation

Highlights of the report supplied by Arlingclose Ltd.

External Context

Economic background: The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council's treasury management strategy for 2019/20.

Following a weak reading in the first quarter of 2018 attributed to weather-related factors, UK GDP growth rebounded in the second quarter to 0.4%, but at an annual rate of only 1.2% this remains below trend. As economic growth had evolved broadly in line with its May Inflation Report forecast, the Bank of England's Monetary Policy Committee (MPC) voted unanimously for a rate rise of 0.25% in August, taking Bank Rate to 0.75%. In November 2018 the MPC maintained Bank Rate at 0.75% while the Inflation Report showed that compared to the August report further interest rate increases may be required to bring inflation down to the 2% target over the forecast horizon.

The headline rate of UK Consumer Price Inflation fell back to 2.4% year-on-year in September 2018 from 2.7% in August, as higher import and energy prices continued to hold inflation above the Bank of England target.

While external inflationary pressures from energy costs and import prices are expected to subside, domestic pressures are projected to build over the forecast horizon with the balance of these effects likely to keep inflation above the Bank of England's target throughout most of their forecast horizon, meaning that strong real income growth is unlikely to materialise any time soon.

As the US economy has continued to perform well, the Federal Reserve maintained its monetary tightening stance and pushed up its target range for the Fed Funds Rate in September 2018 by 0.25% to 2% - 2.25%. One further rise is expected in 2018 and two more in 2019.

Credit outlook: The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of

Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

Interest rate forecast: Following the increase in Bank Rate to 0.75% in August 2018, the Council's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. Whilst assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity (at the time of writing this commentary in early November). As such, the risks to the interest rate forecast are considered firmly to the downside.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Annex A.

Local Context

On 30th November 2018, the Council held no borrowing and £4.2m of investments. This is set out in further detail at Annex B.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Council has an increasing CFR due to the capital programme, but minimal investments and may therefore be required to borrow over the forecast period. More details in relation to the Council's CFR are included within the Capital Strategy.

Borrowing Strategy

The Council does not currently hold any loans, as per the previous year, as part of its strategy for funding previous years' capital programmes.

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of [internal / short-term] borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the

Council borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Council may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

Sources of borrowing:

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body;
- any institution approved for investments (see below);
- any other bank or building society authorised to operate in the UK;
- any other UK public sector body;
- UK public and private sector pension funds;
- capital market bond investors; and
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing;
- hire purchase; and
- sale and leaseback.

The Council has raised its long-term borrowing through the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.

Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

The Council can hold significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between nil and £10 million.

The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The

Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to diversify into more secure and/or higher yielding asset classes during 2019/20. This diversification will represent a substantial change in strategy over the coming year.

Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Approved investment counterparties and limits

Credit rating	**Banks unsecured**	**Banks secured**	**Government**	**Registered Providers**
UK Govt / LA's (exc. S114)	n/a	n/a	£ Unlimited 50 years	n/a
AAA	£7m 5 years	£7m 20 years	£7m 50 years	£2.5 m 20 years
AA+	£7m 5 years	£7m 10 years	£7m 25 years	£2.5 m 10 years
AA	£7m 4 years	£7m 5 years	£7m 15 years	£2.5 m 10 years
AA-	£7m 3 years	£7m 4 years	£7m 10 years	£2.5m 10 years
A+	£7m 2 years	£7m 3 years	£7m 5 years	£2.5 m 5 years
A	£7m 13 months	£7m 2 years	£7m 5 years	£2.5m 5 years
A-	£7m 6 months	£7m 13 months	£7m 5 years	£2.5m 5 years
None	£0	n/a	£0	£0
Pooled funds and real estate investment trusts			£1m per fund or trust	

The above limits apply to individual counterparties and represent the maximum amount and maximum duration of any investment per counterparty.

Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Operational bank accounts: The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £7,000,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Investment limits: In order that the Council will not be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £7 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£7m each
UK Central Government	unlimited
UK Local Authorities	unlimited
Any group of organisations under the same ownership	£7m per group
Any group of pooled funds under the same management	£7m per manager

Negotiable instruments held in a broker's nominee account	£7m per broker
Foreign countries	£7m per country
Registered providers and registered social landlords	£7m in total
Unsecured investments with building societies	£7m in total
Money market funds	unlimited
Real estate investment trusts	£7m in total

Liquidity management: The Council uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

Non-treasury investments are now covered by the Council's Investment Strategy.

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	A+

Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than a year

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£5m	£5m	£5m

Related Matters

The CIPFA Code requires the Council to include the following in its treasury management strategy.

Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk. The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Markets in Financial Instruments Directive (MiFID II): The Council has retained retail client status with its providers of financial services, including advisers and banks, allowing it access to a smaller range of services but with the greater regulatory protections afforded to individuals and small companies. This is believed to be the most appropriate status given the size and range of the Council's treasury management activities.

Financial Implications

The budget for investment income in 2019/20 is £49k. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. It is believed that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Annex A – Arlingclose Economic & Interest Rate Forecast October 2018

Underlying assumptions:

- The MPC left Bank Rate unchanged at the September meeting, after voting unanimously to increase Bank Rate to 0.75% in August.
- Our projected outlook for the UK economy means we maintain the significant downside risks to our interest rate forecast. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
- Cost pressures were projected to ease but have risen more recently and are forecast to remain above the Bank's 2% target through most of the forecast period. The rising price of oil and tight labour market means inflation may remain above target for longer than expected. This means that strong real income growth is unlikely in the near future.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider both that: 1) ultra-low interest rates result in other economic problems, and 2) higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise and cuts are required.
- The global economy appears to be slowing, particularly the Eurozone and China, where the effects of the trade war has been keenly felt. Despite slower growth, the European Central Bank is adopting a more strident tone in conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. Meanwhile, European political issues, mostly lately with Italy, continue.
- The US economy is expanding more rapidly. The Federal Reserve has tightened monetary policy by raising interest rates to the current 2%-2.25% range; further rate hikes are likely, which will start to slow economic growth. Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon. Our central case is for Bank Rate is to rise twice in 2019. The risks are weighted to the downside.
- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our interest rate projections, the strength of the US economy and the European Central Bank's forward guidance on higher rates. However, volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	*0.00*	*0.00*	*0.00*	*0.00*	*0.25*	*0.25*	*0.25*	*0.25*	*0.25*	*0.25*	*0.25*	*0.25*	*0.25*	*0.17*
Arlingclose Central Case	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.17
Downside risk	*0.00*	*0.50*	*0.50*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.65*
3-mth money market rate														
Upside risk	*0.10*	*0.10*	*0.10*	*0.10*	*0.15*	*0.20*	*0.20*	*0.20*	*0.20*	*0.20*	*0.20*	*0.20*	*0.20*	*0.17*
Arlingclose Central Case	0.80	1.00	1.10	1.20	1.30	1.30	1.25	1.20	1.20	1.20	1.20	1.20	1.20	1.17
Downside risk	*0.20*	*0.50*	*0.60*	*0.70*	*0.80*	*0.80*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.68*
1-yr money market rate														
Upside risk	*0.20*	*0.30*	*0.30*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.33*
Arlingclose Central Case	1.05	1.25	1.35	1.40	1.50	1.45	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.37
Downside risk	*0.35*	*0.50*	*0.60*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.75*	*0.69*
5-yr gilt yield														
Upside risk	*0.15*	*0.20*	*0.25*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.32*
Arlingclose Central Case	1.15	1.20	1.25	1.35	1.40	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.30
Downside risk	*0.30*	*0.35*	*0.45*	*0.50*	*0.60*	*0.60*	*0.60*	*0.60*	*0.60*	*0.60*	*0.60*	*0.60*	*0.60*	*0.54*
10-yr gilt yield														
Upside risk	*0.20*	*0.25*	*0.25*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.32*
Arlingclose Central Case	1.60	1.65	1.65	1.70	1.75	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Downside risk	*0.30*	*0.45*	*0.50*	*0.55*	*0.60*	*0.60*	*0.60*	*0.60*	*0.60*	*0.60*	*0.60*	*0.60*	*0.60*	*0.55*
20-yr gilt yield														
Upside risk	*0.20*	*0.25*	*0.25*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.32*
Arlingclose Central Case	1.90	1.95	1.95	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.98
Downside risk	*0.30*	*0.40*	*0.45*	*0.45*	*0.45*	*0.45*	*0.45*	*0.45*	*0.45*	*0.45*	*0.45*	*0.45*	*0.45*	*0.43*
50-yr gilt yield														
Upside risk	*0.20*	*0.25*	*0.25*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.35*	*0.32*
Arlingclose Central Case	1.80	1.85	1.85	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.88
Downside risk	*0.30*	*0.40*	*0.45*	*0.45*	*0.45*	*0.45*	*0.45*	*0.45*	*0.45*	*0.45*	*0.45*	*0.45*	*0.45*	*0.43*

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Annex B – Existing Investment & Debt Portfolio Position

	30/11/2018 Actual Portfolio £m	30/11/2018 Average Rate %
Treasury investments:		
Banks & building societies (unsecured)	2.2	0.40
Government (incl. local authorities)	2.0	0.75
Money Market Funds	0.0	0.00
Total treasury investments	4.2	
Total external borrowing	0.0	
Net investments	**4.2**	

Annex C – Minimum Revenue Provision Policy

Background

In instances whereby Local Authorities have a positive Capital Financing Requirement (CFR), Ministry of Housing, Communities and Local Government (MHCLG) Guidance requires them to adopt a prudent approach in order to fund the repayment of debt. This may be achieved by setting aside a minimum amount from revenue, known as the Minimum Revenue Provision (MRP). This means that the Council would be required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP).

MHCLG Regulations and Guidance have been issued which require the Full Council to approve **an MRP Statement** in advance of each year. Four options for prudent provision of the MRP are provided to councils, these being:

Option 1 – Regulatory Method

For debt which is supported by the Government through the Revenue Support Grant system, authorities may continue to use the formulae in the current regulations, since the Revenue Support Grant is calculated on that basis. Although the existing regulation 28 is revoked by regulation 4(1) of the 2008 Regulations, authorities will be able to calculate MRP as if it were still in force. Solely as a transitional measure, this option will also be available for all capital expenditure incurred prior to 1 April 2008.

Option 2 – Capital Financing Requirement Method

This is a technically much simpler alternative to Option 1 which may be used in relation to supported debt. While still based on the concept of the CFR, which is easily derived from the balance sheet, it avoids the complexities of the formulae in the old regulation 28 (though for most authorities it will probably result in a higher level of provision than Option 1).

Option 3 – Asset Life Method

For new borrowing under the Prudential system for which no Government support is being given and is therefore self-financed, there are two options included in the guidance.

Option 3 is to make provision over the estimated life of the asset for which the borrowing is undertaken. This is a possibly simpler alternative to the use of depreciation accounting (Option 4), though it has some similarities to that approach.

Within option 3, two methods are identified. The first of these, the equal instalment method, will normally generate a series of equal annual amounts over the estimated life of the asset. The original amount of expenditure ("A" in the formula) remains constant.

The cumulative total of the MRP made to date ("B" in the formula) will increase each year. The outstanding period of the estimated life of the asset ("C" in the formula) reduces by 1 each year.

For example, if the life of the asset is originally estimated at 25 years, then in the initial year when MRP is made, C will be equal to 25. In the second year, C will be equal to 24, and so on. The original estimate of the life is determined at the outset and should not be varied thereafter, even if in reality the condition of the asset has changed significantly

The formula allows an authority to make voluntary extra provision in any year. This will be reflected by an increase in amount B and will automatically ensure that in future years the amount of provision determined by the formula is reduced.

The alternative is the annuity method, which has the advantage of linking MRP to the flow of benefits from an asset where the benefits are expected to increase in later years. It may be particularly attractive in connection with projects promoting regeneration or administrative efficiencies or schemes where revenues will increase over time.

Option 4 – Depreciation Method

Alternatively, for new borrowing under the Prudential system for which no Government support is being given, Option 4 may be used.

This means making the MRP in accordance with the standard rules for depreciation accounting. A step in this direction was made in the last set of amendments to the MRP rules [SI 2007/573]. However, the move to reliance on guidance rather than regulations will make this approach more viable in future.

Authorities will normally need to follow the standard procedures for calculating depreciation provision. But the guidance identifies some necessary exceptions:

The MRP continues until the total provision made is equal to the original amount of the debt and may then cease.

If only part of the expenditure on the asset was financed by debt, the depreciation provision is proportionately reduced.

MRP 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 CFR and as such the need to set aside a MRP.

In accordance with the revised MHCLG 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.

MRP Policy – Other Capital Expenditure

Capital Financing Requirement (CFR)

The Council's CFR is currently positive. This means that there is a requirement to set aside a MRP for the redemption of debt. The Prudential Indicator for the CFR, shown at Table 1 in the Treasury Management Strategy, indicates that the CFR will become positive within 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, when this occurs.

Option for making MRP

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 (as detailed in 1.1 – option 3). The Council is permitted to apply either of these two further options to projects on a scheme by scheme basis.

It should be noted that MRP does not commence until the year following that in which the asset concerned became operational; however, voluntary MRP can be made at any given time if considered prudent.

Annex D – 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.
- *CFR* – the Capital Financing Requirement is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources.
- *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.
- *CPI* – a measure that examines the weighted average of prices of a basket of consumer goods and services. The Consumer Price Index is calculated by taking price changes for each item in the predetermined basket of goods/services and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.
- *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.
- *Depreciation* – the measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
- *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.
- *GDP* – Gross Domestic Product is the market value of all officially recognised final goods and services produced within a country in a given period of time.
- *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 of falls accordingly. The ‘yield’ on a gilt is the interest paid divided by the market value of that gilt.
- *IFRS (International Financial Reporting Standards)* – International accounting standards that govern the treatment and reporting of income and expenditure in an organisation’s accounts, which came fully into effect from 1 April 2010.
- *Impairment Charges* – a reduction in the value of a fixed asset below its carrying amount on the balance sheet.
- *Intangible Assets* – non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. Specifically purchased software licenses are included in this category of asset.
- *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.
- *MHCLG* – Ministry of Housing, Communities, and Local Government (formerly the Department for Communities and Local Government).
- *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.
- *MPC* – interest rates are set by the Bank of England's Monetary Policy Committee. The MPC sets an interest rate it judges will enable the inflation target to be met
- *MRP* – the Minimum Revenue Provision represents the revenue charge for the repayment of debt.
- *PWLB* – the Public Works Loan Board is a statutory board that is run within the UK Debt Management Office (DMO), its function is to lend money to Local Authorities and other prescribed bodies.
- *QE* – is a tool that central banks can use to inject money directly into the economy.
- *Section 151 Officer* – it is a legal requirement that councils must appoint a named accountant to give them financial advice. The accountant in question is usually a chief finance officer, director of finance or treasurer.
- *Supranational Bonds* – bonds issued by institutions such as the European Investment Bank.

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE COUNCIL

20 February 2019

1. CAPITAL STRATEGY 2019/29

Submitted by: **Executive Director – Resources and Support Services**

Portfolio: **Finance and Efficiency**

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

Purpose of the Report

To approve the Capital Strategy for 2019/29.

Recommendations

(a) That the Capital Strategy Report for 2019/29 be approved.

Reasons

The Council needs to have an approved Capital Strategy for 2019/29 in place before the start of the 2019/29 financial year.

1. **Background**

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.

2. **Issues**

2.1 The Capital Strategy for 2019/29 is attached at Appendix 1.

2.2 This Capital Strategy is a new strategy for 2019/29, meeting the requirements of statutory guidance issued by the government in January 2018

2.3 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.

2.4 This Strategy is part of several strategies including the Council's Investment Strategy and Treasury Management Strategy.

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 Capital projects are a major area of risk for the Council in that large amounts of money can be involved.

5.2 The overriding consideration is to safeguard the Council's capital. Within this constraint the aim is to maximise any return.

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, Capital Strategy Report 2019/29.

7. Background Papers

- Council's Treasury Management Strategy 2019/20;
- Council's Investment Strategy 2019/20;
- Local Government Act 2003; and
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

Capital Strategy
2019 to 2029

www.newcastle-staffs.gov.uk

Contents

Introduction

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.

The Council's current detailed capital investment plan is contained in its approved Capital Programme. A Capital Programme totalling £2,549,000 was approved for 2018/19 on 21 February 2018. Of this total £1,502,000 relates to the total cost of new schemes for 2018/19 together with £1,000,000 for schemes funded by external sources (Disabled Facilities Grants) and £47,000 brought forward from the original 2017/18 Capital Programme. In addition £332,630 slippage was incurred in 2017/18, resulting in a total Capital Programme of £2,881,630 for 2018/19. This takes account of slippage coming forward from 2017/18 and is summarised below, showing the constituent categories of projects:

Project Categories	**Planned Expenditure £m**
Improving Housing in the Borough	1.000
Investing in Community Facilities	0.195
Investing for the Future	0.294
Vehicles, Plant and Equipment	1.393
Total	2.882

Full Council will consider a capital programme to continue investment beyond 2018/19 on 20 February 2019.

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, 2017/18 to 2018/19. In 2018/19 this included only £1.502m of new projects funded from the Council's own resources.

Key Objectives and Priorities

The Council's Priorities contained in the Council Plan are:

Local Services that work for Local People
Growing our People and Places
A Healthy, Active and Safe Borough
A Town Centre for All

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.

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.

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.

A Capital Review Group is in place and chaired by the Executive Director of Resources and Support Services. This Group keeps the Council's capital investment strategy under continuous review, including the prioritisation of projects for inclusion in future capital investment programmes over the medium term. Regular reviews of the property portfolio will be carried out by the group to identify 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.

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.

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.

Factors Influencing the Capital Programme

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 below:

Links with Other Strategies, Policies and Plans

As well as the Council's 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
Stronger and Safer Communities Strategy

Other Strategies:
Asset Management Strategy
Investment Strategy
Medium Term Financial Strategy
Flexible Use of Capital Receipts Strategy
Service and Financial Plans
Procurement Strategy
North Staffs Green Spaces 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

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.

The Investment Strategy sets out the Council's policies and practices in relation to commercial investments, for example investments in property and will include information about any such proposals, including funding the expenditure and the effect upon the revenue budget. Expenditure relating to commercial investments will be capital and will be included in the capital programme.

The Medium Term Financial Strategy will take account of the revenue effect of capital investment.

The Flexible Use of Capital Receipts Strategy sets out the conditions and arrangements in place to flexibly use Capital Receipts for qualifying expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years.

Appraisal, procurement and management of capital projects needs to be carried out with regard to the objectives, methodologies the principles and practices set out in the Procurement Strategy.

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.

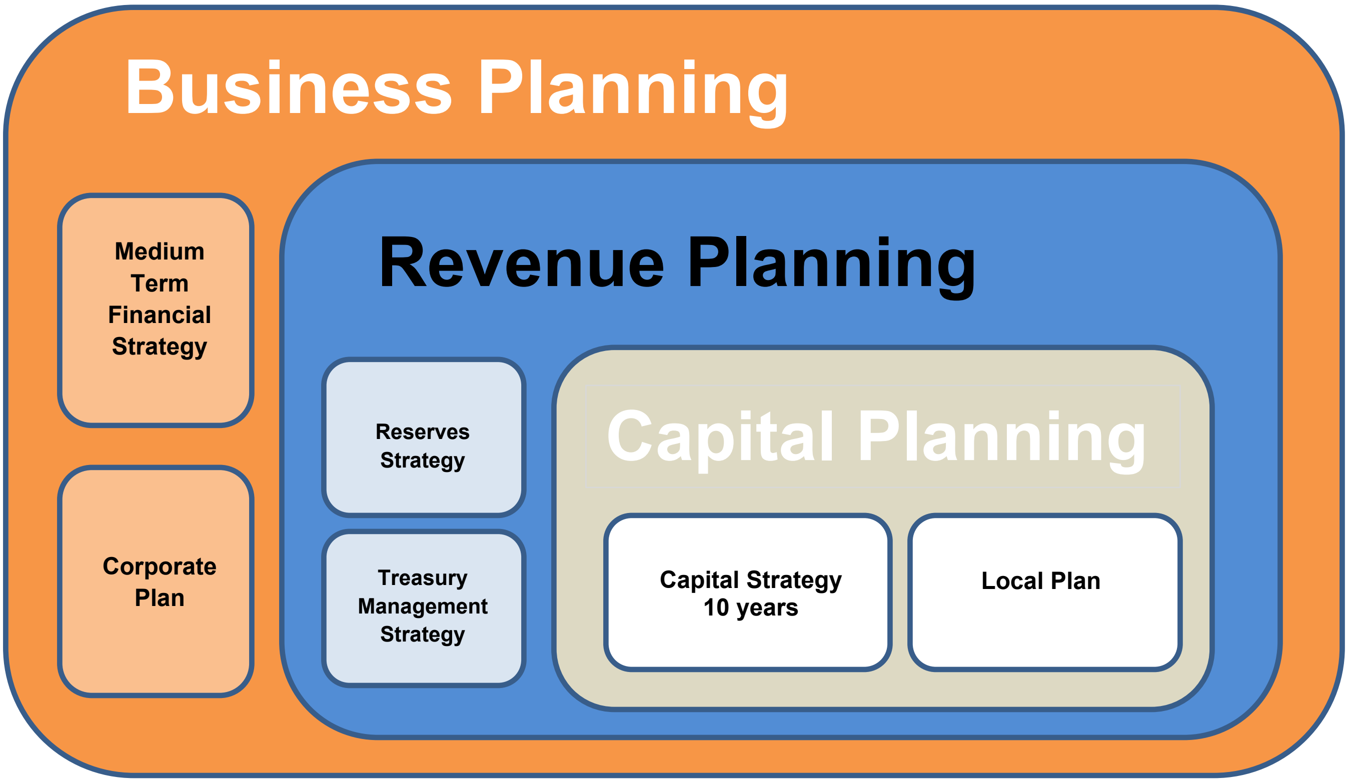
The Treasury Management Strategy needs to reflect planned capital spend, particularly with regard to setting limits for tying up money over the longer term and the limits relating to the amount of permitted borrowing.

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.

The Council plans to set up a Revolving Investment Fund to assist in the generation of capital receipts and help fund future capital investments. A revolving fund is a fund or account that remains available to finance an organisation’s continuing operations without any fiscal year limitation, because the organisation replenishes the fund by repaying money used from the account. The Council proposes to set up a fund to the value of £1m which will be used to fund projects which will have an investment return. There are many different project areas which this fund could be applied to such as:-

- Digital Delivery Programme
- Asset Disposal
- Economic Growth
- Housing Growth Programme

Simple Business Planning Model



External Influences, Partners and Consultation with Other Interested Parties

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

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, this 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 currently consists mainly of grant payments to partially meet the cost of disabled facilities grants payable to eligible applicants.

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.

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.

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.

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.

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.

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.

Regard will be given 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.

Wherever possible the principles of financial and environmental sustainability will be incorporated into any capital projects.

Resources Available to Finance Capital Investment

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.

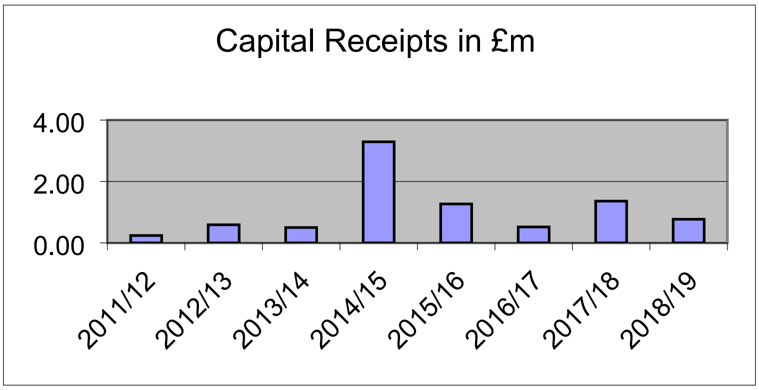
INTERNAL	**EXTERNAL**
Capital Receipts in Hand	Government Grants
Reserves	Other Grants, e.g. Heritage Lottery Fund
New Capital Receipts from Asset Sales	Contributions from Partners
Revenue Contributions	Other Contributions
	Borrowing

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

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 2018 was £2.2m. 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.

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 from historically high levels, both because of the present depressed property market and there being fewer potential purchasers as time goes by. Future sales income is projected to be in the range of £0.3m to £0.7m per annum.

Capital receipts from sales of land and property (including covenant release payments) have been relatively modest in recent times.



The Asset Management Strategy sets out expected sales over the next ten years. It is anticipated that receipts from sales will increase in the medium term, enabling some increase in financing of capital investment from this source. The Assets Review Group meets on a bi-monthly basis and is responsible for the formulation of strategies in respect of income generation relating to asset disposals.

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 2018 was £0.067m. This balance is fully committed to financing projects included in the current ICT Development Programme plus certain ongoing revenue costs. Accordingly, the revenue budget provides for an annual contribution of £0.05m to be made to the Fund in order to replenish it. There are no other reserves currently available to finance capital investment.

The use of capital receipts and reserves to finance new capital projects has an effect upon investment income receipts and hence the General Fund Revenue Account. At current investment interest rates of around 0.5%, every £100,000 of such capital receipts or reserve balances used will cost £500 to the revenue account on an ongoing basis. The use of capital receipts and reserves to finance the Capital Programme 2017/18 to 2018/19 was taken account of in the Medium Term Financial Strategy and in the 2018/19 Revenue Budget. Any receipts generated from the sale of assets will be invested until they are required to finance capital expenditure.

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.

Wherever possible and appropriate, funding will be sought towards the cost of capital projects from external parties. These will include property developers, central government and government agencies, 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.

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.

The Council is presently debt free, having no long term loans outstanding. Its current policy, expressed in its Treasury Management Strategy for 2018/19, approved by Council on 21 February 2018, is:

"Previously borrowing has not been used to fund the capital programme because the Council has had sufficient reserves and useable capital receipts to finance capital expenditure. There will be a requirement to fund some capital expenditure by means of borrowing during the interim period before a permanent means of finance becomes available, for example whilst awaiting a capital receipt. 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 will be an adverse gap between expenditure and resources to finance it. This increases the likelihood of borrowing being used, particularly as an interim measure to bridge the gap between expenditure being incurred and funds from asset sales being realised."

The capital investment programme set out in Annex B will require a significant amount of borrowing if it is to be carried out in its entirety.

There is no intention to charge any capital investment directly to the General Fund Revenue Account.

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.

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. She 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.

The need to have available liquid funds to be used to pay for capital projects will be considered 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.

Revenue Implications

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.

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

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

Appraisal and Prioritisation of Investment Proposals

In accordance with the Council's Financial Regulations proposals for new capital investment estimated to cost more than £20,000 will be subject to an appraisal process, whereby a business case will be made out for the proposal, considering its contribution towards meeting corporate objectives and service priorities, its outputs and milestones, its cost and sources of 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 considered 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 will only 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.

It is intended to develop the project prioritisation process further during 2019/20 in order to provide a robust, transparent and impartial basis for determining the relative merits of individual projects proposed for inclusion in the capital programme. 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.

A Risk Assessment, in the approved corporate format, will be completed for capital projects over £20,000.

Monitoring Arrangements and Project Management

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.

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.

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

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.

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

Statutory Framework

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.

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.

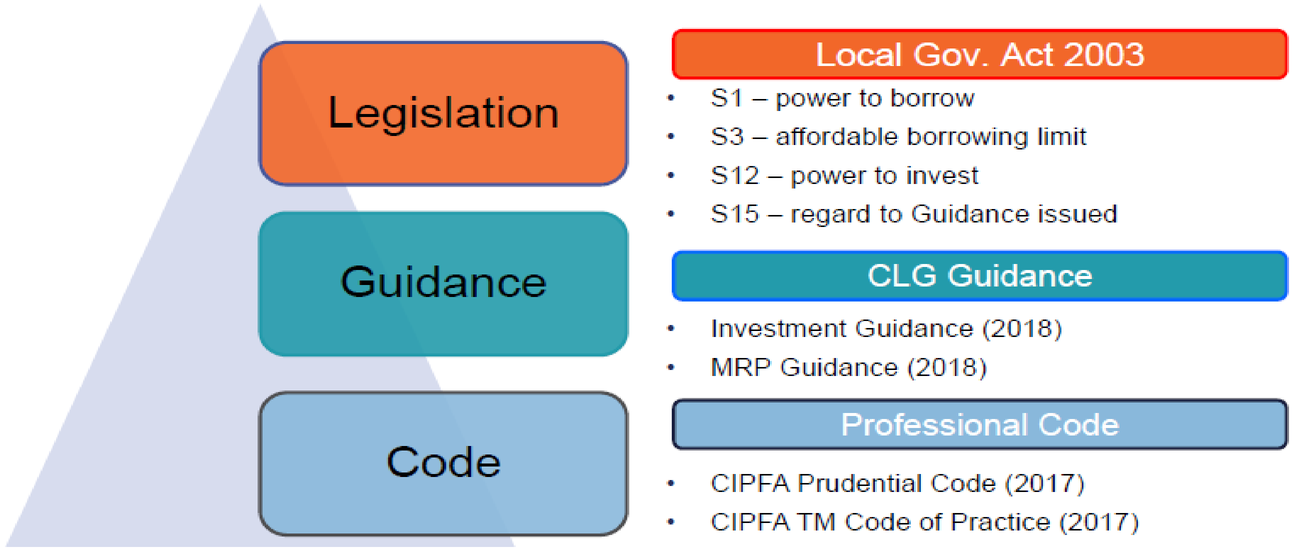
It should be noted that the Act and Regulations are framed in a permissive way, allowing local authorities to capitalise expenditure which fits the definition but not forcing them to capitalise such expenditure. The Council will decide, therefore, whether to include a project meeting the capital definition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

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.

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.

The Council will consider the flexible use of capital receipts as announced by the Chancellor of the Exchequer in the 2015 Spending Review. The government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects to allow local authorities to deliver more efficient and sustainable services. The Flexible Use of Capital Receipts Strategy provide further details.

Legal and Regulatory Requirements



Prudential Indicators

The Council shall ensure that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so it will take into account its arrangements for the repayment of debt and consideration of risk and the impact, and potential impact, on the Council's overall fiscal sustainability. The Council's prudential indicators are as follows:-

- Estimates of capital expenditure

  The Council will make reasonable estimates of the total of capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years.

- Actual capital expenditure

  After the year end, the actual capital expenditure incurred during the financial year will be recorded.

- Estimates of capital financing requirement

  The Council will make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years.

- Actual capital financing requirement

  After the year end, the actual capital financing requirement will be calculated directly from the Council's balance sheet.

- Ratio of financing costs to net revenue streams

  This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

- Authorised limit on external borrowing

  The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

- Operational boundary for external debt

  This indicator refers to the means by which the authority manages its external debt to ensure it remains within the statutory authorised limit. It differs from the authorised limit in as far as it is based on the most likely scenario, in terms of capital spend and financing during the year.

- Gross debt and capital financing requirement

  This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

  Where the gross debt is greater than the capital financing requirement the reasons for this should be clearly stated in the annual treasury management strategy.

Procurement

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

Where estimated project contract costs exceed the relevant statutory threshold, the appropriate EU or other tendering procedures will be followed.

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.

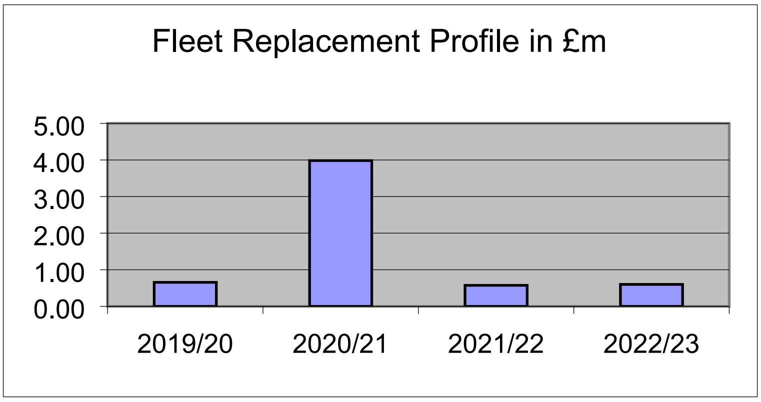
The achievement of Value for Money will be a guiding principle in the procurement of capital works and services and in managing contracts.

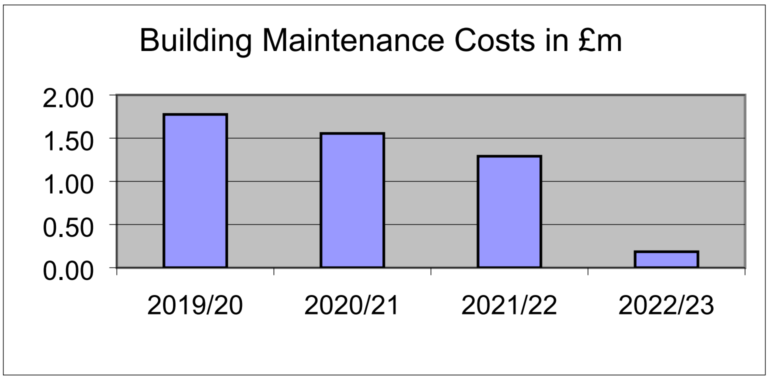
Future Capital Programme

Capital investment needs have been assessed over a ten year period (2019/20 to 2028/29) and are set out in Annex B.

During this period, 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.

The following charts illustrate the scale of expenditure which the Council will 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; periodic stock condition surveys will inform any decisions in this regard. Additionally, some properties may be deemed surplus to operational requirements and eligible for disposal in their current condition.

In addition to the essential works outlined above, there are significant amounts of expenditure which need to be incurred:

- in respect of the commercial portfolio in order to keep properties in a state of repair such as to continue to obtain a reasonable rental income
- to maintain various engineering structures such as walls, bridges, drains, and reservoirs to ensure safety to the public

- to enable agreed actions in relation to approved policies and strategies to be progressed and to meet other Council commitments

Over the period 2019/20 to 2028/29 it is estimated that £8.2m (commercial properties), £2.4m (engineering structures) and £67.8m (in respect of policy and strategy commitments or similar) need to be spent.

Funding will depend on capital receipts from asset sales. Reports concerning proposed asset sales were considered and recommendations approved by the Cabinet on 19 September 2018. There will be insufficient capital receipts arising from these planned sales to meet all of the costs of the investment programme. Accordingly, it is estimated that around £18.54m of expenditure will have to be funded from borrowing over the ten year period. There will be a consequent cost to the revenue budget which will have to be included in the MTFS projections. Based on the expenditure shown in Annex B and forecasts of the amount and timing of receipts and current capital financing costs, the additional costs to the revenue budget will be around £5.90m in total with the costs in each year 2019/20 to 2028/29 being as shown below.

	£m
2019/20	0.00
2020/21	0.00
2021/22	0.00
2022/23	0.05
2023/24	0.46
2024/25	0.88
2025/26	1.00
2026/27	1.00
2027/28	1.00
2028/29	1.02
Total	5.41

A capital programme for 2019/20 to 2021/22 totalling £18.99m will be recommended to Full Council on 20 February 2019, consistent with the detail shown in Annex B.

Funding for 2019/20 expenditure is likely to be available 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 only includes affordable projects.

As described earlier, current estimates of the amount required to be invested in projects to ensure continued service delivery and meet commitments 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. If forecast receipts from 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.

It is not intended to borrow to fund the 2019/20 programme, provided forecast sales occur and realise the projected capital receipts however it is anticipated that prudential borrowing will be required to fund the capital projects in 2020/21 and 2021/22.

Annexes

Annex A

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

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

Expenditure that should be capitalised will include expenditure on the:

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

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

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

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

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

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

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

Annex B

2019/20 to 2028/29 Capital Programme

CAPITAL PROJECTS	2019/20 to 2028/29 Proposed Programme										
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**TOTAL**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
PRIORITY - Local Services that work for Local People											
Service Area - Council Modernisation	195,000	320,000	486,000	90,000	102,000	15,000	528,000	40,000	29,000	15,000	1,820,000
Total	**195,000**	**320,000**	**486,000**	**90,000**	**102,000**	**15,000**	**528,000**	**40,000**	**29,000**	**15,000**	**1,820,000**
PRIORITY - Growing our People and Places											
Service Area - Housing Improvements	1,075,000	1,080,000	1,130,000	2,565,000	3,125,000	3,175,000	4,275,000	4,475,000	6,500,000	7,125,000	34,525,000
Service Area - Managing Property & Assets	437,456	82,359	101,500	410,846	14,922	2,135	2,804	0	216,174	273,525	1,541,721
Total	**1,512,456**	**1,162,359**	**1,231,500**	**2,975,846**	**3,139,922**	**3,177,135**	**4,277,804**	**4,475,000**	**6,716,174**	**7,398,525**	**36,066,721**
PRIORITY - A Healthy, Active and Safe Borough											
Service Area - Environmental Health	0	10,000	0	0	60,000	0	12,000	0	0	0	82,000
Service Area – Streetscene/Bereavement	355,000	470,600	945,600	1,240,600	990,600	735,600	220,600	165,600	95,600	55,600	5,275,400
Service Area - Recycling and Fleet	666,000	3,983,000	573,500	600,000	600,000	1,420,000	700,000	600,000	2,385,000	600,000	12,127,500
Service Area - Leisure	546,000	681,000	331,000	1,187,000	2,017,000	7,017,000	650,000	0	0	0	12,429,000
Service Area - Museum	30,000	140,000	240,000	40,000	0	0	0	0	0	0	450,000
Service Area - Managing Property & Assets	387,463	49,035	40,456	273,403	220,498	89,622	819,395	215,754	219,340	329,716	2,644,682
Service Area - Engineering	172,215	15,873	170,193	806,287	1,287,105	0	0	0	0	0	2,451,672
Total	**2,156,678**	**5,349,508**	**2,300,749**	**4,147,290**	**5,175,202**	**9,262,222**	**2,401,995**	**981,354**	**2,699,940**	**985,316**	**35,460,255**
PRIORITY - A Town Centre for All											
Service Area - Managing Property & Assets	652,165	1,519,428	1,106,383	77,126	179,250	16,800	140,920	155,198	161,229	61,777	4,070,275
Total	**652,165**	**1,519,428**	**1,106,383**	**77,126**	**179,250**	**16,800**	**140,920**	**155,198**	**161,229**	**61,777**	**4,070,275**
CONTINGENCY	1,000,000	0	0	0	0	0	0	0	0	0	**1,000,000**
TOTAL	**5,516,298**	**8,351,295**	**5,124,631**	**7,290,262**	**8,596,374**	**12,471,157**	**7,348,719**	**5,651,552**	**9,606,343**	**8,460,619**	**78,417,251**
FUNDING											
Capital Receipts	3,508,298	3,927,295	1,836,132	500,000	500,000	8,000,000	6,273,719	4,596,552	8,562,343	5,067,387	**42,771,726**
External Contributions	1,335,000	2,065,000	2,765,000	1,015,000	1,025,000	1,015,000	1,025,000	1,015,000	1,015,000	1,025,000	**13,300,000**
ICT Development Fund	117,000	50,000	50,000	50,000	50,000	15,000	50,000	40,000	29,000	15,000	**466,000**
Leasing of Vehicles	556,000	2,309,000	473,500								**3,338,500**
Borrowing				5,725,262	7,021,374	3,441,157				2,353,232	**18,541,026**
TOTAL	**5,516,298**	**8,351,295**	**5,124,632**	**7,290,262**	**8,596,374**	**12,471,157**	**7,348,719**	**5,651,552**	**9,606,343**	**8,460,619**	**78,417,252**

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE COUNCIL

20 February 2019

1. PUBLICATION OF A PAY POLICY STATEMENT FOR 2019/20

Submitted by: **Executive Director – Resources and Support Services**

Portfolio: **Corporate and Service Improvement / People and Partnerships**

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 2019.

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 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 seven 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 2019/20 based on the same format used for the last seven years, as set out at Appendix A, with a view to this being published on the council's website by 31 March 2019. 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 Employers 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 2019/20 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 2019.

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
Council 26 February 2014 – Item 9
Approval of 2014/15 Pay Policy Statement
Council 25 February 2015 – Item 8
Approval of 2015/16 Pay Policy Statement
Council 24 February 2016 – Item 6

Approval of 2016/17 Pay Policy Statement
Council 22 February 2017 – Item 9
Approval of 2017/18 Pay Policy Statement
Council 21 February 2018 – Item 7
Approval of 2018/19 Pay Policy Statement

14. **List of Appendices**

Appendix A – Pay Policy Statement 2019/20
Appendix I – Salary Scales from 01.04.2018
Appendix ii - Additions to Salary of Chief Officers
Appendix iii - Flexible Retirement for Members of the Local Government Pension Scheme

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.

Newcastle-under-Lyme Borough Council

Pay Policy Statement – 2019/20

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 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 the 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 by 2% on 1st April 2018.

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 (i.e., 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 2018;

National Joint Council (JNC) Chief Officers

a) Chief Executive (Head of the Paid Service) *(statutory)*
The salary of the post is £103,775. This is a spot salary. There is no incremental point range.

b) Executive Directors – 3 posts as follows:
   i. Executive Director – Resources and Support Services (Section 151 Officer) *(statutory)*
   ii. Executive Director – Operational Services *(non-statutory)*
   iii. Executive Director – Regeneration and Development *(non-statutory)* (post currently vacant)

The salaries of posts designated as Executive Directors fall within a range of 4 incremental points between £83,567 rising to a maximum of £89,143.

c) Deputy Chief Officers

Head of Service (Band 1) – 7 posts as follows:
   i. Head of Customer and ICT Services (post currently vacant)
   ii. Head of Leisure and Cultural Services
   iii. Head of Operations
   iv. Head of Planning and Development

v. Head of Recycling, Waste and Fleet Services
vi. Head of Housing, Regeneration and Assets Services
vii. Head of Environmental Health Services

The salaries of Band 1 posts fall within a range of 5 incremental points between £52,593 rising to a maximum of £58,449.

Head of Service (Band 2) – 5 posts as follows:
i. Head of Audit and Elections (Monitoring Officer) (*statutory*) (post currently vacant)
ii. Head of Finance (post vacant from 28/2/2019)
iii. Head of Human Resources (post currently vacant)
iv. Head of Revenues and Benefits (post currently vacant)
v. Head of Communications

The salaries of Band 2 posts fall within a range of 5 incremental points between £48,365 rising to a maximum of £52,564.

d) Grade 12 - 2 posts as follows:
i. Principal Solicitor
ii. Partnerships Manager

The salaries of Grade 12 posts fall within a range of 4 incremental posts between £38,052 rising to a maximum of £40,858.

d) Grade 11 - 1 post as follows:
i. Business Improvement Manager

The salaries of Grade 11 posts fall within a range of 4 incremental posts between £34,106 rising to a maximum of £37,107.

The pay spines for JNC chief officers and NJC employees increased by 2% on 1st April 2018.

Recruitment of Chief Officers

The council's Chief Officer Appointment, Review and Appeals Committee are 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's interim Executive Director - Resources and Support Services is engaged under such an arrangement.

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 council's 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, alongside data required under the Transparency Code 2014. 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. The lowest paid employee will be paid at the Living Wage hourly rate of £9.00 which equates to a full-time equivalent salary of £17,364.

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 1:5.98 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 1:4.11, and; between the median (average) full time equivalent earnings and average chief officer as 1:2.29.

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: 11 February 2019

SALARY SCALES FROM 01.04.2018

Grade	Spinal Column Point	Spinal Column £ Salary Point	Grade	Spinal Column Point	Spinal Column £ Salary Point	Grade	Spinal Column Point	Spinal Column £ Salary Point
Grade 1	6	16,394	**Grade 6**	21	20,541	**Grade 11**	38	34,106
	7	16,495		22	21,074		39	35,229
	8	16,626		23	21,693		40	36,153
				24	22,401		41	37,107
Grade 2	6	16,394		25	23,111			
	7	16,495				**Grade 12**	42	38,052
	8	16,626	**Grade 7**	25	23,111		43	39,002
	9	16,755		26	23,866		44	39,961
				27	24,657		45	40,858
Grade 3	10	16,863		28	25,463			
	11	17,007				**Grade 13**	46	41,846
	12	17,173	**Grade 8**	29	26,470		47	42,806
	13	17,391		30	27,358		48	43,757
				31	28,221		49	44,697
Grade 4	13	17,391		32	29,055		50	45,645
	14	17,681						
	15	17,972	**Grade 9**	32	29,055	**Grade 14**	49	44,697
	16	18,319		33	29,909		50	45,645
	17	18,672		34	30,756		51	46,618
				35	31,401		52	47,613
Grade 5	16	18,319						
	17	18,672	**Grade 10**	35	31,401			
	18	18,870		36	32,233			
	19	19,446		37	33,136			
	20	19,819		38	34,106			
	21	20,541						

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 is £2,750 per annum which has been reduced as follows:

Employee Grade	% Subsidy Reduction
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)

Five 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 who are still in receipt of the subsidy is 11 pence per mile. The rate paid to those who do not receive the subsidy is 55 pence per mile (inside the Borough), 43.3 pence per mile (outside the Borough).

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)
Reviewed January 2015	-	No changes